



Results 4Q20

PBG S.A.

Press Release 4Q20

December 31, 2020

Stock Price (12/31/2020)

PTBL3 – R\$ 6,76 | ações

Market Value (12/31/2020)

R\$ 1,044.6 Billions

U\$\$ 201,0 Millions

Quantity of shares (12/31/2020)

Common: 158,488,517

Treasury: 3,959,156

Free Float = 45,8%

Investor Relations

Ronei Gomes

VP of Finance and Investor Relations

Gladimir Brzezinski

Controller and Investor Relations Manager

dri@portobello.com.br

<http://ri.portobello.com.br/>



PBG S.A and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais - R\$, unless otherwise stated.

Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 12/31/2020
Paid-in capital	
Common	158,485
Preferred	0
Total	158,485
Treasury	
Common	3,959
Preferred	0
Total	0

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise stated.

Individual financial statements / Balance Sheet - Assets

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
1	Total Assets	1.935.793	1.828.301
1.01	Current Assets	823.115	812.427
1.01.01	Cash and Cash Equivalents	245.779	249.448
1.01.03	Accounts Receivable	261.227	222.856
1.01.03.01	Trade Receivables	261.227	222.856
1.01.04	Inventory	172.897	228.170
1.01.06	Recoverable Taxes	76.614	50.528
1.01.06.01	Current Taxes Recoverable	76.614	50.528
1.01.07	Prepaid Expenses	1.375	2.722
1.01.08	Others Current Assets	65.223	58.703
1.01.08.03	Other	65.223	58.703
1.01.08.03.01	Dividends Receivable	4.678	9.594
1.01.08.03.02	Advance to Suppliers	53.023	37.237
1.01.08.03.03	Receivables from other related parties	7.522	11.872
1.02	Non-Current Assets	1.112.678	1.015.874
1.02.01	Long-Term Assets	522.653	515.631
1.02.01.07	Deferred Taxes	37.807	21.839
1.02.01.07.01	Deferred Income and Social Contribution Taxes	37.807	21.839
1.02.01.09	Receivables from related parties	53.768	196.357
1.02.01.09.02	Subsidiaries Credits	53.768	95.422
1.02.01.09.04	Receivables from other related parties	-	100.935
1.02.01.10	Other Non-Current Assets	431.078	297.435
1.02.01.10.03	Judicial Deposits	156.296	152.477
1.02.01.10.04	Receivables - Eletrobras	87.402	-
1.02.01.10.05	Recoverable Taxes	12.821	12.821
1.02.01.10.06	Tax Asset	13.106	56.664
1.02.01.10.07	Actuarial Asset	105.305	37.865
1.02.01.10.08	Restricted investments	8.905	6.338
1.02.01.10.09	Lease Assets	13.317	7.552
1.02.01.10.10	Escrow deposit	18.977	12.916
1.02.01.10.11	Other	1.995	-
1.02.01.10.12	Other	12.954	10.802
1.02.02	Investments	54.151	21.294
1.02.02.01	Ownership Interest	54.151	21.294
1.02.02.01.02	Interest in Subsidiaries	53.803	20.949
1.02.02.01.04	Other investments	348	345
1.02.03	Property, Plant and Equipment	522.817	470.080
1.02.04	Intangibles Assets	13.057	8.869

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Balance Sheet - Liabilities

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
2	Total Liabilities	1.935.793	1.828.301
2.01	Current Liabilities	668.993	574.501
2.01.01	Social and labor obligations	40.078	36.142
2.01.02	Suppliers	183.232	134.501
2.01.04	Loans and Financing	223.908	232.426
2.01.04.01	Loans and Financing	174.842	133.376
2.01.04.02	Debentures	49.066	99.050
2.01.05	Other Obligations	211.006	171.432
2.01.05.02	Other	211.006	171.432
2.01.05.02.01	Dividends and interest on equity	31.005	950
2.01.05.02.04	Credit granting from suppliers	66.418	58.710
2.01.05.02.05	Taxes payable in installments	9.290	11.455
2.01.05.02.06	Advances from customers	19.492	9.103
2.01.05.02.07	Payables for fixed asset and intangible	24.521	23.211
2.01.05.02.08	Lease Obligations	31.303	20.127
2.01.05.02.09	Income tax and social contribution	-	22.803
2.01.05.02.11	Lease Obligations	7.594	4.554
2.01.05.02.12	Derivatives	2.354	-
2.01.05.02.13	Other	19.029	20.519
2.01.06	Provisions	10.769	-
2.01.06.02	Other provisions	10.769	-
2.01.06.02.04	Provision for PPR	10.769	-
2.02	Non-current Liabilities	849.632	886.180
2.02.01	Loans and Financing	503.858	522.607
2.02.01.01	Loans and Financing	354.666	324.915
2.02.01.02	Debentures	149.192	197.692
2.02.02	Other Obligations	282.232	182.016
2.02.02.02	Other	282.232	182.016
2.02.02.02.03	Suppliers	144.021	124.754
2.02.02.02.04	Payables for fixed asset and intangible	25.700	-
2.02.02.02.05	Taxes payable in installments	34.416	43.518
2.02.02.02.06	Debts with Related Parties	56.330	-
2.02.02.02.07	Lease Obligations	12.879	7.271
2.02.02.02.08	Other	8.886	6.473
2.02.04	Provisions	63.542	181.557
2.02.04.01	Civil and Labor and Social Security Tax Provisions	63.542	120.200
2.02.04.02	Other Provisions	-	61.357
2.02.04.02.04	Provision for subsidiaries' deficiency in net assets	-	61.357
2.03	Shareholders' Equity	417.168	367.620
2.03.01	Capital	200.000	200.000
2.03.02	Capital reserves	- 14.095	-
2.03.02.05	Treasury shares	- 14.095	-
2.03.04	Profit Reserves	250.941	184.036
2.03.06	Equity valuation adjustments	- 50.125	- 22.224
2.03.08	Other comprehensive income	30.447	5.808
2.03.08.01	Additional dividend	30.447	5.808

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
 In thousands of Brazilian reais, unless otherwise stated.

Individual financial statements / Balance Sheet - Statements of Income

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
3.01	Income from sales of goods and/or services	1.156.715	986.059
3.02	Cost of goods and/or services sold	- 845.980	- 739.751
3.03	Gross income	310.735	246.308
3.04	Operating expenses/income	- 215.390	- 185.276
3.04.01	Sales expenses	- 223.424	- 219.832
3.04.02	General and administrative expenses	- 43.725	- 39.308
3.04.04	Other operating income	4.961	58.624
3.04.06	Equity income	46.798	15.240
3.05	Income (loss) before financial income and taxes	95.345	61.032
3.06	Financial income (loss)	- 28.846	- 72.395
3.06.01	Financial income	43.735	16.067
3.06.02	Financial expenses	- 72.581	- 88.462
3.07	Income (loss) before income tax	66.499	- 11.363
3.08	Income and social contribution taxes	61.701	24.491
3.08.01	Current	- 7.386	-
3.08.02	Deferred	69.087	24.491
3.09	Net income (loss) of continued operations	128.200	13.128
3.11	Net Income/loss for the period	128.200	13.128

Individual financial statements / Balance Sheet - Statements of comprehensive income

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
4.01	Net Income for the Period	128.200	13.128
4.02	Attributed to Controlling Shareholders	- 26.718	- 7.188
4.03	Attributed to Non-Controlling Interests	101.482	5.940

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020

In thousands of Brazilian reais, unless otherwise stated.

Individual financial statements / Statements of cash flows - Indirect method

Account Code	Account Description	Current	Previous
		period 12/31/2020	year 12/31/2019
6.01	Net cash from operating activities	269.919	142.506
6.01.01	Cash provided by operating activities	168.420	317.773
6.01.01.01	Income (loss) before income tax	66.500 -	11.363
6.01.01.02	Depreciation and amortization	53.740	43.007
6.01.01.03	Equity income or loss	46.798 -	15.240
6.01.01.04	Unrealized exchange variation	40.775 -	8.988
6.01.01.05	Provision for valuation of inventories at market value	- 8.861	5.275
6.01.01.06	Provision for impairment of trade receivables	- 593	4.557
6.01.01.07	Provisions for civil, labor, pension and taxes	- 56.658 -	19.375
6.01.01.08	Provisions for social and labor obligations	- 1.294 -	3.190
6.01.01.09	Provision for profit sharing and long-term incentive	10.769 -	1.426
6.01.01.10	Other provisions	- 1.591	423
6.01.01.11	Tax assets	- 67.440	279.641
6.01.01.12	Monetary adjustment of receivables from other related parties	- 4.166 -	2.994
6.01.01.13	Monetary adjustment of financial charges with taxes in installments	343	-
6.01.01.14	Accrued interest on loans and debentures	45.712	39.785
6.01.01.17	Interest and adjustment to present value on lease	- 896 -	705
6.01.01.18	Receivables from related parties - Plaintiff supplementary tranche - market value	45.061	-
6.01.01.19	Other	221	8.366
6.01.02	Changes in assets and liabilities	147.029 -	122.995
6.01.02.01	Accounts Receivable	- 37.778 -	26.958
6.01.02.02	Inventory	64.133 -	26.623
6.01.02.03	Judicial Deposits	- 3.819 -	35.528
6.01.02.04	Recoverable Taxes	- 7.585 -	93.357
6.01.02.05	Restricted investments	- 5.765 -	301
6.01.02.06	Other assets	5.717 -	10.786
6.01.02.08	Accounts Payable	75.706	58.741
6.01.02.09	Advance to Suppliers	4.916 -	5.482
6.01.02.10	Provision for impairment of trade receivables	8.300 -	19.375
6.01.02.11	Installments	- 1.310	5.882
6.01.02.12	Installments	- 11.610 -	8.957
6.01.02.13	Tax and labor obligations	44.045	425
6.01.02.14	Payables to related parties	99.148	70.583
6.01.02.15	Payables to related parties	- 79.133	-
6.01.02.16	Payable to related parties - Plaintiff supplementary tranche	4.162	-
6.01.02.17	Other trade payables	- 12.098 -	31.259
6.01.03	Other	- 45.530 -	52.272
6.01.03.01	Interest paid	- 37.909 -	52.272
6.01.03.02	Income Tax and Social Contribution Paid	- 7.621	-
6.02	Net cash used in investing activities	- 214.504 -	80.179
6.02.01	Acquisition of property, plant and equipment	- 92.453 -	66.846
6.02.02	Acquisition of intangible assets	- 7.189 -	3.737
6.02.03	Dividends received	25.405	29.904
6.02.04	Receivables from related parties	-	517
6.02.05	Capital contribution in subsidiaries	- 126.172 -	40.017
6.02.06	Dividends received	- 14.095	-
6.03	Net cash provided by (used in) financing activities	- 59.084	119.541
6.03.01	Loans and financing and debentures	171.021	272.651
6.03.02	Payments of loans and financing	- 217.769 -	120.983
6.03.03	Dividends paid	- 5.808 -	28.551
6.03.04	Lease amortization	- 6.528 -	3.576
6.05	Increase/(decrease) in cash and cash equivalents	- 3.669	181.868
6.05.01	Opening balance of cash and cash equivalents	249.448	67.580
6.05.02	Closing balance of cash and cash equivalents	245.779	249.448

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statements of changes in shareholders equity / DMPL - 01/01/2020 - 09/30/2020

Account Code	Account Description	Capital	Capital Reserves, Options Awarded and Treasury Shares	Earnings reserve	Profits (losses) accumulated	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	200.000	-	189.844	- -	22.224	367.620
5.03	Adjusted Opening Balances	200.000	-	189.844	- -	22.224	367.620
5.04	Capital Transactions with Partners	- -	14.095	23.055 -	60.894	- -	50.350
5.04.01	Capital Increase	-	-	-	-	-	-
5.04.04	Treasury shares acquired	- -	14.095	-	-	- -	14.095
5.04.05	Treasury shares acquired	-	-	-	-	-	-
5.04.06	Dividends	-	-	24.639 -	60.894	- -	36.255
5.04.07	Interest on equity	-	- -	1.584	-	-	-
5.05	Total Comprehensive Income	-	-	-	128.200 -	26.718	99.898
5.05.01	Net Income for the Period	-	-	-	128.200	-	128.200
5.05.02	Other Comprehensive Income	-	-	-	- -	26.718 -	28.302
5.05.02.04	Foreign exchange variation of subsidiary located abroad	-	-	-	-	-	-
5.06	Internal changes in shareholders' equity	-	-	68.489 -	67.306 -	1.183	-
5.06.01	Reserve is constituted	-	-	42.044 -	42.044	-	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	1.183 -	1.183	-
5.06.04	Tax incentive reserve	-	-	26.445 -	26.445	-	-
5.07	Closing Balances	200.000 -	14.095	281.388	- -	50.125	417.168

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statements of changes in shareholders equity / DMPL - 01/01/2019 - 09/30/2019

Account Code	Account Description	Capital	Capital Reserves, Options Awarded and Treasury Shares	Earnings reserve	Profits (losses) accumulated	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	140.000,00	-	235.960,00	-	-	362.108,00
5.03	Adjusted Opening Balances	140.000,00	-	235.960,00	-	-	362.108,00
5.04	Capital Transactions with Partners	60.000,00	-	54.192,00	-	6.236,00	428,00
5.04.01	Capital Increase	60.000,00	-	60.000,00	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-
5.04.05	Treasury shares acquired	-	-	-	-	-	-
5.04.06	Dividends	-	-	5.808,00	-	6.236,00	428,00
5.04.07	Interest on equity	-	-	-	-	-	-
5.05	Total Comprehensive Income	-	-	-	13.128,00	-	5.940,00
5.05.01	Net Income for the Period	-	-	-	13.128,00	-	13.128,00
5.05.02	Other Comprehensive Income	-	-	-	-	-	7.188,00
5.05.02.04	Foreign exchange variation of subsidiary located abroad	-	-	-	-	-	-
5.06	Internal changes in shareholders' equity	-	-	8.076,00	-	6.892,00	-
5.06.01	Reserve is constituted	-	-	8.076,00	-	8.076,00	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	1.184,00	-	-
5.07	Closing Balances	200.000,00	-	189.844,00	-	-	367.620,00

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise stated.

Individual financial statements / Statements of added value

Account Code	Account Description	Current	Previous
		Period 01/01/2020 to 12/31/2020	Period 01/01/2019 to 12/31/2019
7.01	Revenues	1.507.705	1.277.412
7.01.01	Sales of goods, products and services	1.417.500	1.215.561
7.01.02	Other revenues	93.005	66.408
7.01.04	Reversal/Allowance for doubtful accounts	- 2.800	- 4.557
7.02	Inputs acquired from third-parties	- 836.922	- 665.808
7.02.01	Cost of products, goods and services sold	- 596.867	- 503.142
7.02.02	Materials, energy, third party services and other	- 242.395	- 166.314
7.02.03	Loss/Recovery of assets	2.340	3.648
7.03	Gross value added	670.783	611.604
7.04	Retentions	- 47.217	- 43.769
7.04.01	Depreciation and amortization	- 47.217	- 43.769
7.05	Net value added produced	623.566	567.835
7.06	Value added received in transfer	129.059	53.343
7.06.01	Equity income	46.798	15.240
7.06.02	Financial income	82.261	38.103
7.07	Total value added to be distributed	752.625	621.178
7.08	Distribution of value added	752.625	621.178
7.08.01	Personnel	253.475	234.559
7.08.01.01	Direct remuneration	211.382	194.491
7.08.01.02	Benefits	24.647	23.883
7.08.01.03	Government Severance Indemnity Fund for Employee (FGTS)	17.446	16.185
7.08.02	Taxes, fees and contributions	246.529	250.333
7.08.02.01	Federal	64.731	92.035
7.08.02.02	State	181.103	157.609
7.08.02.03	Municipal	695	689
7.08.03	Remuneration of third party capital	124.421	123.158
7.08.03.01	Interest	110.775	110.498
7.08.03.02	Rentals	13.646	12.660
7.08.04	Remuneration of own capital	128.200	13.128
7.08.04.03	Retained earnings	128.200	13.128

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise stated.

Consolidated financial Statements / Balance Sheet - Assets

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
1	Total assets	2.034.288	1.836.292
1.01	Current assets	916.703	854.556
1.01.03	Accounts receivables	289.090	251.773
1.01.03.01	Trade receivables	289.090	251.773
1.01.04	Inventory	204.562	243.413
1.01.06	Taxes to recover	77.822	52.172
1.01.06.01	Current taxes recoverable	77.822	-
1.01.07	Prepaid expenses	4.164	3.487
1.01.08	Other Current Assets	14.740	28.333
1.01.08.03	Others	14.740	28.333
1.01.08.03.01	Advance to suppliers	6.706	13.332
1.01.08.03.02	Others	8.034	15.001
1.02	Non-current assets	1.117.585	981.736
1.02.01	Long-term assets	535.888	471.033
1.02.01.07	Deferred taxes	37.713	26.191
1.02.01.07.01	Income Tax and Social Contribution Deferred	37.713	26.191
1.02.01.09	Credits Related Party	-	100.936
1.02.01.09.04	Other Receivables from Related Parties	-	100.936
1.02.01.10	Other Non-current Assets	498.175	343.906
1.02.01.10.03	Judicial deposits	156.324	152.492
1.02.01.10.04	Escrow deposit	87.402	-
1.02.01.10.05	Receivables - Eletrobras	12.821	12.821
1.02.01.10.06	Taxes to recover	13.276	56.902
1.02.01.10.07	Judicial assets	119.651	37.865
1.02.01.10.08	Actuarial assets	8.905	6.338
1.02.01.10.09	Restricted investments	13.317	7.552
1.02.01.10.10	Lease asset	71.391	58.843
1.02.01.10.11	Derivatives	1.995	-
1.02.01.10.12	Others	13.093	11.093
1.02.02	Investments	348	345
1.02.03	Property, Plant and Equipment	552.876	487.966
1.02.04	Intangibles Assets	28.473	22.392

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020

In thousands of Brazilian reais, unless otherwise stated.

Consolidated financial Statements / Balance Sheet - Liabilities

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
2	Total Liabilities	2.034.288	1.836.292
2.01	Current Liabilities	740.620	613.724
2.01.01	Social and labor obligations	46.499	41.882
2.01.02	Suppliers	194.929	146.685
2.01.03	Tax Obligations	2.997	2.083
2.01.03.01	Federal tax obligations	2.997	2.083
2.01.03.01.01	Income and social contribution tax payable	2.997	2.083
2.01.04	Loans and Financing	223.908	233.769
2.01.04.01	Loans and Financing	174.842	134.719
2.01.04.02	Debentures	49.066	99.050
2.01.05	Other Obligations	261.518	189.305
2.01.05.02	Other	261.518	189.305
2.01.05.02.01	Dividends and interest on equity	31.079	982
2.01.05.02.04	Credit granting from suppliers	66.418	58.710
2.01.05.02.05	Taxes payable in installments	9.354	11.765
2.01.05.02.06	Taxes, fees and contributions	21.443	10.580
2.01.05.02.07	Advances from customers	43.825	23.854
2.01.05.02.08	Payables for fixed asset and intangible	31.303	21.745
2.01.05.02.09	Payable to related parties	-	22.803
2.01.05.02.10	Lease Obligations	34.803	14.465
2.01.05.02.11	Derivatives	2.354	-
2.01.05.02.12	Other	20.939	24.401
2.01.06	Provisions	10.769	-
2.01.06.02	Other provisions	10.769	-
2.01.06.02.04	Provision for PPR	10.769	-
2.02	Non-current Liabilities	876.484	854.932
2.02.01	Loans and Financing	503.858	522.607
2.02.01.01	Loans and Financing	354.666	324.915
2.02.01.02	Debentures	149.192	197.692
2.02.02	Other Obligations	309.053	212.093
2.02.02.02	Other	309.053	212.093
2.02.02.02.03	Suppliers	144.021	124.754
2.02.02.02.04	Payables for fixed asset and intangible	25.700	-
2.02.02.02.05	Taxes payable in installments	34.653	43.815
2.02.02.02.06	Payable to related parties	56.326	-
2.02.02.02.07	Lease Obligations	38.379	25.066
2.02.02.02.08	Other	9.974	18.458
2.02.04	Provisions	63.573	120.232
2.02.04.01	Civil and Labor and Social Security Tax Provision	63.573	120.232
2.03	Shareholders' Equity	417.184	367.636
2.03.01	Capital	200.000	200.000
2.03.02	Capital reserves	- 14.095	-
2.03.02.04	Options granted	- 14.095	-
2.03.04	Profit Reserves	250.941	184.036
2.03.06	Equity valuation adjustments	- 50.125 -	22.224
2.03.08	Other comprehensive income	30.447	5.808
2.03.08.01	Additional dividend	30.447	5.808
2.03.09	Shareholders Non-controlling interests	16	16

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise stated.

Consolidated financial Statements / Statement of Income

Account Code	Account Description		Current period 12/31/2020		Previous year 12/31/2019
3.01	Income from sales of goods and/or services		1.331.780		1.114.269
3.02	Cost of goods and/or services sold	-	871.338	-	751.650
3.03	Gross income		460.442		362.619
3.04	Operating expenses/income	-	344.863	-	287.548
3.04.01	Sales expenses	-	319.148	-	306.437
3.04.02	General and administrative expenses	-	44.923	-	40.873
3.04.04	Other operating income		19.208		59.762
3.05	Income (loss) before financial income and taxes		115.579		75.071
3.06	Financial income (loss)	-	30.014	-	75.112
3.06.01	Financial income		47.948		16.459
3.06.02	Financial expenses	-	77.962	-	91.571
3.07	Income (loss) before income tax		85.565	-	41
3.08	Income and social contribution taxes		42.677		13.204
3.08.01	Current	-	21.962	-	11.286
3.08.02	Deferred		64.639		24.490
3.09	Net income (loss) of continued operations		128.242		13.163
3.11	Consolidated Net Income/loss for the period		128.242		13.163
3.11.01	Attributed to Controlling Shareholders		128.200		13.128
3.11.02	Attributed to Non-Controlling Interests		42		35

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise stated.

Consolidated financial Statements / Statement of Comprehensive Income

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
4.01	Consolidated Net Income/loss for the period	128.242	13.163
4.02	Other Comprehensive Income	- 26.718 -	7.188
4.03	Consolidates Comprehensive Income for the Period	101.524	5.975
4.03.01	Attributed to Controlling Shareholders	101.482	5.940
4.03.02	Attributed to Non-Controlling Interests	42	35

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial Statements / Statement of Cash Flow - Indirect method

Account Code	Account Description	Current period 12/31/2020	Previous year 12/31/2019
6.01	Net Cash Operating Activities	252.682	170.827
6.01.01	Funds From Operations	125.573	337.065
6.01.01.01	Profit for the period before taxes	85.565 -	41
6.01.01.02	Depreciation and amortization	62.021	54.785
6.01.01.03	Unrealized exchange variation	8.273 -	11.126
6.01.01.04	Provision for inventory valuation at market value	- 5.597	5.275
6.01.01.05	Allowance for doubtful accounts	4.039	4.333
6.01.01.06	Provisions civil, labor, and tax Previd	- 56.659 -	19.345
6.01.01.07	Provisions of social and labor obligations	- 1.371 -	3.239
6.01.01.08	Provision for profit sharing and long-term incentive	10.769 -	1.426
6.01.01.09	Other provisions	- 1.591	423
6.01.01.10	Judicial assets	- 98.041	279.641
6.01.01.11	Monetary adjustment of receivables from other related parties	- -	2.995
6.01.01.12	Monetary adjustment of financial charges with taxes in installments	401	-
6.01.01.13	Accrued interest on loans and debentures	41.753	39.836
6.01.01.16	Interest and adjustment to present value on lease	6.849 -	1.233
6.01.01.17	Dicount on credits received from related parties	69.584	-
6.01.01.18	Others	- 422 -	7.823
6.01.02	Changes in Assets and Liabilities	185.289 -	99.432
6.01.02.01	Accounts receivable	- 41.356 -	16.643
6.01.02.02	Inventory	44.448 -	34.897
6.01.02.03	Judicial deposits	- 3.832 -	35.512
6.01.02.04	Taxes to recover	17.976 -	93.207
6.01.02.05	Restricted investments	- 5.765 -	301
6.01.02.06	Other assets	6.462 -	11.922
6.01.02.08	Accounts payable	75.219	58.051
6.01.02.09	Advance to suppliers	6.626 -	5.947
6.01.02.10	Provisions civil, labor, and tax Previd	- -	19.375
6.01.02.11	Advances from customers	19.971	7.397
6.01.02.12	Installments	- 11.573 -	8.787
6.01.02.13	Tax obligations and labor	16.851 -	1.816
6.01.02.14	Increase / (decrease) in accounts payable investment	35.258	78.645
6.01.02.15	Debt with related parties	33.523	-
6.01.02.16	Payables to related parties - complementary active portion polo	- 4.162	-
6.01.02.17	Other accounts payable	- 4.716 -	15.118
6.01.02.18	Derivatives	359	-
6.01.03	Others	- 58.180 -	66.806
6.01.03.01	Interest paid	- 37.079 -	52.909
6.01.03.02	Income tax and social contribution paid	- 21.101 -	13.897
6.02	Net cash investing activities	- 134.486 -	94.835
6.02.01	Acquisition of fixed assets	- 109.454 -	88.092
6.02.02	Acquisition of intangible assets	- 10.937 -	6.743
6.02.03	Acquisitions Stocks	- 14.095	-
6.03	Net cash from financing activities	- 67.249	116.762
6.03.01	Loans and financing and debentures	171.021	275.081
6.03.02	Payment of loans and financing	- 217.769 -	121.942
6.03.03	Dividend payments	- 6.305 -	28.551
6.03.04	Amortization of lease	- 14.196 -	7.826
6.05	Increase (Decrease) in Cash	50.947	192.754
6.05.01	Opening balance of cash and cash equivalents	275.378	82.624
6.05.02	Closing balance of cash and cash equivalents	326.325	275.378

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise started.

Consolidated financial Statements / Statement of Changes in shareholder's equity / DMPL - 01/01/2020 - 12/31/2020

Account Code	Account Description	Capital	Capital Reserves, Options Awarded and Treasury Shares	Earnings reserve	Profits (losses) accumulated	Other Comprehensive Income	Shareholders’ Equity	Noncontrolling interest	Consolidated Shareholders’ Equity			
5.01	Opening Balances	200.000	-	189.844	-	-	22.224	367.620	16	367.636		
5.03	Adjusted Opening Balances	200.000	-	189.844	-	-	22.224	367.620	16	367.636		
5.04	Capital Transactions with Partners	-	-	14.095	23.055	-	60.894	-	-	50.350		
5.04.01	Capital Increase	-	-	-	-	-	-	-	-	-		
5.04.04	Treasury shares acquired	-	-	14.095	-	-	-	14.095	-	-	14.095	
5.04.05	Treasury shares acquired	-	-	-	-	-	-	-	-	-		
5.04.06	Dividends	-	-	24.639	-	60.894	-	-	36.255	-	-	36.255
5.04.07	Interest on equity	-	-	-	1.584	-	-	-	-	-	-	
5.05	Total Comprehensive Income	-	-	-	-	128.200	-	26.718	99.898	-	99.898	
5.05.01	Net Income for the Period	-	-	-	-	128.200	-	-	128.200	-	128.200	
5.05.02	Other Comprehensive Income	-	-	-	-	-	-	26.718	-	-	28.302	
5.05.02.04	Foreign exchange variation of subsidiary located abroad	-	-	-	-	-	-	-	-	-	-	
5.06	Internal changes in shareholders' equity	-	-	68.489	-	67.306	-	1.183	-	-	-	
5.06.01	Reserve is constituted	-	-	42.044	-	42.044	-	-	-	-	-	
5.06.02	Realization of the Revaluation Reserve	-	-	-	-	1.183	-	1.183	-	-	-	
5.06.04	Tax incentive reserve	-	-	26.445	-	26.445	-	-	-	-	-	
5.07	Closing Balances	200.000	-	14.095	281.388	-	-	50.125	417.168	16	417.184	

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020
In thousands of Brazilian reais, unless otherwise started.

Consolidated financial Statements / Statement of Changes in shareholder's equity / DMPL - 01/01/2019 - 12/31/2019

Account Code	Account Description	Capital	Capital Reserves, Options Awarded and Treasury Shares	Earnings reserve	Profits (losses) accumulated	Other Comprehensive Income	Shareholders’ Equity	Noncontrolling interest	Consolidated Shareholders’ Equity	
5.01	Opening Balances	140.000	-	235.960	-	-	13.852	362.108	12	362.120
5.03	Adjusted Opening Balances	140.000	-	235.960	-	-	13.852	362.108	12	362.120
5.04	Capital Transactions with Partners	60.000	-	54.192	-	6.236	-	428	-	428
5.04.01	Capital Increase	60.000	-	60.000	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-	-	-	-
5.04.05	Treasury shares acquired	-	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	5.808	-	6.236	-	428	-	428
5.05	Total Comprehensive Income	-	-	-	13.128	-	5.778	5.940	4	5.944
5.05.01	Net Income for the Period	-	-	-	13.128	-	-	13.128	4	13.132
5.05.02	Other Comprehensive Income	-	-	-	-	-	5.778	7.188	-	7.188
5.05.02.04	Foreign exchange variation of subsidiary located abroad	-	-	-	-	-	-	-	-	-
5.06	Internal changes in shareholders' equity	-	-	8.076	-	6.892	-	2.594	-	-
5.06.01	Reserve is constituted	-	-	8.076	-	8.076	-	-	-	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	1.184	-	2.594	-	-	-
5.07	Closing Balances	200.000	-	189.844	-	-	22.224	367.620	16	367.636

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended December 31, 2020

In thousands of Brazilian reais, unless otherwise stated.

Consolidated financial statements / Statement of added value

Account Code	Account Description	Current Period 01/01/2020 to 12/31/2020	Previous Period 01/01/2019 to 12/31/2019
7.01	Revenues	1.720.988	1.423.565
7.01.01	Sales of goods, products and services	1.626.084	1.370.282
7.01.02	Other revenues	100.930	57.834
7.01.04	Reversal/Allowance for doubtful accounts	- 6.026	- 4.551
7.02	Inputs acquired from third-parties	- 882.531	- 699.883
7.02.01	Cost of products, goods and services sold	- 615.655	- 508.591
7.02.02	Materials, energy, third party services and other	- 268.534	- 194.885
7.02.03	Loss/Recovery of assets	1.658	3.593
7.03	Gross value added	838.457	723.682
7.04	Retentions	- 59.777	- 54.785
7.04.01	Depreciation and amortization	- 59.777	- 54.785
7.05	Net value added produced	778.680	668.897
7.06	Value added received in transfer	86.516	38.938
7.06.01	Equity income	-	-
7.06.02	Financial income	86.516	38.938
7.07	Total value added to be distributed	865.196	707.835
7.08	Distribution of value added	865.196	707.835
7.08.01	Personnel	307.802	279.109
7.08.01.01	Direct remuneration	263.506	234.822
7.08.01.02	Benefits	27.526	25.944
7.08.01.03	Government Severance Indemnity Fund for Employee (FGTS)	16.770	18.343
7.08.02	Taxes, fees and contributions	293.452	284.607
7.08.02.01	Federal	107.127	122.443
7.08.02.02	State	185.533	161.373
7.08.02.03	Municipal	792	791
7.08.03	Remuneration of third party capital	135.700	130.956
7.08.03.01	Interest	115.997	113.862
7.08.03.02	Rentals	19.703	17.094
7.08.04	Remuneration of own capital	128.242	13.163
7.08.04.03	Retained earnings	128.200	13.128
7.08.04.04	Non-controlling interest in retained earnings	42	35

PortobelloGrupo

Comments on Performance
(In million of reais, unless otherwise stated)

Portobello Group posts strong growth in Net Revenue, Adjusted and Recurring EBITDA and Net Income in 2020

Tijucas, March 25, 2021. PBG S.A. (B3: PTBL3), the largest ceramic tile company in Brazil, announces its results for the fourth quarter of 2020. The financial information reported herein is derived from PBG S.A.'s consolidated financial statements, prepared in accordance with the standards issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

4Q20 and 2020 Highlights

- **Strong growth in Net Revenue**, up 33.2% against 4Q19, and 19.5% compared to 2019.
- **Growing performance of the Company as a retailer**, notably through the **network of company own stores**, contributing both to the **growth in Net Revenue** and to the **increase in Gross Margin**.
- **Gross Margin (Adjusted and Recurring) reached 39.3% in 4Q20**, up 6.6 p.p. against 4Q19. In the year, the Adjusted and Recurring Gross Margin reached 36.7%, 4.2 p.p. above 2019.
- **Adjusted and Recurring EBITDA of R\$ 74.7 million in the quarter**, R\$ 44.4 million or 146.9% above 4Q19, with **improvement in the EBITDA margin of 8.6 p.p. against 4Q19**. In 2020, Adjusted and Recurring EBITDA reached R\$ 174.5 million, R\$ 98.6 million or 129.9% above 2019.
- **Adjusted and Recurring Net Income of R\$ 34.8 million in 4Q20**, R\$ 25.7 million or 281.8% over 4Q19. In 2020, Adjusted and Recurring EBITDA reached R\$ 86.3 million, R\$ 126.1 million or +100.00% above 2019.
- **Working capital of R\$ 195.3 million**, down R\$ 83.0 million compared to 2019, due to reduction in the Cash Conversion Cycle to 42 days, an improvement of 48 days against 2019.
- **Net Debt of R\$ 401.4 million**, down R\$ 79.6 million when compared to 2019; **Net Debt/ Adjusted and Recurring EBITDA reduced from 6.3 times in 2019 to 2.3 times in 2020**, an improvement of 63.7% against 2019.
- **25.9% appreciation of the PTBL3 share**, ending 4Q20 at R\$ 6.76.

R\$ Million		4Q19	4Q20	▲	Absolute	2019	2020	▲	Absolute
Performance	Net Revenue	301,1	401,1	33,2%	100,0	1.114,3	1.331,8	19,5%	217,5
	<i>Adjusted and Recurring Gross Margin</i>	32,7%	39,3%	6,6 p.p.	6,6 p.p.	32,5%	36,7%	4,2 p.p.	4,2 p.p.
	EBITDA	30,2	74,7	146,9%	44,4	128,8	175,3	36,1%	46,5
	Adjusted and Recurring EBITDA	30,2	74,7	146,9%	44,4	75,9	174,5	129,9%	98,6
	<i>Adjusted and Recurring EBITDA Margin</i>	10,0%	18,6%	8,6 p.p.	8,6 p.p.	6,8%	13,1%	6,3 p.p.	6,3 p.p.
	Net Income	9,1	34,8	281,8%	25,7	13,1	128,2	878,3%	115,1
	Adjusted and Recurring Net Income	9,1	34,8	281,8%	25,7	-39,8	86,3	+100,0%	126,1
	Working Capital (R\$)					278,3	195,3	-29,8%	-83,0
	Cash Conversion Cycle (days)					90	42	-53,3%	-48
	Net debt					481,0	401,4	-16,6%	-79,6
Debt	<i>Net Debt-to-EBITDA</i>					3,7	2,3	-38,7%	-1,4
	<i>Net Debt/Adjusted and Recurring EBITDA</i>					6,3	2,3	-63,7%	-4,0
	Quotation					5,37	6,76	25,9%	1,39

PortobelloGrupo

Message from Management

Comments on Performance

(In million of reais, unless otherwise stated)

PBG S.A. presented an excellent performance in 2020, despite the challenges and effects of the COVID-19 pandemic: by transforming environments and moving people, the Company recorded excellent results, consolidating itself as the leader in the ceramic tile sector in Brazil, with the largest retail network of coatings in the country, and with global prominence in the sector with the Portobello and Pointer brands.

In view of the wide scenario of uncertainties and the serious global crisis during the pandemic - with unprecedented impacts on the economy and society - the Company has positioned itself: it has protected its employees and continued its business in a solid manner, capturing opportunities with the moment of people's changing consumption habits, which combined with the resumption of the civil construction sector and the assertiveness of our product mix, led the Company to reach its best sales levels and the best profitability in the last five years.

2020 was a challenging year for retailers throughout Brazil and the scenario was not different for the Portobello Shop business unit. The pandemic required us to rethink the way we sell and serve our customers. First of all, we focus on preserving the health of our customers and teams while maintaining the operation. We reinforced all precautions with extensive safety measures, a fact that has been efficient to date. It is worth stressing that the pandemic is not over yet and we cannot loosen up our care.

This scenario brought the need for a much more proactive customer management on the part of our teams, changing the service model to online or individualized, either inside stores or wherever it was best for our customer. The digital transformation in traditional distribution channels also accelerated during the year, whether in structural systems and data intelligence, which provides advances in management and provision of services, or in the customers' experience with the brand, through digital tools for specifications and replacement of catalogs by interactive TVs at points of sale.

At the beginning of the second half of the year, with the return of the first wave of the pandemic, we saw a much higher demand than we expected, with a buoyant and thriving market, which brought us a second challenge: how to maintain the level of service to our customers in the face of a low level of inventories and restrictions on raw materials and packaging. This required the second reinvention of our business, working on internal processes in order to provide more accuracy and assertiveness in the plans for buying and selling products, guiding the stores on what and how to sell, so that we could maintain our credibility in the market. We ended the year with an RA1000 status in ReclameAqui, which shows that we have overcome this challenge.

The adjustment of our operations with agility and innovation, a buyer market and the care for our people and customers made 2020 a year of market share growth and excellent operational and financial results, compared to expectations and historical performance. In fact, this is the best performance recorded in the last five years for a fourth quarter in the Company's history.

Net Revenue in the fourth quarter totaled R\$ 401.1 million, 33.2% higher than 4Q19, totaling R\$ 1.3 billion in 2020, 19.5% higher than 2019. The results were positively impacted both in the domestic market and in the foreign market. In the domestic market, Net Revenue grew by an expressive 31.2% in 4Q20 against 4Q19, and 15.7% in 2020 against 2019, rates well above market growth, of 14.1% in 4Q20 and -0.3% in the year, respectively, according to data from ABRAMAT (Brazilian Association of Construction Material Industry). Such performance ensured relevant market share gains, as a result of the consistent work of the sales structure and the qualification of the mix, especially in large formats and differentiation through innovation. The foreign market, on the other hand, also presented a good performance of Net Revenue in the fourth quarter, with growth in U.S. dollars of 10.9% against 4Q19 and 4.1% in the year, due to the increase in sales volume, since the share of distribution, through the Portobello America business unit in the United States, grew significantly. This performance, coupled with the average exchange rate devaluation for the period, of 30.5%, led to an expansion of the foreign market in Reais of 42.1% against 4Q19 and 35.9% compared to 2019.

Sales performance, combining the qualification of the product mix with better profitability, price increases, and gains in productivity and cost efficiency, led the Adjusted and Recurring Gross Margin to reach 39.3% in 4Q20 and

PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)

36.7% in the year, with an increase of 6.6

p.p. compared to 4Q19 and 4,2 p.p. against 2019. The progression of the Gross Margin combined with the optimization of Operating Expenses, which reduced 2.5 p.p. against 4Q19 and 1.8 p.p. in the year, compared to 2019, led the Company's Adjusted and Recurring EBITDA to reach R\$ 74.7 million in 4Q20 and R\$ 174.5 million in the year, with an increase of 8.6 p.p. in EBITDA Margin compared to 4Q19, while in the year there was an increase in the EBITDA Margin of 6.3 p.p. compared to 2019.

The actions to strengthen the Company's cash position during the year were concentrated in the reduction of investments in Working Capital of R\$ 83.0 million against 2019, through the optimization of the Cash Conversion Cycle, which substantially reduced from 90 days in 2019 to 42 days in 2020. This improvement impacted all indicators, but more significantly the decrease in inventories and the increase in payment terms with suppliers.

Another important milestone in the year was the reduction in our financial leverage. Net Debt ended the year at R\$ 401.4 million, down by R\$ 79.6 million in the year against 2019. The combination of debt reduction and EBITDA increase brought our leverage level to less than half, with the Net Debt/Adjusted and Recurring EBITDA ratio (last 12 months) falling from 6.3 times in 2019 to 2.3 times in 2020, the lowest index in the last five years.

The Company's investments also did not stop, and were 41.9% higher than in 2019. CapEx for the year totaled R\$ 134.5 million, most of which was allocated to the production capacity of the Tijucas-SC plant with the implementation of a new enameled porcelain production line, part of the Lastras Project, launched in 2019. Lastras are large porcelain tiles, which offer greater pagination dynamism, acting as constructive elements visually integrated with architectural details, giving freedom and creativity in the application. This project is an important milestone in the Company's evolution and is part of the strategy of offering complete solutions to customers, including replacing the use of natural marble with enameled porcelain tiles, expanding the possibilities of sustainable architecture.

In one of the most turbulent years in the history of the financial market, the Company's shares in B3 performed very well, with an appreciation of 25.9% against 2019. In 2020, the average monthly financial volume traded was approximately R\$ 223.7 million, a significant increase of 319.7% against 2019, showing an important increase in the liquidity of the Company's shares.

Business Unit Performance

The Portobello Shop Business Unit is the largest specialized retail network in the country, and offers a customer-centric shopping experience, with a complete solution for coatings and complements, especially crockery and metals. The Portobello Shop unit is responsible for managing the franchise network and company owned stores nationwide. In the year, we expanded our base to 136 stores, of which 17 are company owned, with the opening of 11 new operations and 21 renovated and expanded stores, leading our sales area to a total of 44,500 square meter. The stores are a reference in architecture and exposition so that the architecture professional and his client have a design experience with the brand. In addition to making budgeting and purchasing processes as fluid as possible, the digital presence in stores surprises with design and specification tools. This was the strategy to reinforce our position in retail and to grow the operation's market share. As we are a franchise network, our challenge was also to keep the business of our franchisees healthy, which we managed to achieve successfully.

This set of actions enabled us to deliver results in retail above the market average and with consistency. We closed 4Q20 with a net revenue growth of the Portobello Shop unit of 33.2% against 4Q19 and 14.6% in the year, a performance above the ICVA (Amplified Cielo Retail Index), which measures the construction materials retail sector in Brazil in terms of value and pointed to a 20.1% growth in 4Q20 against 4Q19 and 9.9% in the year compared to 2019.

The Gross Margin results were also expressive: in the quarter, growth was 51.4% against 4Q19 (growth of 4.8 p.p. compared to 4Q19) and in the year of 16.6% against 2019 (growth of 0.6 p.p. compared to 2019). In our company owned store operation, which is included in this result, the numbers were even more impressive. In 4Q20, Net

PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)

Revenue growth was 74.9% against 4Q19 and in the year the growth was 40.3% compared to 2019.

The Portobello Business Unit, operating in the resale and engineering channels in the domestic market and exports to more than 60 countries (except the USA) of the Portobello brand, ended the year consolidating strong sales growth and evolution in profitability. The growth in Net Revenue in 4Q20 was 27.1% against 4Q19 and 14.0% in the year compared to 2019, the result of a mix qualification program and product releases in the domestic market, as well as a market share gain on the exports to Latin America and overseas.

Commercial efficiency programs, with a greater focus on marketing and the point of sale and pricing management, were important factors to consolidate the 42.2% Gross Margin increase in the quarter against 4Q19 (growth of 4.2 p.p. compared to 4Q19), ending the year with growth in the Gross Margin of 21.7% against 2019 (growth of 2.4 p.p. compared to 2019).

Throughout 2H20, Portobello business unit's Tijucas-SC plant operated at full production capacity, maintaining all measures focused on health and safety of employees to prevent the pandemic, implemented throughout the year by the Crisis Management Committee. With inventory levels below historical levels, management's focus was on the health and safety of employees, as well as the implementation of programs to increase productivity and flexibility in serving the market, enabling optimization of manufacturing structures and lower costs.

The steering of commercial and administrative teams to work-from-home was maintained and digital tools enabled the second wave of product launches in the year, consolidating our design, innovation and services differential with the market.

The Pointer Business Unit, the group's democratic design brand, with operations in the resale and engineering channels in the domestic market and exports (except the USA), had a year of excellent results, with an increase in Net Revenue of 66.2% in 4Q20 against 4Q19 due to the growth in sales volume, the readjustment of prices, the improvement in the sales mix of "superceramic" products, and the operational efficiency of production (gains in scale). In the year, Net Revenue grew 31.0% against 2019, which indicates the brand's market share gain, consolidating its regional leadership in the North and Northeast of Brazil.

These positive effects of the qualification of the product mix, pricing and consolidation of the brand's positioning in the market resulted in an increase in Gross Margin of 272.3% in the quarter against 4Q19 (growth of 21.2 p.p. compared to 4Q19), ending the year with growth in the Gross Margin of 176.3% in the year (growth of 16.2 p.p. against 2019).

In the last quarter of 2020, Pointer business unit's Marechal Deodoro-AL plant, one of the most modern and sustainable in the world in dry production technology, a process that does not use water in the grinding of raw materials, operated with full production capacity, safeguarding the employees' health. The Company took the recommended measures for the prevention of COVID-19 under the supervision of the Crisis Management Committee, which provided for the control of the pandemic in the workplace and ensured the continuity and stability of operations.

The Portobello America Business Unit, responsible for the sale and distribution of products in the USA, ended the quarter with a 48.3% growth in Net Revenue against 4Q19 (12.8% in U.S. dollars), mainly in local service to North American distributors. Portobello America continues to invest in its competitive advantages, focusing on services through inventory availability and local service. Another outstanding investment is the new *e-commerce* B2B (Business to Business) customer relationship digital platform. In the year, the business unit had an 86.0% growth in

PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)

Net Revenue against 2019 (42.5% in U.S.

dollar). It is important to highlight the progression in the profitability of the Portobello America business unit, mainly due to the improvement in the product mix and exchange devaluation, which resulted in an increase of 169.4% in Gross Margin in the quarter against 4Q19 (growth of 11.9 p.p. compared to 4Q19), ending the year with growth in the Gross Margin of 350.1% in the year (growth of 14.3 p.p. against 2019).

1H21 Prospects

- During 1Q21, sales in the civil construction market remain strong and the Company expects to have growth in Net Revenue against 1Q20 similar to that in 4Q20 against 4Q19. In fact, during the first two months of 2021, the Company recorded a growth in Net Revenue of approximately 40% against same period in 2020. The expectation is that the civil construction market will continue to grow and that Net Revenue in 2Q21 will grow significantly against the weak comparison base of 2Q20 (greater impact of the COVID-19 pandemic).
- Due to the new wave of the pandemic and the decision of some states/cities to close the civil construction retail, part of the stores of the network remain closed, mainly in the state of São Paulo. As far as possible, our sales team is servicing customers remotely via / and through direct contact with our network of partner specifiers (architects, engineers, decorators, etc.).
- Retail remains one of the pillars of business growth, seeking to accelerate the value generation to the shareholder, especially in sales through the Portobello Shop and expansion of its company owned stores.
- The Company expects continuity in the market share performance, mainly through large porcelain tiles (lastras) and development of the new porcelain business, a sustainable alternative to natural marble.
- The focus will continue on maintaining the Gross Margin at the 4Q20 level, despite the greater inflationary pressure on costs - including increased energy costs - through price increases, improvement of the product mix and factory productivity. Moreover, in a scenario of uncertainty due to the new wave of the pandemic, the Company will continue to strictly manage the choices related to operating costs and expenses.
- Working capital management also remains a priority, with a focus on strategic supplier management and improving the customer backlog, although with minor corrections to the inventory level in order to maintain our service level.
- Efforts will continue on focusing on rescheduling and improving the debt profile, as well as monitoring and maintaining the Net Debt/EBITDA ratio. The Company's actions will be geared towards discipline in cash management, optimization of working capital and preservation of liquidity.
- The CapEx investment plan will be maintained, mainly in strategic projects, for growth in retail with the expansion of the Portobello Shop network, the expansion of the Tijucas-SC plant, as well as for the expansion of Portobello America's businesses.
- In order to maximize the generation of value for shareholders, the Company approved a new Share Buyback program, which may buy up to 7.0 million common shares. Until March 25, 2021, the Company had repurchased a total of 6.8 million shares (97% of the total shares of the new repurchase program), at an average price of R\$ 8.91.
- Dividends in the amount of R\$ 60.9 million will be proposed at the General Shareholders' Meeting, of which R\$ 17.3 million have already been advanced on February 21, 2021. The amount payable will be R\$ 43.6 million.

COVID-19

The COVID-19 pandemic, which started in China in early 2020 and spread across the world, has reached more than 200 countries and territories. And as of the second half of March 2020, the Company has adapted to the new reality, strengthening the commitment to its employees, customers, continuity of its operations, and maintenance of the strategy.

In order to centralize and align decision-making in tackling the pandemic, a Crisis Management Committee was created. Based on this, the Company implemented actions, such as protection for employees and customers, with a focus on reducing the risk of disease transmission. To this end, the work-from-home model, leave for employees who are part of the risk groups, the reduction of working hours, anticipation of vacations and, also, the reinforcement of disinfection actions in the stores, administrative office and distribution center environments were adopted. The second point was the protection of operations, with adequacy with the suspension of part of the production at the Tijucas-SC, Marechal Deodoro-AL plants and inventory management. The focus at the time was on cash management, especially in containing expenditures and investments, renegotiating financing contracts, postponing the term of the main customers and suppliers and reducing expenditures in the short term, in addition to adhering to government programs for the preservation of jobs.

In the still unpredictable developments about the economic recovery in the second half, the Company took advantage of possible short-term opportunities, such as low interest rates, higher numbers of real estate developments, increased renovation activities and investments in the purchase of new homes to leverage its performance in the sales. At the end of July 2020, we had already resumed the use of the total production capacity in the two plants of the Company.

Despite the fast pace of sales, the Company remains focused on ensuring the safety of its employees' health. Remote work remains an option for the administrative and commercial areas, always prioritizing people in the risk group. The focus remains on the prevention at points of agglomerations, reinforcing and sanitizing our units, cafeterias and at bus lines. These actions are synchronized in all units where the Company does business, whether in factories, stores, in the United States or in distribution centers.

	4Q19	4Q20	▲	Absolute	2019	2020	▲	Absolute	
Performance	Net Revenue	301,1	401,1	33,2%	100,0	1.114,3	1.331,8	19,5%	217,5
	Gross Profit	98,6	157,5	59,8%	58,9	362,6	460,4	27,0%	97,8
	Gross Margin	32,7%	39,3%	6,6 p.p.	6,6 p.p.	32,5%	34,6%	6,5%	0,0
	Adjusted and Recurring Gross Profit	98,6	157,5	59,8%	58,9	362,6	488,4	34,7%	125,8
	Adjusted and Recurring Gross Margin	32,7%	39,3%	6,6 p.p.	6,6 p.p.	32,5%	36,7%	4,2 p.p.	4,2 p.p.
	EBIT	16,0	57,5	258,3%	41,4	75,1	115,6	54,0%	40,5
	EBIT margin	5,3%	14,3%	9,0 p.p.	9,0 p.p.	6,7%	8,7%	1,9p.p.	1,9p.p.
	Net Income	9,1	34,8	281,8%	25,7	13,1	128,2	878,3%	115,1
	Net Margin	3,0%	8,7%	5,7 p.p.	5,7 p.p.	1,2%	9,6%	8,5 p.p.	8,5 p.p.
	Adjusted and Recurring Net Income	9,1	34,8	281,8%	25,7	-39,8	86,3	+100,0%	126,1
	Adjusted and Recurring Net Margin	3,0%	8,7%	5,7 p.p.	5,7 p.p.	-3,6%	6,5%	10,0 p.p.	10,0 p.p.
	EBITDA	30,2	74,7	1,5	44,4	128,8	175,3	36,1%	46,5
Indicators	EBITDA margin	10,0%	18,6%	8,6 p.p.	8,6 p.p.	11,6%	13,2%	1,6 p.p.	1,6 p.p.
	Adjusted and Recurring EBITDA	30,2	74,7	146,9%	44,4	75,9	174,5	129,9%	98,6
	Adjusted and Recurring EBITDA Margin	10,0%	18,6%	8,6 p.p.	8,6 p.p.	6,8%	13,1%	6,3 p.p.	6,3 p.p.
	Working Capital (R\$)					278,3	195,3	-29,8%	-83,0
	Cash Conversion Cycle (days)					90	42	-53,3%	-48
	Net debt					481,0	401,4	-16,6%	-79,6
	Net Debt-to-EBITDA					3,7	2,3	-38,7%	1,4
	Net Debt/Adjusted and Recurring EBITDA					6,3	2,3	-63,7%	-4,0
	PTBL3	Closing Quotation				5,37	6,76	25,9%	1,39
		Market value				851,1	1.044,6	22,7%	193,5
		Average Trading Volume From Past 12 Months				53,3	223,7	319,7%	170,4

Net Revenue

Net Revenue totaled R\$ 401.1 million in 4Q20, an increase of 33.2% against 4Q19, which represents the best performance of the Company in the last five years for the fourth quarter. This result is due to the double-digit growth of all the Company's Business Units. In the year, there was a growth of 19.5% against 2019, equivalent to R\$ 217.5 million. The main factors that contributed to this growth were (i) the higher sales volume, (ii) mix of higher value-added products, with higher prices, (iii) expansion of the share of company owned stores and (iv) expansion of Portobello America's share, and (iv) favorable effect of the exchange rate on sales in the foreign market.

Net Revenue in the domestic market grew 31.2% in 4Q20 against 4Q19 and 15.7% in the year against 2019, which indicates a gain of market share because, according to ABRAMAT (Brazilian Association of Construction Material Industry), the turnover of the building materials market (in value) grew by 14.1% in 4Q20, while in the year the change in turnover was -0.3% against 2019. According to ANFACER (National Association of Ceramic Tile Manufacturers) the sales volume of ceramic tiles (in square meters) grew 10.1% in 4Q20 against 4Q19 and 3.6% in the year against 2019.

In the foreign market, Net Revenue grew 42.1% in Reais and 10.9% in U.S. dollars in 4Q20 against 4Q19. This increase is explained by the volume of sales in the USA, with an increase in the share of Portobello America's businesses. In 2020, Net Revenue increased by 35.9% in Reais and 4.1% in U.S. dollar against 2019, due to the increase in Portobello America's sales volume and the effect of the exchange devaluation.

R\$ million	4Q19	4Q20	▲	Absolute	2019	2020	▲	Absolute
Net Revenue	301,1	401,1	33,2%	100,0	1.114,3	1.331,8	19,5%	217,5
Domestic market	244,7	320,9	31,2%	76,3	910,4	1.054,7	15,7%	144,3
Foreign market	56,5	80,2	42,1%	23,7	203,8	277,1	35,9%	73,2
US\$ million	4Q19	4Q20	▲	Absolute	2019	2020	▲	Absolute
Foreign market	12,7	14,1	10,9%	1,4	48,2	50,2	4,1%	2,0

Gross Profit

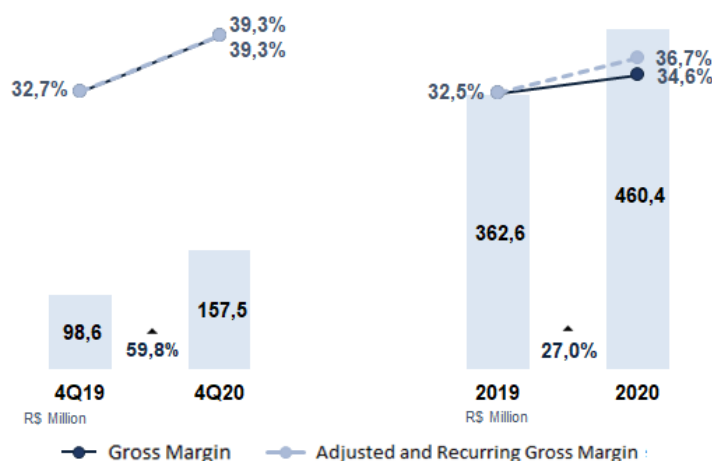
PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)

Gross Profit in 4Q20 increased 59.8% against 4T19 and 27.0% in the year against 2019. Among the factors responsible for the increase in Gross Margin, the following stand out positively: (i) the increase in sales volume, (ii) increase in the share of products with higher added value (iii) stability in the cost of energy inputs, and (iv) greater dilution of fixed production costs, despite the adverse effects caused by the pandemic. Thus, there was an increase in Gross Margin (Adjusted and Recurring) of 6.6 p.p. and 4.2 p.p. in 4Q20 and in the year, respectively, compared to the same period of 2019.

R\$ Million	4Q19	4Q20	▲	Absolute	2019	2020	▲	Absolute
Net Operating Revenue	301,1	401,1	33,2%	100,0	1114,3	1331,8	19,5%	217,5
Cost of Goods Sold (COGS)	-202,5	-243,6	20,3%	41,1	-751,7	-842,7	12,1%	91,1
Idle Capacity Cost	-	-	100,0%	-	-	-28,6	100%	28,6
Gross Operating Profit	98,6	157,5	59,8%	58,9	362,6	460,4	27,0%	97,8
Gross Margin	32,7%	39,3%	6,6 p.p.	6,6 p.p.	32,5%	34,6%	2,1 p.p.	2,1 p.p.
Adjusted and Recurring Gross Margin	32,7%	39,3%	6,6 p.p.	6,6 p.p.	32,5%	36,7%	4,2 p.p.	4,2 p.p.



Operating Expenses

Operating and Recurring Expenses in 4Q20 were 21.1% higher than 4Q19 and 12.2% higher in the year compared to 2019. This growth is concentrated in sales expenses and in the implementation of the new organizational structure with a focus on the Business Units. When analyzed in relation to Net Revenue, expenses represented 24.9% in 4Q20 and 28.1% in the year, with a 2.5 p.p. decrease in relation to 4Q19 and 1.8 p.p. in relation to 2019, reflecting a better dilution of expenses.

R\$ Million	4Q19	%NR	4Q20	%NR	▲	Absolute	2019	%NR	2020	%NR	▲	Absolute
Operating Expenses												
Selling	-83,4	27,7%	-87,4	21,8%	4,9%	4,1	-306,4	27,5%	-319,1	24,0%	4,1%	12,7
General and administrative	-10,8	3,6%	-12,4	3,1%	14,3%	1,6	-40,9	3,7%	-44,9	3,4%	9,9%	4,1
Other Income (Expenses)	11,7	3,9%	-0,1	0,0%	-101,1%	-11,8	59,8	5,4%	19,2	1,4%	-67,9%	-40,6
Operating Expenses	-82,5	27,4%	-100,0	24,9%	21,1%	17,4	-287,5	25,8%	-344,9	25,9%	19,9%	57,3
Non-recurring Income	-	-	-	-	-	-	-45,9	-	-29,4	-	-	-
Adjusted and Recurring Operating Expenses	-82,5	27,4%	-100,0	24,9%	21,1%	17,4	-333,4	29,9%	-374,3	28,1%	12,2%	40,8

Selling expenses grew by 4.9% compared to 4Q19 and in the year the increase was 4.1% against 2019. This

PortobelloGrupo

Comments on Performance

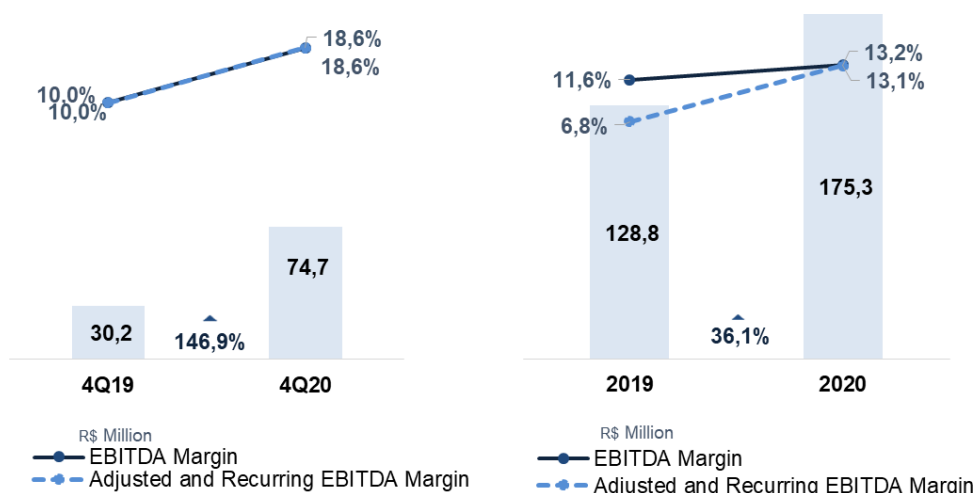
(In million of reais, unless otherwise stated)

growth was due to the higher sales volume, which is directly linked to variable expenses, mostly related to the Portobello Shop business and marketing in the resale channel (home centers).

In 4Q20, general and administrative expenses were up 14.3% compared to 4Q19. In the year, there was an increase of 9.9% against 2019. This increase is explained by expenses with the implementation of the new organizational structure focused on the Business Units, in addition to strengthening corporate governance.

In other income and expenses, the Company incurred R\$ 19.2 million, which refer to: (i) the recognition of the complementary portion of the IPI premium credit - Plaintiff and complementation of lawsuits in the 1Q20 in the amount of R\$ 19.3 million, (ii) the reversal of taxation (PIS / COFINS) of the IPI premium credit lawsuit - Plaintiff, due to the decision of STF in 2Q20, in the amount of R\$ 16.2 million, and (iii) the higher provisioning for the Profit Sharing Program (PPR) throughout the year, in the amount of R\$ 7.8 million.

EBITDA



R\$ Million	4Q19	%NR	4Q20	%NR	2019	%NR	2020	%NR
Net Income	9,1	3,0%	34,8	8,7%	13,1	1,2%	128,2	9,6%
(+) Finance Income (Cost)	19,2	6,4%	17,3	4,3%	75,1	6,7%	30,0	2,3%
(+) Depreciation and Amortization	14,2	4,7%	17,2	4,3%	54,7	4,9%	59,8	4,5%
(+) Income Taxes	-12,3	-4,1%	5,3	1,3%	(13,20)	-1,2%	-42,7	-3,2%
(+) Other	0,0	0,0%	0,0	0,0%	-0,9	-0,1%	0,0	0,0%
EBITDA	30,2	10,0%	74,7	18,6%	128,8	11,6%	175,3	13,2%
Non-recurring events	0,0	0,0%	0,0	0,0%	-52,9	4,7%	-0,8	-0,1%
1) ICMS - PIS/COFINS Calculation basi	-	-	-	-	-45,9	-	-	-
2) Plaintiff	-	-	-	-	-7,0	-	-16,2	-
3) COVID (Costs and Idleness)	-	-	-	-	-	-	28,6	-
4) Other Favorable Outcomes in Lawsuits	-	-	-	-	-	-	-13,2	-
Adjusted and Recurring EBITDA	30,2	10,0%	74,7	18,6%	75,9	6,8%	174,5	13,1%

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

2) Plaintiff: R\$ (7.9) million in 3Q19 and 9Q19, of which R\$ (5.9) million related to the reversal of fees for issuing the Plaintiff bond and R\$ (2.0) million related to the reversal of the PIS/COFINS reversal issued by the Plaintiff's court-ordered debt. R\$ (16.2) million in 9M20, related to the tax reversal of the Plaintiff.

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

4) Other Favorable Outcomes in Lawsuits R\$ (13.2) million in 9M20, referring to the favorable outcome for the adjustment of rural credit notes.

PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)

The Company ended 4Q20 with Adjusted and Recurring EBITDA of R\$ 74.7 million, more than double compared to the same period of the previous year, and R\$ 174.5 million in the year, an increase of 36.1%. Despite the negative effects of the pandemic, the Company showed a significant increase in EBITDA in relation to the compared periods, with emphasis on the growth in sales due to better prices, volume, channel and product mix, in addition to the favorable effect of the foreign exchange rate, combined with operational efficiency and the dilution of fixed costs and expenses.

The EBITDA Margin increase was 8.6 p.p. in 4Q20 against 4Q19 and 6.3 p.p. in 2020 against 2019, impacted by the increase in sales volume, coupled with productivity gains, in the qualification of the product mix with better profitability, price increases, absorption of fixed production costs, reduction of energy costs (gross margin increase of 6.6 p.p. in 4Q19 and of 4.2 p.p. in the year against 2019) and optimization of recurring expenses (reduction of 2.5 p.p. in 4Q19 and 1.8 p.p. in the year against 2019).

In the quarter, there were no non-recurring events. In the year, the highlights were (i) the costs of stoppages in the amount of R\$ 28.6 million, (ii) the effect of the favorable outcomes in lawsuits referring to the reversal of provisions for taxation of the revenue from the IPI - Plaintiff premium credit in the amount of R\$ 16.2 million, and (iii) other favorable outcomes in lawsuits in the amount of R\$ 13.2 million.

Net Income

Adjusted and Recurring Net Income in 4Q20 was R\$ 34.8 million, with a significant improvement of 281.8% (R\$ 25.7 million) when compared to 4Q19. In the year, Adjusted and Recurring Net Income was R\$ 86.3 million, an expressive increase of 126.1 million against 2019 or +100.0% above 2019.

This result is due to the excellent sales performance, the improvement in EBITDA due to the higher Gross Margin and reduction in expenses, foreign exchange variation gains and lower interest rates/finance costs.

R\$ Million	4Q19	4Q20	▲	Absolute	2019	2020	▲	Absolute
Net Income	9,1	34,8	281,8%	25,7	13,1	128,2	878,3%	115,1
Non-Recurring events	-	-			-52,9	-41,9		
(1) Finance Income (Cost)	-	-			-	7,1		
(2) Income Tax / Social Contribution	-	-			-	-48,1		
(3) Recognition and Updates of Lawsuits	-	-			-	-29,4		
(4) COVID effect	-	-			-	28,5		
(4) Other income/expenses	-	-			-52,9	-		
Adjusted and Recurring Net Income	9,1	34,8	281,8%	25,7	-39,8	86,3	+100%	126,1

Cash Flow

In the year, the Company's cash position ended at R\$ 326.3 million, an increase of R\$ 50.9 million when compared to the same period last year, explained by the excellent operating performance. Better management of working capital, excellent sales results, and optimization of costs and expenses helped the Company to have a significant increase in its cash position against 2019.

During 2020, R\$ 134.5 million was allocated to investments focused on CapEx in the plants in Tijucas-SC, with an upgrade of the industrial park to produce products with higher added value and larger formats, in Marechal Deodoro-AL and also in the expansion of its company owned stores, through renovations and an increase in the number of stores. Financing activities totaled R\$ 67.2 million, according to the borrowing repayment schedule, ensuring the robustness and liquidity of cash.

PortobelloGrupo

Comments on Performance
(In million of reais, unless otherwise stated)

R\$ Million 4

Activities

Operating Activities

Investing Activities

Financing Activities

Non-recurring (1)

Increase (Decrease) in Cash

Cash at the Beginning of the Period**Cash at the End of the Period**

(1) Non-recurring event related to the sale of the plaintiff in September 2019, in the amount of R\$ 170.0 million.

Working Capital

Working Capital ends 2020 with a decrease of 29.8% against 2019 or R\$ 83.0 million, with emphasis on the reduction of finished product inventory levels, the continuity of the strategic relationship work with suppliers, and the faster conversion of receivables from customers.

In the Cash Conversion Cycle, there was a significant reduction of 48 days in the year, due to the optimization of unhealthy inventories and slow moving items, better management of the receivables portfolio with an effective reduction in the average term, and a lower historical level of default, as well as rescheduling of the payment term of some strategic suppliers.

		4Q19	4Q20	▲	Absolute
In R\$ million	Trade Receivables	227,0	245,3	8,1%	18,3
	Inventories	243,4	204,6	-15,9%	-38,8
	Trade payables	192,1	254,6	0,3	62,5
	Working Capital	278,3	195,3	-29,8%	-83,0
In Days	Trade Receivables	62	58	-6,4%	-4
	Inventories	112	84	-24,4%	-27
	Trade payables	84	101	20,0%	17
	Cash Conversion Cycle (CCC in Days)	90	42	-53,7%	-48

Investments

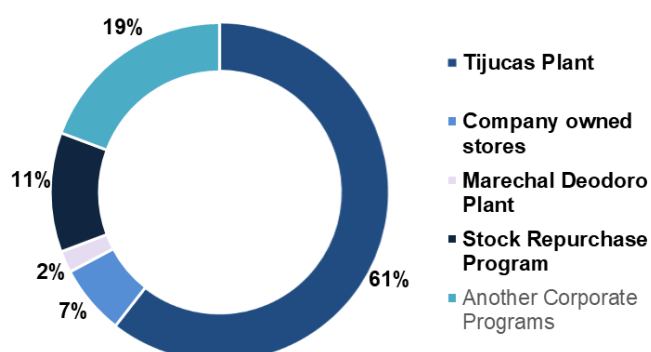
Investments totaled R\$ 39 million in 4Q20 and R\$ 134.5 million in the year, of which 61% for the Tijucas_SC plant, 11% for the stock repurchase program, 7% for company owned stores, 2% for the Marechal Deodoro-AL plant and the remainder for commercial and corporate projects. At the Tijucas-SC plant, 67% of the investments were used for the preparation and updating of the industrial park to produce products with greater added value and larger formats, such as the Lastras project, and 33% of the investments were used in other projects, including new businesses. At the Marechal Deodoro-AL plant, most of the investments were used to update and modernize the manufacturing plant. In relation to the expansion of company owned stores, in the year we expanded our base of company owned stores to 17, with the opening of 2 new operations and 2 renovated and expanded stores.

It is worth mentioning that, in 3Q20, Portobello America Inc.'s capital was increased by R\$ 115.7 million (US\$ 20.5 million) with the conversion of receivables from PBG S.A. with the subsidiary.

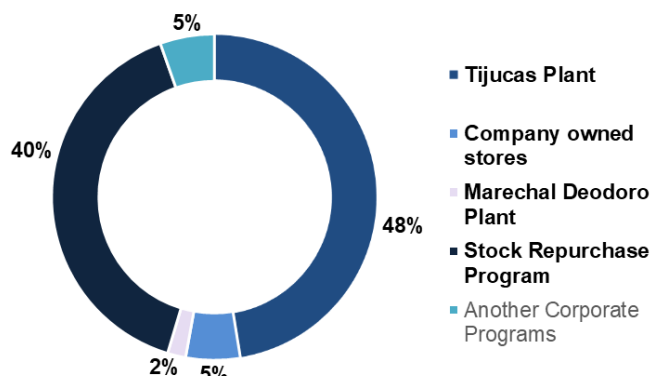
PortobelloGrupo

Comments on Performance
(In million of reais, unless otherwise stated)

Investments 2020



Investments 4Q20



Indebtedness / Capital Structure

The Company's Net Debt ended 2020 at the level of R\$ 401.4 million, with a reduction of R\$ 79.6 million compared to 2019, which, combined with the increase in Adjusted and Recurring EBITDA to R\$ 174.5 million, resulted in a drop in leverage to 2.3 times the Adjusted and Recurring EBITDA in the last 12 months, the lowest ratio in the past 5 years.

In 2020, the debt amount of R\$ 217.8 million, related to various operations, such as NCEs, FINEP and Prodec BNB, was amortized. Funding for the year totaled R\$ 171.0 million, of which R\$ 98.0 million were from FINEP with a 10-year term, R\$ 35.0 million with the contracting of a working capital line with a 3-year term and a grace period of one year, funding of R\$ 11.0 million in ACC (Advance against Exchange Contracts) with a term of one year and R\$ 11.2 million referring to the NCE (Export Credit Note) with a one-year term. At the end of the quarter, all contractual requirements ("covenants") related to the leverage ratio, which could cause early maturity of financing contracts and debentures, were met.

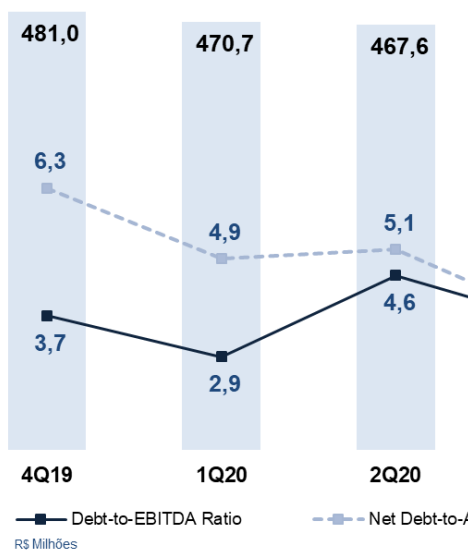
In September 2020, the Brazilian Superior Court of Justice (STJ) judged a lawsuit filed by the Company approving the extraordinary installment payment of MP 470 of 2009. The consequence of this decision will be the extinction of tax collections filed against the Company related to the installment plan itself. These collections were guaranteed with the values of Refinadora Catarinense S.A. (related party), deposited in escrow, which consequently will be released. The Company signed a discharge agreement with Refinadora Catarinense, when it received a transfer of R\$ 87.4 million. The Company is taking steps with the Office of the Attorney- General of the National Treasury (PGFN) for the release of funds in the coming months.

As a result of this decision, the Company changed the way of calculating the debt used up to 2Q20, which included the amounts of credits with related parties and the tax debt. Thus, as of 3Q20, the Company started to report its debt considering loans and bank financing operations, and the available cash balance, in line with the criteria used for calculating covenants.

Portobello Grupo

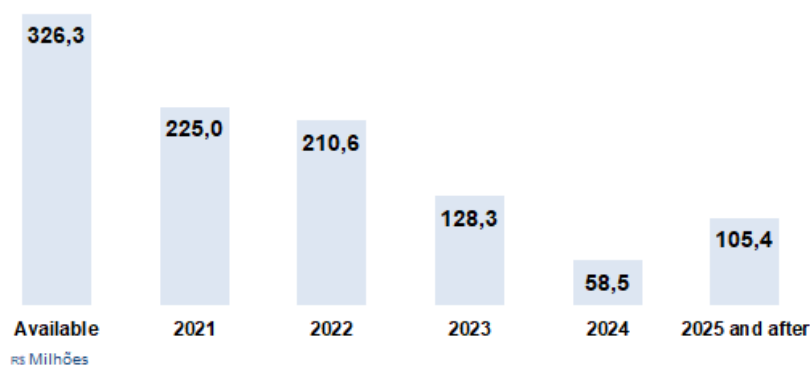
Comments on Performance

(In million of reais, unless otherwise stated)



R\$ million	4Q19	1Q20	2Q20	3Q20	4Q20
Gross Bank Debt	756,4	795,5	749,7	750,0	727,8
Cash and cash equivalents	-275,4	-324,8	-282,1	-289,2	-326,4
Net Debt	481,0	470,7	467,6	460,8	401,4
EBITDA (Last 12 Months)	128,8	162,1	102,6	130,9	175,3
Adjusted and Recurring EBITDA (Last 12 months)	75,9	96,1	93,5	130,0	174,5
(=) Liquidez corrente					
(=) ROE (Lucro líquido / PL)					
Net Debt-to-EBITDA Ratio	3,7	2,9	4,6	3,5	2,3
Net Debt-to-Adjusted and Recurring EBITDA Ratio	6,3	4,9	5,1	3,5	2,3

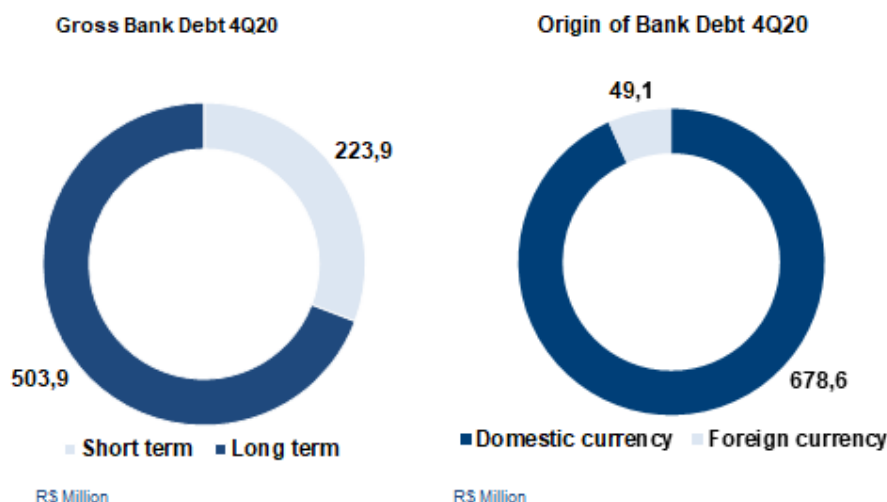
The details of the amortization schedule (Gross Bank Debt) can be found below:



Gross Bank Debt maturing in the short term represents 30.8% of the total and the remainder matures in the long term, as shown in the amortization schedule above, demonstrating that the cash position is sufficient to cover the fulfillment of the debt service in the short term. The Gross Bank Debt is mostly (93.2%) in local currency. Currently, the average total cost of the Company's total bank debt is 4.9% p.a. and the average maturity is 3.6 years.

PortobelloGrupo

Comments on Performance
(In million of reais, unless otherwise stated)



As per the market announcement on March 11, 2021, the credit rating agency Fitch Ratings assigned the Company the initial rating of "BBB(bra)" - long-term national rating, with stable outlook.

Resolutions of the General Meetings

Management will propose to the General Shareholders' Meeting, to be held on April 27, 2021, the distribution of dividends in the amount of R\$ 60.8 million. Considering that R\$ 17.3 million was advanced on February 21, 2021, the remaining balance to be paid is R\$ 43.5 million. Thus, the total remuneration to be distributed to shareholders, referring to 2020, will represent a dividend yield of 6.11%.

Buyback Plan

On January 20, 2021, the Board of Directors approved the cancellation of 3.9 million treasury shares in the amount of R\$ 14.1 million, without reducing the share capital, as well as a new buyback program for acquisition of up to 7.0 million shares, corresponding to 4.41% of the total shares issued by the Company or 10% of the free float, valid until January 21, 2022. Until March 25, 2021, the Company had repurchased a total of 6.8 million shares (97% of the total shares of the new repurchase program), at an average price of R\$ 8.91.

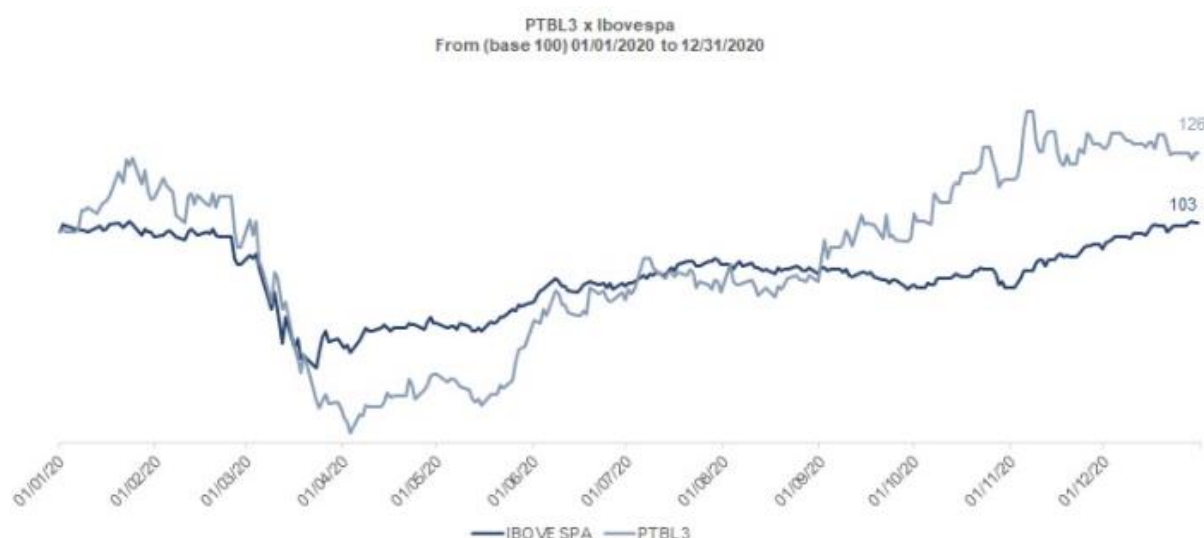
Performance of PTBL3 Shares

The shares traded under the ticker symbol PTBL3 ended the last trading session of December 2020 at R\$ 6.76, with appreciation of 25.9% (22.4% above the Bovespa index) compared to the 2019 closing. The average monthly financial volume traded in the last twelve months was R\$ 223.7 million, an increase of 319.7% compared with R\$ 53.3 million in 2019. At the end 2020, the Company had a market cap of R\$ 1.044.6 million.

PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)



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 premise that the auditor should not expert his or her own work, perform managerial functions, or even advocate for his or her client. During 4Q20, the Company engaged the independent auditors to review the reference form filed with CVM.

Management

Statutory Executive Board

Name	Title
Mauro do Valle Pereira	Chief Executive Officer
Ronei Gomes	VP of Finance and Investor Relations
Edson Luiz Male Stringari	VP of Legal and Compliance

Board of Directors

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

Corporate Governance

Electronic address to communicate corporate governance related issues to senior management

dri@portobello.com.br

Portobello Grupo

Comments on Performance

(In million of reais, unless otherwise stated)

- Shares listed on the Novo Mercado

of B3;

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

Teleconference

On Thursday, March 30, 2021 at 10:00 am a teleconference will be held in Portuguese language to report the earnings for the fourth quarter of 2020.

Data for connection:

Telephone: +55 11 3137-8043

Password: PORTOBELLO

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

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



Portobello Grupo

Financial Statements

Comments on Performance

(In million of reais, unless otherwise stated)

Balance Sheet

Assets	2019	AV %	2020	AV %	Var%
Current	854,6	46,5%	916,7	45,1%	7,3%
Cash and cash equivalents	275,4	15,0%	326,3	16,0%	18,5%
Trade Receivables	251,8	13,7%	289,1	14,2%	14,8%
Inventories	243,4	13,3%	204,6	10,1%	-16,0%
Other	84,0	4,6%	96,7	4,8%	15,2%
Non Current	981,7	53,4%	1.117,6	54,9%	13,8%
Long-Term Assets	412,2	22,4%	464,5	22,8%	12,7%
Escrow Deposits	152,5	8,3%	156,3	7,7%	2,5%
Legal Assets	37,9	2,1%	119,7	5,9%	216,0%
Receivables from Related Parties	100,9	5,5%	-	0,0%	-100,0%
Guarantee Deposit	-	0,0%	87,4	4,3%	100,0%
Receivables from Eletrobrás	12,8	0,7%	12,8	0,6%	0,0%
Restricted financial investments	7,6	0,4%	15,3	0,8%	102,8%
Recoverable taxes and deferred tax	83,09	4,5%	50,99	2,5%	-38,6%
Other Non Current Assets	17,4	0,9%	22,0	1,1%	26,2%
Fixed Assets	569,5	31,0%	653,1	32,1%	14,7%
PPE, Intangible assets and Investments	510,4	27,8%	581,3	28,6%	13,9%
Right of Use of Leased Assets	58,8	3,2%	71,4	3,5%	21,3%
Other Investments	0,3	0,0%	0,3	0,0%	0,9%
Total Assets	1.836,3	100,0%	2.034,3	100,0%	10,8%
Liabilities	2019	AV %	2020	AV %	Var%
Current	613,7	33,4%	740,6	36,4%	20,7%
Loans and Debentures	233,8	12,7%	223,9	11,0%	-4,2%
Trade Payables and Credit Assignment	227,1	12,4%	292,7	14,4%	28,8%
Lease Obligation	14,5	0,8%	34,8	1,7%	140,6%
Tax Liabilities	24,4	1,3%	33,8	1,7%	38,3%
Payroll and Related Taxes	41,9	2,3%	46,5	2,3%	11,0%
Advances from Customers	23,9	1,3%	43,8	2,2%	83,7%
Other	48,2	2,6%	65,1	3,2%	35,2%
Non Current	854,9	46,6%	876,5	43,1%	2,5%
Loans and Debentures	522,6	28,5%	503,9	24,8%	-3,6%
Trade payables	124,8	6,8%	169,7	8,3%	36,0%
Debts with Related Parties	-	0,0%	56,3	2,8%	100,0%
Provisions	120,2	6,5%	63,6	3,1%	-47,1%
Lease Obligations	25,1	1,4%	38,4	1,9%	53,1%
Other Non Current Liabilities	62,3	3,4%	44,6	2,2%	-28,3%
Equity	367,6	20,0%	417,2	20,5%	13,5%
Capital	200,0	10,9%	200,0	9,8%	0,0%
Treasury Shares	-	0,0%	(14,1)	-0,7%	100,0%
Earnings Reserve	184,0	10,0%	250,9	12,3%	36,4%
Other Comprehensive Income	-22,2	-1,2%	-50,1	-2,5%	125,5%
Additional Proposed Dividends	5,8	0,3%	30,4	1,5%	424,2%
Total Liabilities and Equity	1.836,3	100,0%	2.034,3	100,0%	10,8%

PortobelloGrupo

Comments on Performance

(In million of reais, unless otherwise stated)

St

R\$ million

Net Sales Revenue

Gross Operating Profit

Operating Income (Expenses), Net

Selling

General and Administrative

Other Operating Income (Expenses), Net

Operating Profit before Finance Income**Finance income (costs)**

Finance Income

Finance Costs

Net Exchange Rate

Profit or Loss Before Income Tax and Soci

Income Tax and Social Contribution

Net Profit (Loss) for the Period**Cash Flow**

R\$ million	4Q19	4Q20	2019	2020
Cash Flow from Operating Activities	1,0	91,2	170,8	252,7
Cash from Operations	84,8	48,6	337,1	125,6
Variations in Assets and Liabilities	-60,8	69,7	-99,4	185,3
Interests Paid and Tax Over Income Paid	-23,0	-27,1	-66,8	-58,2
Net Cash Used in Investing Activities	-14,2	-39,0	-94,8	-134,5
Acquisition of Property, Plant and Equipment	-12,4	-21,2	-88,1	-109,5
Acquisition of Intangible Assets	-1,8	-3,7	-6,7	-10,9
	0,0	-14,1	0,0	-14,1
Net Cash Provided by (Used in) Financing Activities	-40,9	-15,0	116,8	-67,2
Loans and Financing and Debentures	24,4	76,4	275,1	171,0
Payments of Loans and Financing	-51,8	-94,2	-121,9	-217,8
Dividends Paid	-5,6	-6,3	-28,6	-6,3
Lease Repayments	-7,8	9,0	-7,8	-14,2
Exchange variation on Cash and Cash Equivalents	-	-	-	-
Increase / (Decrease) in Cash and Cash Equivalents	-54,1	37,1	192,8	50,9
Cash and Cash Equivalents at the Beginning of the Period	329,5	289,2	82,6	275,4
Cash and Cash Equivalents at the End of the Period	275,4	326,3	275,4	326,3

Visit the Investor Relations website:

<https://ri.portobello.com.br/>

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

1. General information

PBG S.A., also referred to in this statement as "Company" or "Parent Company", is a publicly traded corporation and its shares are traded in the Novo Mercado segment of the Brazilian Stock Exchange, Bolsa, Balcão (B3), under the code PTBL3. The Company is controlled by a group of shareholders, formalized by the agreement entered into on April 15, 2011 and issued on February 18, 2019, which holds, as of December 31, 2020, 51.7% of the Company's shares, 2.5% treasury shares and 45.8% of the remaining shares, held by various shareholders.

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

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

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

The Company is actively working on COVID-19 prevention measures, reinforcing hygiene protocols, informing about the topic in its communication channels, and following all prevention guidelines suggested by the World Health Organization (WHO), as well as governmental determinations at the Federal, State, and Municipal levels.

The Management has been constantly evaluating the impact of the pandemic on the operations and equity and financial solidity of the Company and its subsidiaries, in order to implement appropriate measures to mitigate the impacts on operations. Through the Crisis Committee, it has also implemented a series of actions in order to minimize the impacts to its community, among them:

- Strengthening of the cash position by raising bank credit lines (note 23) and adjustment of the annual plan, reducing expenses and suspending non-essential investments.
- Protection of operations, adapting production with the suspension of part of the production of the plants in Tijucas (SC), Marechal Deodoro (AL) and the management of inventories in order to safeguard commercial relationships and supply the demands of our customers, adapting the organization, production, logistics and transport of employees, as well as ensuring safe distance and avoiding agglomerations.

(A free translation of the original in Portuguese)

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts In thousands of reais, unless otherwise stated

- Temporary extension within the year of customer deadlines, partially mitigated with extensions with suppliers and tax extensions, already normalized at the end of the 4th quarter.
- Careful analysis of impairment of assets, where the company maintained R\$10,310 (note 8) of allowance for doubtful accounts and did not identify the need for impairment of financial assets and inventories, based on updated projections available at the closing date of these financial statements that justify the maintenance of the amounts.
- Adoption of vacation and suspension of work contracts from April to May for the industrial area, through MP 936, as well as a 25% reduction in the work day and in salaries for the administrative area. By the end of July, both the industrial and administrative areas were operating at full capacity.

However, the restrictions generated by the pandemic were not enough to impact the numbers in 2020, maintaining its production, sales and product shipment forecasts.

The Company prioritized the maintenance of cash to face the uncertainties in the scenarios and instability of the markets and with this context the Company had a quick resumption of its operations.

2. Presentation of financial statements

a) Statement of compliance

The 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.

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, is adjusted to reflect fair value measurement.

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 parent company and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee (CPC). They are also in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) 1. These parent company financial statements are disclosed together with the consolidated financial statements.

The presentation of the Statement of Added Value (DVA), individual and consolidated, is required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies. The DVA was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". The IFRS do not require the presentation of this statement. As a consequence, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements. The issue of the individual and consolidated financial statements was authorized by the Board of Directors on March 24, 2021.

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 the years presented, unless otherwise stated.

3.1 Consolidations

3.1.1 Consolidated financial statements

a) Subsidiaries

Subsidiaries are all entities in which the Company has the power to determine the financial and operating policies, generally accompanied by an interest of more than half of the voting rights (voting capital).

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

The existence and effect of potential voting rights that are currently exercisable 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 and cease to be consolidated from the date that control ceases.

The Company's percentage interest in controlled companies as of December 31, 2020 is:

	Country of incorporation	Direct ownership	Indirect ownership
Portobello America Inc.	United States	100,00%	100,00%
Portobello America Manufacturing	United States	0,00%	100,00%
PB Tech Ltda	Brazil	99,94%	0,00%
Portobello Shop S/A	Brazil	99,90%	0,00%
Mineração Portobello Ltda.	Brazil	99,76%	0,00%
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	2,00%

Transactions between the Company and its subsidiaries, as well as unrealized balances, unrealized gains and losses on these transactions, have been eliminated for purposes of preparing the consolidated financial statements.

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 of non-controlling interests, the difference between any consideration paid and the portion acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.1.2 Individual 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 Presentations of information per business segment

The information per business segments is presented consistently with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the business segments, is the Executive Board, which is also responsible for strategic decisions of the Company and its subsidiaries.

3.3 Functional currency and foreign currency translation

a) Transactions and balances

Transactions in foreign currencies are translated into Brazilian reais using the exchange rates prevailing on the transaction or valuation dates, on which the items are measured. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as finance income, as described in note 35.

b) Companies controlled abroad

Assets and liabilities in foreign currency (US dollars and Euros) recorded by a subsidiary, headquartered abroad, were translated into Reais at the exchange rate at the balance sheet closing, and the result was translated at the average monthly exchange rates. The exchange variation on the investment abroad was recorded as a cumulative translation adjustment in shareholders' equity under "Equity valuation adjustment".

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 correction and foreign exchange variation, less impairment losses, as applicable, are recognized in the income statement for the year as financial income or expenses, 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 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 financial income or expenses, 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 six-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-down 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, cancelled 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.

(iv) 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 to hedge against foreign exchange and interest rate risks. Derivative financial instruments are measured at fair value (market value) at each balance sheet reporting date. Any gains or losses resulting from changes in the fair value of derivative financial instruments during the year are entered directly in the income statement. 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.

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 Anticipated Expenses

Prepaid expenses are those incurred before the event that will generate future benefits to the Company and refer to expenses with trade fairs 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 the judicial deposits are monetarily restated by the savings rate and presented as non-current assets.

3.10 Security 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 13.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.
All amounts in thousands of reais, unless otherwise stated

3.11 Eletrobrás Receivables

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 of the sentence and the benchmarks observed by the judge.

3.12 Judicial Assets

The judicial 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 16.

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 18).

3.14 Asset

Fixed assets are stated at cost, less accumulated depreciation. The counterpart of the revaluations is recorded in a separate account in shareholders' 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 19).

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

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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

Intangible assets refer to the registration of rights that have intangible assets as trademarks and patents, management system and software implementation costs, mineral exploration rights, goodwill. 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 20, 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, patents and goodwill 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 Leasing (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, Distribution Centers and own stores.

3.17 Impairment of non-financial assets, (except 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 Vendors

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, the accounts payable are presented as non-current liabilities.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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.

3.19 Assignment of credit with suppliers

The Company carries out supplier credit assignment operations 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 operation, the suppliers transfer the right to receive the securities to the Bank, which, in turn, will become a creditor of the operation.

3.20 Loans, financing 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 Advance payments

This occurs when the Company receives an advance from a customer on account of the future supply of goods and services, even before the product or service requested by the customer is delivered and the invoice is generated. The largest balance is in consolidated and comes from own stores, due to the characteristic of the operation.

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 a reliable estimate of the amount can be made. 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 the accounting, except when the Company considers that the gain is practically certain or when there are real guarantees or favorable legal 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 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 15.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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 IFRS Interpretation issued by the IASB - ICPC 22 / IFRIC 23 - Uncertainty over income tax treatment

The Company reviewed the treatments given to income and social contribution 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 Treatment.

In the Company's evaluation, it was concluded that the application of this interpretation did not result in significant impacts, since the main income tax and social contribution calculation treatments were considered.

325. Benefits to employees

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.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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 "Others" 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 stock is represented exclusively by common shares and is classified in shareholders' equity according to note 31.1.

3.27 Distribution of dividends and interest on own 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. Any amount above the mandatory minimum is only accrued on the date it is approved by the shareholders at the General Meeting.

The tax benefit from interest on own 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, that is, 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 this 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 always recognized when the Company transfers 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

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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, 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, properly speaking, in the final purchase price.

b) Revenue from franchising

The franchise revenue (royalties) is recognized on the accrual basis according to the substance of the contracts applicable in the subsidiaries.

c) Financial income

Interest income is recognized on a time basis, using the effective interest rate method, and is recognized as it is expected to be realized.

3.29 Financial Expenses

Financial expenses include interest and foreign exchange expenses on loans and financing, monetary variation in trade accounts receivable and payable to suppliers, updating of tax 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 the income statement using the effective interest method.

4 Critical accounting estimates and judgments

4.1 Estimates

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) Remaining Life Review

As provided for in technical pronouncement CPC 27 - Property, Plant and Equipment, the Company and its subsidiaries review the estimated economic useful life of the assets for the calculation of depreciation and was evaluated whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable based on future cash flows. If the book value of these assets exceeds their recoverable value, the net value is adjusted and their useful life is readjusted to new levels.

b) Provisions for labor, civil 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.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

c) Provisions for inventory losses

Provision for potential inventory losses is made when, based on historical and changing 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.

d) Deferred income tax and social contribution tax

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.

e) Uncertain tax treatment and related contingencies

The Company maintains certain 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. Should such tax treatments not be accepted by these tax authorities.

f) Incremental Rate on Lessee's Loan

The Company was unable to determine the implicit discount rate to be applied to its leases. Therefore, the incremental rate on the lessee's loan is used for calculating the present value of lease liabilities at initial contract registration.

The lessee's incremental borrowing rate is the interest rate the lessee would have to pay when borrowing resources to acquire an asset similar to the asset subject to the lease, for a similar term and with similar collateral, the resources needed to obtain the asset with similar value to the right-of-use asset in a similar economic environment.

Obtaining this rate involves a high degree of judgment, and should be a function of the lessee's credit risk, the term of the lease, the nature and quality of the collateral offered, and the economic environment in which the transaction takes place. The rate-setting process preferably uses readily observable information, from which it must make the necessary adjustments to arrive at its incremental lending rate.

The adoption of IFRS 16/CPC 06 (R2) allows the incremental rate to be determined for a grouping of contracts, since this choice is associated with the validation that the grouped contracts have similar characteristics.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

The Company has adopted the aforementioned practical expedient of determining groupings for its scope leases as it believes that the effects of its application do not differ materially from the application to individual leases. The size and composition of the portfolios were defined based on the following assumptions: (a) assets of similar natures and (b) similar remaining terms with respect to the date of initial application.

g) 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 30.

4.2 Critical judgments in applying the accounting policies

a) 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 of the sentence and the benchmarks observed by the judge.

b) Receivables with other persons connected with collateral

The receivable from Refinadora Catarinense is recognized based on the value of the contract signed with the counterparty and the value of the guarantees provided. The credits assigned as guarantee have already been converted into a court-order debt security and are included in the Federal Government's budget as described in note 11.

c) Installment Payment Law 12249/10 (MP 470 and MP 472)

The amount of the installment plan of MP 470 is based on the principle that the Company will obtain the granting of the request according to the opinion of its legal advisors as described in note 27.

The Company has already applied to the courts to obtain judicial ratification of the installment plan referred to in PM 470. The mentioned action - Injunction - has a virtually certain outcome, supported by the pronouncement of the Company's legal department, as well as two law firms of notorious expertise (Demarest Almeida and Souza Cescon). For clarification purposes, the writ of mandamus filed to seek judicial homologation of the installment plan was denied in the first instance. On appeal, the TRF of the 4th Region partially granted the appeal. The Company maintains the pronouncement of reversing the remaining legal question in the Superior Court of Justice.

d) ICMS tax benefits

The Company has Value-added Tax on Sales and Services (ICMS) incentive called PRODEC - Programa de desenvolvimento da empresa Catarinense, granted by the state government of Santa Catarina, as described in note 23. The Federal Supreme Court (STF) handed down decisions in Direct Actions, declaring the unconstitutionality of several state laws that granted ICMS tax benefits without previous agreement between the States. Although the Company has no ICMS tax incentives ruled by the STF, it has been following, together with its legal advisors, the evolution of this issue in the courts to determine possible impacts on its operations and consequent effects on the Financial Statements.

In the state of Alagoas, the Company has a tax incentive called PRODESIN - Integrated Development Program. The fiscal benefits of PRODESIN consist of deferment of the ICMS (Value-added Tax on Sales and Services) levied on goods acquired in the country or abroad, destined for the fixed assets; deferment of the ICMS (Value-added Tax on Sales and Services) levied on raw materials acquired in the country or abroad; presumed credit of 50% (fifty percent) of the ICMS (Value-added Tax on Sales and Services) levied on the products of the branch located in the state; deferment for 360 (three hundred and sixty) days of the ICMS to be collected; financing of part of the ICMS due to the state in up to 84 (eighty-four) monthly installments with a grace period of 24 (twenty-four) months for the payment of the first installment.

e) Infraction Notice

In 2014 and 2016, the Company was notified of the Tax Assessment Notices that constituted IRPJ and CSLL tax credits (as well as monetary penalties and interest), related to the calendar years from 2009 to 2013. The Company filed a defense and the administrative proceeding is awaiting judgment of the Special Appeals, as detailed in note 29.

f) Tax assets

The accounting estimates and assumptions in the tax assets in the Company are relevant and information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the individual and consolidated financial statements are included in the following notes and their judgments:

- Tax assets (note 16) - The critical judgments used by the Company to record tax assets are when the process can no longer be appealed and when its realization is practically certain, then it ceases to be a contingent asset and its recognition becomes due.
- Contingent asset (note 17) - The Company does not record this asset, since it may be an asset that will never be realized, or whose gain, although probable, is not yet practically certain. The Company's position is in line with the accounting practices, which indicate that contingent assets should only be disclosed in an explanatory note.

g) Lease term determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are included in the lease term only when there is reasonable certainty that the lease will be extended (or will not be terminated).

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

For leases of warehouses, retail stores, and equipment, the following factors are usually the most relevant:

If the termination (or non-extension) incurs significant fines, it is reasonably certain that the Company will effect the extension (or will not effect the termination). If there are improvements to third-party properties with a significant residual balance, it is reasonably certain that it will extend (or not terminate) the lease.

Additionally, the Company considers other factors, including past practices regarding periods of use of specific types of assets (leased or owned) and duration of leases, and the costs and business disruption required to replace the leased asset.

5 Financial risk management

5.1 Financial risk factors

The activities of the Company and its subsidiaries expose them to a variety of financial risks: market risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on consolidated financial performance.

Risk management is carried out by the responsible management under policies approved by the Board of Directors. Treasury and the vice-presidency of finance identify, evaluate and protect the Company and its subsidiaries against possible financial risks in cooperation with its operating units. The Board of Directors establishes principles for overall risk management as well as for specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of cash surpluses.

a) Market risk

i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposure to certain currencies, mainly with respect to the U.S. dollar and the Euro. The exchange rate risk arises from future commercial operations, recognized assets and liabilities and net investments in foreign operations.

The Company presents below the asset and liability balances exposed to exchange rate variation:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	In Reais			
	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Trade receivables	42.935	55.350	60.211	62.464
Checking account	1.502	241	21.912	241
Credit with subsidiaries	45.308	90.338	-	-
Investment in subsidiary	24.166	-	-	-
Assets exposed	113.911	145.929	82.123	62.705
Provision for subsidiaries' deficiency in net assets	-	(57.643)	-	-
Suppliers, commissions, net of advances	(15.332)	(18.539)	(37.845)	(21.135)
Payables for fixed asset and intangible	(45.210)	(16.976)	(45.210)	(16.976)
Lease liabilities	-	-	(4.734)	(4.736)
Borrowings and financing	(49.123)	(51.813)	(49.123)	(51.813)
(-) Swap	14.117	16.433	14.117	16.433
Liabilities exposed	(95.548)	(128.538)	(122.795)	(78.227)
Net exposure	18.363	17.391	(40.672)	(15.522)

This currency exposure is divided into:

a) Euro:

	In Euro			
	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Trade receivables	197	283	197	283
Suppliers, commissions, net of advances	(1.012)	(3.024)	(1.012)	(3.024)
Payables for fixed asset and intangible	(7.071)	(3.475)	(7.071)	(3.475)
	(7.886)	(6.216)	(7.886)	(6.216)

b) U.S. dollar:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	In US Dollar			
	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Trade receivables	8.020	13.373	11.344	15.138
Checking account	288	60	4.215	60
Credit with subsidiaries	8.718	22.413	-	-
Investment in subsidiary	4.650	-	-	-
Provision for subsidiaries' deficiency in net assets	-	(14.301)	-	-
Suppliers, commissions, net of advances	(1.730)	(1.209)	(6.062)	(1.853)
Payables for fixed asset and intangible	-	(305)	-	(305)
Lease obligations	-	-	(911)	(1.175)
Borrowings and financing	(9.453)	(12.855)	(9.453)	(12.855)
(-) Operação Swap	2.717	4.077	2.717	4.077
	13.210	11.253	1.850	3.087

The Company maintains the strategy of maintaining a passive exchange rate exposure in the amount equivalent up to one year of its exports.

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

Interest rate risk arises from long-term loans and financing and is associated with loans issued at variable rates that expose the Company and its subsidiaries to interest rate and cash flow risk. Borrowings acquired at fixed rates expose the entities to fair value risk associated with the interest rate.

The Company and its subsidiaries continuously monitor the market interest rates with the objective of evaluating the eventual need to contract new operations to protect against the volatility risk of these rates.

As for financial investments, they are preponderantly made in bank CDBs with a small portion in investment funds, according to note 6.

a) Market risk

i) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposure to certain currencies, mainly with respect to the U.S. dollar and the Euro. The foreign exchange risk arises from future commercial operations, recognized assets and liabilities and net investments in foreign operations.

The Company presents below the balances of assets and liabilities exposed to exchange rate variation:

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

Interest rate risk arises from long-term loans and financing and is associated with loans issued at variable rates that expose the Company and its subsidiaries to interest rate and cash flow risk.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

Borrowings acquired at fixed rates expose the entities to fair value risk associated with the interest rate.

The Company and its subsidiaries continuously monitor market interest rates with the objective of evaluating the eventual need to contract new operations to protect against the volatility risk of these rates.

Regarding financial investments, they are mostly in bank CDBs, with a small portion in investment funds, according to note 6.

b) Credit Risk

The Company and its subsidiaries maintain strict controls over the granting of credit to its customers, and adjust credit limits whenever any material change in the perceived level of risk is detected.

c) Liquidity risk

It is the risk of the Company and its subsidiaries not having sufficient liquid funds to honor its financial commitments, due to a mismatch of terms or volume between expected receipts and payments.

To manage cash liquidity in local and foreign currency, assumptions for future disbursements and receipts are established and monitored daily by the treasury area and the vice-presidency of finance.

The following table shows the non-derivative financial liabilities of the Parent Company and Consolidated, by maturity ranges, corresponding to the remaining period on the balance sheet until the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

	Parent Company									
	December 31, 2020					December 31, 2019				
	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total
Less than 1 year	223.908	7.594	280.943	9.290	521.735	231.984	4.554	193.211	11.455	441.204
From 1 to 2 years	210.603	4.763	151.364	9.290	376.021	357.412	3.226	124.754	22.584	507.976
From 2 to 5 years	215.592	8.117	18.357	25.127	267.193	159.998	4.045	-	20.933	184.976
Over 5 years	77.663	-	-	-	77.663	5.639	-	-	-	5.639
	727.766	20.474	450.664	43.707	1.242.611	755.033	11.825	317.965	54.972	1.139.795

	Consolidated									
	December 31, 2020					December 31, 2019				
	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total
Less than 1 year	223.908	34.803	295.244	9.354	563.309	231.984	14.465	205.395	11.765	463.609
From 1 to 2 years	210.603	11.963	151.364	9.354	383.284	357.412	7.328	124.754	22.880	512.374
From 2 to 5 years	215.592	24.878	18.357	25.298	284.125	159.998	3.273	-	20.933	184.204
Over 5 years	77.663	1.538	-	-	79.200	6.982	-	-	-	6.982
	727.766	73.182	464.965	44.006	1.309.919	756.376	25.066	330.149	55.578	1.167.169

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

d) Sensitivity Analysis

i) Sensitivity analysis of variations in interest rates

The Company's management carried out a study of the potential impact of interest rate variations on the amounts of financial expenses arising from financing and loans are affected by variations in interest rates, such as CDI and Selic.

This study is based on the probable scenario of an increase in the CDI rate to 2.88% per year, based on the future interest curve drawn at B3 (Brasil, Bolsa e Balcão) and of the Selic rate to 2.88% per year. The probable rate was then compounded by 25% and 50%, serving as a parameter for the possible and remote scenarios, respectively.

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

	December 31, 2020	Risk	Consolidated in Reais					
			Probable rate		Possible (25%)*		Remote (50%)*	
			%	R\$	%	R\$	%	R\$
Financial Applications	326.325	High CDI	2,88%	9.398	3,60%	11.748	4,32%	14.097
Loans - Export Credit Note	(223.304)	High CDI	2,88%	(6.431)	3,60%	(8.039)	4,32%	(9.647)
Debentures	(198.258)	High CDI	2,88%	(5.710)	3,60%	(7.137)	4,32%	(8.565)
Installment plans for tax liabilities	(44.007)	High Selic	2,88%	(1.267)	3,60%	(1.584)	4,32%	(1.901)
	(139.244)			(4.010)		(5.013)		(6.015)

* Selic and CDI rates obtained from the B3 (Brasil, Bolsa e Balcão) website on January 29, 2021.

*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 January 29, 2021.

ii) Sensitivity analysis of variations in exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet at December 31, 2020 for which, for sensitivity analysis purposes, it adopted as probable scenario the future market rate prevailing at the period of preparation of these financial statements. The probable rate was then compounded by 25%, 50%, -25%, -50%, serving as a parameter for the possible and remote scenarios, respectively.

Thus, the table below shows a simulation of the effect of the exchange rate variation on future results

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

Consolidated in Reais							
December 31, 2020			Possible (25%)*	Remote (50%)*	Possible (-25%)*	Remote (-50%)*	
US\$	R\$	Probable scenario	Gain (loss)	Gain (loss) R\$	Gain (loss) R\$	Gain (loss) R\$	
Trade receivables US\$	11.344	58.951	5.4899	6,9624	8,2349	4,1174	2,7450
Checking account US\$	4.215	21.904	5.207	16.040	32.079	(16.040)	(32.079)
Trade payable, net of advances US\$	(6.062)	(31.502)	1.935	5.960	11.919	(5.960)	(11.919)
Suppliers of fixed and intangible assets US\$	(6.062)	(31.502)	(2.783)	(8.571)	(17.142)	8.571	17.142
Borrowings and financing US\$	-	-	-	-	-	-	-
	(9.453)	(49.124)	(4.339)	(13.366)	(26.732)	13.366	26.732
(-) Swap Contract US\$	2.717	14.119	1.247	3.842	7.683	(3.842)	(7.683)
Net Exposure	2.761	14.348	1.267	3.906	7.809	(3.905)	(7.809)

Consolidated in Euros							
December 31, 2020			Possible (25%)*	Remote (50%)*	Possible (-25%)*	Remote (-50%)*	
EUR	R\$	Probable scenario	Gain (loss)	Gain (loss) R\$	Gain (loss) R\$	Gain (loss) R\$	
Trade receivables EUR	197	1.256	6,6719	8,3399	10,0079	5,0039	3,3360
Trade payable, net of advances EUR	(1.012)	(6.454)	75	333	666	(333)	(666)
Payables for fixed asset and intangible EUR	(7.071)	(45.098)	(384)	(1.710)	(3.419)	1.710	3.419
Net exposure	(7.886)	(50.296)	(2.684)	(11.946)	(23.891)	11.946	23.891
			(7.886)	(50.296)	(26.645)	13.322	26.646

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 net debt divided by EBITDA. Net debt, in turn, corresponds to total loans, financing and debentures, subtracted from the amount of cash and cash equivalents..

At December 31, 2020, the gearing ratios are summarized as follows:

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Gross Bank Debt	727.766	755.033	727.766	756.376
Cash and Cash Equivalents	(245.779)	(249.488)	(326.325)	(275.378)
Net indebtedness	481.987	505.545	401.441	480.998
Total equity	417.168	367.620	417.184	367.636
Total capital	899.155	873.165	818.625	848.634
EBITDA	175.354	128.843	175.354	128.843
Net indebtedness / EBITDA	2,75	3,92	2,29	3,73
Financial leverage ratio (%)	54	58	49	57

5.3 Financial instruments by category

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Assets stated at fair value through profit or loss				
Derivatives	14.117	9.041	14.117	9.041
Amortized cost				
Cash and cash equivalents	245.779	249.448	326.325	275.378
Trade accounts receivable	261.227	222.856	289.090	251.773
Dividends receivable	53.023	37.237	-	-
Loans and advances to subsidiaries	53.768	95.422	-	-
Receivables from other related parties	-	100.935	-	100.936
Judicial deposits	156.296	152.477	156.324	152.492
Financial investments	13.317	7.552	13.317	7.552
Other assets	20.475	22.674	21.127	26.094
	818.002	897.642	820.300	823.266
Amortized cost				
Trade payables and assignment	450.674	317.965	464.975	330.149
Borrowings, financing and debentures	727.766	755.033	727.766	756.376
Dividends Payable	31.005	950	31.079	982
Lease obligations	20.473	11.825	73.182	39.531
Payables to related parties	56.330	22.803	53.723	22.803
Other Liabilities	27.915	26.992	30.911	42.859
	1.314.163	1.135.568	1.381.636	1.192.700

The financial investment has a long-term investment fund and is linked to a reciprocity clause in the loan agreement with Banco do Nordeste, in the amount of R\$ 8,119, and in this quarter, the amount of R\$ 5,196 was recognized, equivalent to USD 1,000 for the linked financial investment as requested in a waiver obtained from the DEG bank. There is also an investment of R\$ 14,047 given as a guarantee for a loan with Banco BBM.

6. Cash and cash equivalents

Short-term investments designated as cash equivalents are mostly CDB investments, and a small fraction refers to investment funds which average return in December 2020 was equivalent to 105.6% of the Interbank Deposit Certificate (CDI) rate, and which can be redeemed at any time, without penalties.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Checking account	38.052	15.467	77.124	27.222
Financial investments	207.727	233.981	249.201	248.156
	245.779	249.448	326.325	275.378

7. Financial instruments

Derivatives are classified as current and non-current assets or liabilities. The total fair value of a derivative is classified as a non-current asset or liability if the remaining period to maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining period to maturity of the hedged item is less than 12 months.

In June 2018, the Company entered into an Export Credit Transaction (NCE) and jointly a Swap transaction, which aims to protect the future payments of these loans and financing, from U.S. dollar and interest rate fluctuations. This operation is classified in current and non-current liabilities. This credit operation, renegotiated in June 2020, was for US\$ 2.711, equivalent to R\$ 14,430, at the cost of 2.95% per year plus LIBOR-03 and exchange variation, with a swap for 100% CDI plus 2.95% per year and a payment term of 45 months, with a grace period of approximately 12 months. Amortizations are quarterly.

On December 31, 2020 there was an unrealized gain in the amount of R\$ 3,656, according to explanatory note 35, an amount resulting from the gain with swap operations and the loss with swap operations, net.

The Company does not engage in speculative financial transactions with derivatives or any other risk instruments.

8. Trade accounts receivable

Management understands that the allowance for doubtful accounts is sufficient to cover probable losses on the settlement of accounts receivable considering the situation of each client and the respective guarantees offered. Its value represents the estimated risk of non-realization of overdue receivables under the analysis of the responsible manager.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Receivables from third parties:				
Domestic market	223.585	173.362	234.650	201.653
Foreign market	42.935	55.350	60.211	55.350
	<u>266.520</u>	<u>228.712</u>	<u>294.861</u>	<u>257.003</u>
Receivables from related parties:				
Related to management	342	372	1.148	1.041
	<u>342</u>	<u>372</u>	<u>1.148</u>	<u>1.041</u>
Total short term receivables	<u>266.862</u>	<u>229.084</u>	<u>296.009</u>	<u>258.044</u>
Total long-term domestic market receivables	<u>3.391</u>	<u>-</u>	<u>3.391</u>	<u>-</u>
Total Receivables	<u>270.253</u>	<u>229.084</u>	<u>299.400</u>	<u>258.044</u>
Impairment of trade receivables:				
Provision for impairment of trade receivables short term	(5.635)	(6.228)	(6.919)	(6.271)
Provision for impairment of trade receivables long term	(3.391)	-	(3.391)	-
	<u>(9.026)</u>	<u>(6.228)</u>	<u>(10.310)</u>	<u>(6.271)</u>
	<u>261.227</u>	<u>222.856</u>	<u>289.090</u>	<u>251.773</u>

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

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

a) Aging list of trade receivables

Parent Company						
	December 31, 2020	Estimated losses	Coverage %	December 31, 2019	Estimated losses	Coverage %
Falling due	261.967	(2.826)	1%	217.635	(1.615)	0,7%
Past due until 30 days	1.584	(378)	24%	4.138	(15)	0,4%
Past due from 31 to 60 days	641	(182)	28%	1.800	(61)	3,4%
Past due from 61 to 90 days	354	(98)	28%	201	(20)	10,0%
Past due from 91 to 120 days	179	(80)	45%	1.850	(1.604)	86,7%
Past due from 121 to 180 days	402	(336)	84%	208	(80)	38,5%
Past due from 181 to 360 days	1.735	(1.735)	100%	3.252	(2.833)	87,1%
Past due over 361 days	3.391	(3.391)	100%	-	-	0,0%
	270.253	(9.026)		229.084	(6.228)	
Consolidated						
	December 31, 2020	Estimated losses	Coverage %	December 31, 2019	Estimated losses	Coverage %
Falling due	288.038	(3.747)	1,3%	244.750	(1.619)	0,7%
Past due until 30 days	3.940	(415)	10,5%	5.305	(15)	0,3%
Past due from 31 to 60 days	957	(218)	22,8%	1.860	(71)	3,8%
Past due from 61 to 90 days	425	(115)	27,1%	341	(11)	3,2%
Past due from 91 to 120 days	266	(139)	52,3%	242	(176)	72,7%
Past due from 121 to 180 days	529	(434)	82,0%	1.900	(1.520)	80,0%
Past due from 181 to 360 days	1.854	(1.851)	99,8%	3.646	(2.859)	78,4%
Past due over 361 days	3.391	(3.391)	100,0%	-	-	0,0%
	299.400	(10.310)		258.044	(6.271)	

The Company's receivables are pledged as collateral for some of the loans and financing taken out, as described in note 23.

The allowance for doubtful accounts estimated by the Company is calculated through a policy of staggering the realization of the portfolio, taking into consideration the credit analysis, the history of the recovery of receivables up to 360 days after maturity, and market information. A monthly analysis is also made on the balances to fall due based on the customer portfolio, in addition to the analysis of the portfolio of customers falling due for loss experience and some one-off customers. This methodology has supported the estimates of losses in this portfolio with a high degree of assertiveness, meeting the concepts of the IFRS 9/CPC 48 standards.

In August 2020, after the approval of the judicial reorganization plan of a specific customer, the amount of R\$ 3,391, referring to the balance of accounts receivable and allowance for doubtful accounts, was reclassified to the "Others" group of non-current assets, with the balance remaining provisioned in the long term.

As of December 31, 2020, the total securities receivable pledged as collateral was R\$105,108 (R\$76,502 as of December 31, 2019). To guarantee third-party transactions with franchisees, the amount of R\$ 70,000 reais is added in guarantee.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

9. Inventories

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Finished products	121.468	195.829	153.446	211.047
Work in progress	10.322	9.110	10.626	9.110
Raw materials and consumables	45.916	33.243	45.930	33.268
Imports in progress	4.052	5.076	4.051	5.076
Provision for valuation of inventories at realizable value	(8.861)	(15.088)	(9.491)	(15.088)
	172.897	228.170	204.562	243.413

The Company records a provision for inventory losses based on the lower of net cost or recoverable value. The expense of setting up the allowance for inventory losses was recorded under the caption "cost of goods sold" in the statement of income for the year. When there is no expectation of recovery, the amounts credited to the line are realized against the definitive write-off of the inventory.

10. Taxes recoverable

The company and its subsidiaries have tax credits that are recorded in current and non-current assets according to the expectation of their realization, as shown in the table below:

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Current				
PIS/COFINS (a)	56.098	22.073	56.097	22.503
ICMS (b)	13.740	24.165	14.203	24.616
IPI	3.065	2.504	3.072	2.508
IRPJ/CSLL	3.274	427	3.852	1.006
Reintegra	410	184	410	184
Other	27	1.175	188	1.355
	76.614	50.528	77.822	52.172
Non-current				
PIS/COFINS *	7.602	52.780	7.602	52.780
ICMS *	5.504	3.884	5.674	4.122
	13.106	56.664	13.276	56.902

(a) Recoverable taxes arising from fixed assets acquisitions.

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

a) PIS and COFINS

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

The Company filed a writ of mandamus seeking to alter the calculation basis of PIS and COFINS by expunging the ICMS tax. The Federal Court of Santa Catarina issued a decision on the merits favorable to the exclusion of ICMS from the calculation basis in relief. This decision was confirmed by the Federal Regional Court of the 4th Region. The Federal Government, through the Office of the Attorney General of the National Treasury, appealed the decision to the higher courts (STJ and STF).

On March 15, 2017, in a favorable decision handed down by the STF in general repercussion, in the records of case 5032720-26.2014.404.7200, the Company proceeded with the reversal of the amount provisioned at that time.

On July 2, 2018, according to a certificate drawn up by the Secretariat of the Federal Regional Court of the 4th Region, the referred to lawsuit became final and unappealable.

On August 14, 2018, the Company filed with the Federal Revenue Service a request to qualify the credit arising from a Final Judgment, so that it can use the credits between November 2009 and October 2014, as determined in the court decision.

On December 13, 2018, an administrative decision was issued that granted the request for qualification of a credit arising from a final and unappealable judicial decision, in the amount of R\$ 59,381, recording this amount in the same period. The Company has been offsetting these credits against federal taxes. With the approval by the Federal Revenue Service this asset was reclassified from tax assets to taxes recoverable.

In addition to the lawsuit recognized above, the Company had another lawsuit with the same content, which became final and unappealable in the second quarter of 2018. With this, the company recognized the same, Expurgation of ICMS of PIS and COFINS related to the period 2003-2009 in the amount of R\$ 45,072. As there was qualification by the Federal Revenue Service in the 3rd quarter of 2019, the asset moved to the item taxes recoverable, in non-current.

With the expectation of using the total balance of the credit during the year 2021, the credit was fully reclassified to current on December 31, 2020.

The balance of the non-current item refers to the acquisition of property, plant and equipment.

b) ICMS

In current assets are recorded the amounts of ICMS-ST levied on product transfer operations between the Company's establishments, in the amount of R\$ 9,569. This amount is subject to a process with the Finance Department of the State of Pernambuco, aiming at its total recovery. The balance of R\$ 4,171 results from the other operations and will be fully compensated in the company's normal calculations.

In non-current assets are recorded the amounts arising from the acquisition of fixed assets

11. Credits with other connected persons

Between 2001 and 2003, the Company acquired from the related party Refinadora Catarinense S.A. ("Refinadora") tax credits against the National Treasury arising from an injunction claiming the right to reimbursement of IPI premium credits. The Company used such credits to settle federal taxes. As foreseen in the contract between the parties, in the event these credits are not validated by the National Treasury, the "Refiner" should reimburse the Company.

The Federal Supreme Court pronounced, in mid 2009, defining the extinctive landmark of this incentive as October 04, 1990, extinguishing the claims of using this credit. In view of this fact, the Company adhered to the installment plan provided for in Law 11941/09, including then the debt arising from the use of the credit acquired from "Refinadora".

It should be noted that Refinadora had already signed a contract with the Company guaranteeing reimbursement of the amounts used. The referred to guarantee was also provided with credits originated from the tax benefit "crédito-prêmio do IPI", for the calculation period prior to October 04, 1990, in progress in the Federal Court of the Federal District, with a final and unappealable decision in favor of Refinadora.

Upon the adhesion to the installment payment program of Law 11,941/09, the Company and the Refiner signed an instrument confirming such credits as collateral, as well as capable of satisfying the totality of the tax debts paid in installments. As of September 30, 2020, these credits, which also originate from lawsuit 87.00.00967-9, represent R\$ 101,809 (R\$ 100,935 as of December 31, 2019) and are updated by the SELIC rate, according to the agreement.

It is important to say that the credits in guarantees have already become precatórios. In fact, the Company received 4 installments out of a total of 10 annual installments, as provided for in the contract. Receipts occurred in August 2011, March 2013, April 2014, and December 2015, in the amounts of R\$8,505, R\$9,824, R\$9,995, and R\$10,000, respectively. Additionally, the amount of R\$ 2,167 was received in September 2016 as a supplement to installment 04. Tranches 05, 06, 07, 08 and 09 have already been deposited to Refinadora.

This precatory was pledged in tax foreclosure proceedings filed against the Company, the origin of which was the disallowances of the mentioned compensation carried out.

Given the impossibility of partial withdrawal of the amounts deposited related to this precatório, it was determined by the Judge of the 7th Federal Court of the Federal District, in July 2019, the transfer of cash, so that the aforementioned attachment made by means of the precatório was replaced by cash.

On September 8, 2020, the Superior Court of Justice granted the request of PBG S.A. in a special and terminating appeal whose decision implies the extinction of the tax foreclosure processes, now secured in cash, of the precatório ceded in payment in kind by Refinadora Catarinense S. A. Therefore, the extinction of the tax foreclosures allows the equation of the debt, since it will allow (i) the withdrawal of the amounts pledged (R\$ 89,517); (ii) the application of the discount established in the payment in kind agreement (R\$ 8,307); and (iii) the payment in cash by Refinadora Catarinense S. A. (R\$ 4,166), settling the debt (R\$ 101,990).

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

In September 2020, the Company and Refinadora Catarinense S.A. executed the Settlement Agreement related to the payment in kind agreement signed in 2009, and there are no residual obligations to be fulfilled by Refinadora Catarinense S.A.

12. Judicial deposits

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

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

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Civil (a)	144.179	124.875	144.212	124.859
Labor	3.250	4.159	3.213	4.159
Tax (b)	8.867	23.443	8.899	23.474
	156.296	152.477	156.324	152.492

a) Due to the untimely and unilateral decision by the gas supplier to suspend the discount of the monthly contracted gas price, a benefit called loyalty plan, the Company filed a lawsuit claiming the maintenance of this benefit, and an injunction was granted to deposit in court the amounts related to the discount.

b) In 4Q19, the Company offset the Pis and Cofins levied on the IPI Premium Credit - Polo Ativo, which although contingent, were settled with the ICMS expurgation credit in the Pis and Cofins bases. The transaction was recorded in the judicial deposits group. The variation in the amount from 4Q19 to 4Q20 refers to the cancellation of this offset.

13. Security deposits

As described in note 11, in September 2020, PBG S.A. signed an "Instrument of Understanding and Release of Obligations" with Refinadora Catarinense S.A., relating to the release of the Refinadora's debt with PBG in the amount of R\$ 101,990. In the mentioned Term, the parties agreed that Refinadora will pay the amounts transferred, in the amount of R\$ 89,517, for the tax foreclosure processes filed against PBG S.A. With the early payment of the obligation, the Refiner will have the contractual right to recognize a discount of 20% of the installments due, totaling R\$ 8,307. They also adjusted that the Refiner paid the Company the amount of R\$ 4,166 on October 31, 2020, totaling, therefore, the amount of its obligation with PBG S.A. in the amount of R\$ 101,990.

The Company recorded the amount of R\$ 89,517 in a guarantee deposit account, classified in non-current assets, because although management expects to receive this amount within the next few months, there is still no date set for its realization. In October 2020, there was a write-off of a deposit in the amount of R\$ 2,115 referring to the Expertise Card, resulting in the amount of R\$ 87,402 in December 2020.

14. Receivables from Eletrobrás

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

The Company has filed a lawsuit against Centrais Elétricas Brasileira S.A. - Eletrobrás seeking reimbursement for the compulsory loan paid through electricity bills between 1977 and 1993, based on Law 4,156/62.

In 2005 this action was judged to be valid and in February 2006 the Company started an execution action and recognized the amount calculated by the forensic expert and updated monthly by the INPC plus 12% per year. After this period, the calculation was subject to revisions determined by the Federal Court's accounting department.

In 2014, Eletrobrás was ordered to pay R\$ 35,395 as determined by the forensics report with a base date of August 2013. The Company contested this decision, requesting that the calculations be rectified and that the criteria adopted in quantifying the amount of the award be established, due to the differences between the parties. Based on this situation, in July 2014, the Company decided to interrupt the update of the asset until a new decision on the amount and criteria used in this process, maintaining the updated accounting balance in the amount of R\$ 48,621.

In 2016, after the final and unappealable decision of the sentence liquidation process, the Company hired an accounting expert to quantify the credit to be executed, adjusting (reducing) the amount due to a later decision by the STJ.

In 2017, the Company filed an action for compliance with the sentence, in the total amount of R\$ 12,821.

Eletrobrás (Centrais Elétricas Brasileiras S.A.) filed an Interlocutory Appeal in the Execution of Judgment and obtained a favorable preliminary injunction decision to annul the decision that determined the payment in favor of the Company, as well as the resumption of the sentence liquidation procedure. The Settlement of Judgment became *res judicata* in July 2018, being favorable to the Company. The Company, in February 2019, requested the continuation of the process with the homologation of the calculations of the credit, which pointed out the amount of R\$ 12,821. The Company informs that the expected realization of the judicial asset should occur until December this year.

15. Income tax and social contribution

a) Income tax and social contribution on income

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

	Current assets				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Income tax	2.662	314	3.118	779	-	-	2.203	1.527
Social contribution	613	113	734	227	-	-	794	556
	3.274	427	3.852	1.006	-	-	2.997	2.083

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

b) Deferred income tax and social contribution tax

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

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Tax losses	35.276	38.562	35.276	38.562
Temporary differences - assets	57.223	35.455	62.005	39.809
Cash basis foreign exchange variations	20.317	801	20.317	801
Provision for adjustment to market value	1.500	2.536	1.500	2.536
Provision for civil, labor, social security and tax risks	15.353	14.207	15.731	14.207
Provision for PIS/COFINS contingencies - Plaintiff	-	4.913	-	4.913
Profit for profit sharing and long-term incentive	3.661	-	3.661	-
Tax losses in subsidiaries	-	-	4.354	4.353
Other temporary differences - assets	16.391	12.998	16.442	12.998
Temporary differences - liabilities	(54.691)	(52.179)	(59.569)	(52.180)
Portobello pension plan	(3.028)	(2.155)	(3.028)	(2.155)
Realization of revaluation reserve	(16.651)	(17.261)	(16.651)	(17.261)
Receivables from Eletrobrás	(4.359)	(4.359)	(4.359)	(4.359)
Active contingency - IPI credit premium IPI - Phase I	(2.645)	(2.647)	(2.645)	(2.647)
Active contingency - IPI credit premium IPI - Phase II	(7.621)	(7.621)	(7.621)	(7.621)
Active contingency - adjustment to rural credit notes	-	(2.607)	(4.878)	(2.607)
Adjustment to present value	-	(163)	-	(163)
Depreciation adjustment (useful lives of goods)	(20.387)	(15.367)	(20.387)	(15.367)
Deferred income tax and social contribution – net	37.807	21.839	37.713	26.191
Non-current assets	37.807	21.839	37.713	26.191

At December 31, 2020, net variations in deferred income tax and social contribution are as follows:

	Parent Company	Consolidated
December 31, 2019	21.839	26.191
Tax losses	(3.286)	(3.286)
Temporary differences - assets	21.767	22.197
Temporary differences - liabilities	(3.123)	(8.000)
Revaluation reserve	610	610
December 31, 2020	37.807	37.713

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

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company	Consolidated
	December 31, 2020	December 31, 2020
Deferred tax assets charged (credited) to profit or loss		
Tax losses	(3.286)	(3.286)
Cash basis exchange rate variations	19.516	19.516
Provision for adjustment to market value	(873)	(873)
Provision for contingencies	3.732	3.732
Provision for PIS/COFINS contingencies - Plaintiff	(4.913)	(4.913)
Provision for profit sharing and long-term incentive	3.661	3.661
Other temporary differences - assets	644	1.073
	18.481	18.910
Portobello pension plan	(873)	(873)
Realization of revaluation reserve	610	610
Active contingency - adjustment to rural credit notes	2.607	(2.271)
Adjustment to present value	163	163
Depreciation adjustment (useful lives of goods)	(5.019)	(5.019)
	(2.512)	(7.390)
	15.969	11.520

c) Income tax and social contribution - P&L

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

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Profit before taxes	66.499	(11.363)	85.565	(41)
Tax calculated based at nominal rate - 34%	(22.610)	3.863	(29.092)	14
Equity in the earnings of subsidiaries	15.911	5.181	-	-
Non-deductible expenses	6.448	3.467	6.448	3.467
Depreciation of revalued assets	(661)	(610)	(661)	(610)
Other	(5.382)	(11.902)	1.343	(1.645)
Income tax and social contribution expense (recognized in profit or loss - current and deferred)	61.741	12.512	42.677	1.226
Effective tax rate	-92,8%	110,1%	-49,9%	2990,2%

d) Tax losses in the Parent Company and Consolidated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Tax Loss	103.754	113.418	127.079	132.625
Deferred Income Tax/Social contribution	35.276	38.562	43.207	45.093
Impairment	-	-	(3.578)	(2.177)
Deferred Income Tax/Social contribution - constituted	35.276	38.562	39.629	42.916

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

Based on studies and projections of results for the following periods, an analysis of the recoverability of deferred tax assets arising from tax losses and negative basis of social contribution recorded at December 31, 2020, in Companhia Brasileira de Cerâmica was carried out, where we estimated the following schedule for the recovery of these assets:

Period	Parent Company	Consolidated
2021	10.870	10.903
2022	14.531	17.776
2023	9.875	10.950
	35.276	39.629

16. Judicial Assets

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

a) IPI premium credit

The Company has a lawsuit requesting the recognition of tax benefits called "IPI premium credit", in different periods. The lawsuit no. 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, already having a favorable decision for the Company, is in the phase of sentence liquidation with the amounts already calculated by the Federal Court accountant, and the amount recognized in November 2009, remains at R\$ 22,414 at December 31, 2020 (R\$ 22,414 at December 31, 2019). The Company has endeavored to have the payment requisition issued until June 2022, so that the financial realization occurs until December 2023.

In relation to lawsuit no. 1984.00.020114-0, referring to the period from December 07, 1979 to March 31, 1981, after the transit in res judicata, which occurred more than 10 years ago, the liquidation and execution phase of the sentence began, with the submission of an expert's report 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, thus giving rise to a tacit agreement, which is now precluded. Therefore, the process is now ready for judgment and there is no more room for an 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 the balance of R\$ 7,784 as of December 31, 2020 (R\$ 7,784 as of December 31, 2019). The Company will endeavor to have the payment request issued until June 2022, so that the financial realization occurs until December 2023.

b) Correction of rural credit bills

In March 2017, the subsidiary PBTECH, based on a court decision issued in a Public Civil Action filed by the Federal Public Prosecution Office against the Federal Government, filed an individual action for Enforcement of Judgment, for the collection of the amount corresponding to the difference between the monetary adjustment indexes in operations applicable to rural credit bills occurred in March 1990. Banco do Brasil, in a complaint filed with the Superior Court of Justice, obtained a decision to determine the suspension of the process.

In March 2020, by decision of the Regional Federal Court of the 4th Region, the process, as it only involves the Company and Banco do Brasil S.A. and reviewing the previous decision of the STJ, determined that the process, due to competence by reason of the matter, should be processed in the State Justice, in one of the Civil Courts of the City of Tijucas/SC. The amount of the executed credit is R\$ 14,346, which is in conformity with the decision handed down in RESP Nº 1.319.232 - DF (Sociedade Rural Brasileira Rural x Banco Central do Brasil - BACEN and Others). The Company will endeavor to have the financial realization occur by December 2021.

c) IPI tax credit - "Polo Ativo"

The process started in 1984, has already been processed by the Federal Supreme Court (STF) and returned to the 6th Federal Court of the Judiciary Section of the Federal District (original court), to proceed with the execution of the sentence. The Company is already carrying out the execution of the sentence.

The lawsuit dealing with the recognition of tax benefits entitled 'IPI premium credit' (1998.34.00.029022-4), classified in March 2018 as a contingent asset, started to be recognized in the second quarter of 2018 as a judicial asset.

The entry of economic benefits started to be considered practically certain due to the manifestation of the Federal Government - National Treasury in the referred to lawsuit which, in summary, recognized as uncontroversial the amount of R\$ 187,091 (base August 2015) while diverging from the amount of R\$ 66,056.

No further appeals can be made on the supplementary installment, since the debtor - the Federal Government - has confessed.

Concomitantly with the recognition of assets, an obligation of R\$ 62,008 was recorded in liabilities with Refinadora Catarinense S.A., initially the plaintiff in the lawsuit, since, in 2002, there was the substitution of the ownership of the process (Active Pole) and the election by the Company to use these credits in tax compensation. This operation was foreseen in a contract, formalized between the parties, originating the amount due to the related party. Thus, the amount of the Company's net assets is R\$ 158,252.

On April 16, 2019 the Requisition for Payment (Precatório) was issued for the complementary amount, quantified at R\$ 187,091, base date August 2015.

As of September 30, 2019, the amount of the asset due in favor of the Company was quantified at R\$220,260, which amount was homologated by the Judge of the 6th Federal Court in a sentence in the execution process.

The Company, under the terms of the Board of Directors Meeting No. 11, held on September 30, 2019, approved the negotiation of this tax asset, constituted through the Payment Requisition (Precatório) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, having as original amount the amount of R\$ 180,708 (base August 2015). This amount, after being submitted to the legal indexes of monetary correction by the bodies of the Federal Regional Court of the 1st Region, became R\$200,549 (base June 2019).

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

Thus, the Company sold the tax asset at the final price of R\$ 170,000 through settlement on September 30, 2019, whose conditions are included in the Public Deed of Assignment of Credits, drawn up with the 9th Notary Public of the District of São Paulo.

In the sale of the precatory there was a financial discount and, thus, the obligation for Refinadora Catarinense S.A. became R\$ 33,790, whose payment schedule provided for three equal installments. The first installment was paid in December 2019, the second was partially paid (R\$ 7,000) in April 2020, with the remainder (R\$ 4,400) postponed to July 2020 and the third and last (R\$ 11,400) in October 2020, totaling R\$ 22,800, an amount which was updated and resulted in a total disbursement of R\$ 23,014 (R\$ 7,000, R\$ 4,480 and R\$ 11,534, respectively).

The Company, considering that the executed credit has been agreed upon by the Legal Accounting Office, with the amounts presented by the Company having been homologated and, in view of the statement provided by the Legal Accounting Office attached to the process in March 2020, in which it informed that it did not have technical knowledge to present a technical statement about the oppositions presented by the Federal Government, recognized the portion considered as supplementary in the amount of R\$ 66,056 (as of August 2015).

In the first quarter of 2020, an asset amounting to R\$ 75,107 was recognized. Concurrently, in non-current liabilities, under the caption "Debts to related parties", the amount of R\$ 56,330 was recorded, referring to the amount to be paid to Refinadora Catarinense. Additionally, R\$ 1,737 referring to PIS and COFINS were recorded in non-current liabilities and R\$ 3,380 referring to income tax and social contribution accounted for in the respective deferred tax accounts, being non-current liabilities and results. The amount of success fees was also provisioned. The net amount payable to the Company was R\$ 4,166, to be paid in October 2020.

The Company filed a preventive writ of mandamus with the objective of judicially recognizing that no IRPJ, CSLL, PIS, and COFINS are levied on the revenues related to the precatórios.

During the course of the judicial discussion, a decision was handed down by the Federal Supreme Court (June 2020) in RE 631.537, with general repercussion n. 361, whose summary of the decision was transcribed as follows: "Precatory - Credit - Assignment - Nature. Assignment of a writ of payment (precatório) does not alter its nature.

Thus, it was established that, even after the assignment of the precatório, there is no change in the nature of the credit taxation. Therefore, if the credit was not taxed at its origin, it could not be taxed afterwards, even in the event of assignment.

This is the understanding of the Company's legal department, supported by an external report from the Pinheiro Neto law firm, which states in its conclusions that "Following the June 2020 STF decision on the nature of the precatório after its assignment, we believe that the Company's chances of success in the discussion over the taxation of the principal amounts arising from the precatório are rated as probable and the loss as remote.

In view of this, the Company reversed the provision for payment of the reported tax in the amount of R\$70,187.

17. Contingent assets

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

The Company, in view of the divergence of criteria for updating the Payment Requisition (Precatório) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, adopted by the Federal Regional Court of the 1st Region, which quantified the tax asset at R\$ 200,549 (base June 2019), will promote legal proceedings with a view to adjusting the criteria used to update said Precatório. It should be noted that this amount is not recorded in the Financial Statements.

Management maintains the understanding that the Tax Asset, described in item 16 (c) above, represents the amount of R\$ 220,260 (as of June 2018) and, in due course, will claim in court the recognition of the difference in the amount of R\$ 19,711.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

18. Investments

a) Interest in subsidiaries

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

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Revenue	Profit or loss
At December 31, 2019							
Portobello América Inc.	United States	100,00%	0,00%	42.595	97.112	18.122	(18.860)
Portobello America Manufacturing	United States	0,00%	100,00%	13.087	13.087	-	-
PBTech Ltda.	Brazil	99,94%	0,06%	62.373	52.817	103.559	6.220
Portobello Shop S/A	Brazil	99,90%	0,00%	45.667	45.187	69.311	31.832
Mineração Portobello Ltda.	Brazil	99,76%	0,00%	4.632	2.213	10.402	1.587
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	2,00%	12.957	4.552	5.059	(5.539)
September 30, 2020							
Portobello América Inc.	United States	100,00%	0,00%	96.728	72.562	79.065	(8.559)
Portobello America Manufacturing	United States	0,00%	100,00%	17.066	15.417	-	(12)
PBTech Ltda.	Brazil	99,94%	0,06%	97.507	75.977	139.785	18.198
Portobello Shop S/A	Brazil	99,90%	0,00%	60.969	19.298	74.557	41.192
Mineração Portobello Ltda.	Brazil	99,76%	0,00%	4.551	2.129	5.728	3
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	2,00%	11.183	3.338	7.813	(4.036)

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

	Equity	Net income for the period	Percentage of interest	December 31, 2019	Exchange variations	Capital contribution (a)	Profit/Loss on inventories	Equity in the earnings of subsidiaries	Dividendos propostos	December 31, 2020
Investments										
Portobello América Inc.(a)	(61.357)	(20.770)	100,0%	(61.357)	(26.481)	120.550	(2.794)	(8.559)	-	21.359
PBTech Ltda.	9.555	6.220	99,9%	9.555	-	-	-	18.198	(6.221)	21.532
Portobello Shop S.A.	480	31.831	99,9%	480	-	-	-	41.192	(41.192)	480
Mineração Portobello Ltda.	2.420	1.587	99,8%	2.420	-	-	-	3	-	2.423
Companhia Brasileira de Cerâmica S/A	8.484	(3.628)	98,0%	8.484	-	3.551	-	(4.036)	-	7.999
Portobello S/A	10	-	100,0%	10	-	-	-	-	-	10
Total net investment in subsidiaries				(40.408)	(26.481)	124.101	(2.794)	46.798	(47.413)	53.803
Interest in subsidiaries				20.949						53.803
Provision for subsidiaries' deficiency in net assets				(61.357)						-

A) In August 2020, through the approval of the Board of Directors and a contract between the parties, the capital increase of the subsidiary Portobello America Inc was approved, in the amount of R\$ 112,030, through an account receivable between the Parent Company and the Subsidiary, in the period from 2008 to 2011. It is worth mentioning that, with the capital increase, the Company no longer has a provision for investment losses, and its amounts are recorded in the investment account in non-current assets.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

19. Fixed Asset

a) Composition

	Annual average depreciation rate	Parent Company				Consolidated			
		December 31, 2020			December 31, 2019	December 31, 2020			December 31, 2019
		Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Land	-	12.603	-	12.603	12.603	13.485	-	13.485	13.485
Buildings, constructions and improvements	3%	211.998	(63.625)	148.373	155.092	243.129	(79.203)	163.926	167.027
Machinery and equipment	15%	669.527	(385.006)	284.521	285.951	673.634	(385.937)	287.697	289.115
Furniture and fixtures	10%	9.750	(8.961)	789	883	12.027	(9.565)	2.462	2.326
Computers	20%	30.394	(23.756)	6.638	8.009	31.298	(24.337)	6.961	8.471
Other property, plant and equipment	20%	4.622	(1.424)	3.198	1.870	5.411	(1.493)	3.918	1.870
Construction in progress	-	66.695	-	66.695	5.672	74.427	-	74.427	5.672
		1.005.589	(482.772)	522.817	470.080	1.053.411	(500.535)	552.876	487.966

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 to use the revaluation of property, plant, and equipment made in 2006 as deemed cost, as it understood that this substantially represented the fair value on the transition date.

As provided for in Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09 and effective as of January 1, 2009, the Company reviewed and changed the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers. Since then, the Company has performed an annual review of the economic useful life of the assets, through which it concluded that there was no relevant impact on the useful life of the fixed assets in 2020.

b) Movement of fixed assets

	Parent Company					December 31, 2020
	December 31, 2019	Additions	Transfers	Depreciation	Write-offs	
Land	12.603	-	-	-	-	12.603
Buildings and improvements	155.092	-	604	(7.323)	-	148.373
Machinery and equipment	285.951	661	26.566	(28.248)	(409)	284.521
Furniture and fixtures	883	-	107	(201)	-	789
Computers	8.009	-	1.475	(2.761)	(85)	6.638
Other property, plant and eq	1.870	81	1.936	(689)	-	3.198
Construction in progress	5.672	91.711	(30.688)	-	-	66.695
	470.080	92.453	-	(39.222)	(494)	522.817

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Consolidated					
	December 31, 2019	Additions	Transfers	Depreciation	Write-offs	December 31, 2020
Land	13.485	-	-	-	-	13.485
Buildings and improvements	167.027	5.564	2.377	(11.042)	-	163.926
Machinery and equipment	289.115	1.165	26.566	(28.740)	(409)	287.697
Furniture and fixtures	2.326	431	141	(436)	-	2.462
Computers	8.471	145	1.503	(3.073)	(85)	6.961
Other property, plant and eq	1.870	81	2.725	(758)	-	3.918
Construction in progress	5.672	102.067	(33.312)	-	-	74.427
	487.966	109.453	-	(44.049)	(494)	552.876

In 2020, additions to fixed and intangible assets in the consolidated financial statements totaled R\$109,453, with 73% going to the Tijucas plant, 10% to the company-owned stores, 5% to the Marechal Deodoro plant and the remainder to new businesses. At the Tijucas plant, 75% are for preparing and updating the industrial park for the production of products with higher added value and larger formats, such as the Lastras project, and 25% for other commercial projects and new business. At the Marechal Deodoro plant, most of the investments were for the implementation of a new production line of glazed porcelain tiles.

The depreciation amounts were recorded as cost of goods sold, commercial expenses and administrative expenses as follows:

	Parent Company		Consolidated	
	Accumulated			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cost of sales	33.479	32.011	34.289	32.704
Selling expenses	3.981	3.412	7.943	7.808
Administrative expenses:	1.762	1.727	1.817	1.754
	39.222	37.150	44.049	42.266

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

20. Intangible assets**a) Breakdown**

	Annual average amortization rate	Parent Company				Consolidated			
		December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
		Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	-	150	150
Software	20%	37.159	(29.655)	7.504	8.240	40.863	(30.683)	10.180	9.126
Right to explore mineral resour	20%	1.000	(1.000)	-	-	4.073	(3.627)	446	839
Goodwill (a)	7%	-	-	-	-	12.320	(2.292)	10.028	10.851
Software under development	-	5.403	-	5.403	479	7.669	-	7.669	1.426
		43.712	(30.655)	13.057	8.869	65.075	(36.602)	28.473	22.392

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

b) Changes in intangible assets

	Parent Company					
	December 31, 2019	Additions	Transfers	Amortizations	Amortizations	December 31, 2020
Trademarks and patents	150	-	-	-	-	150
Software	8.240	-	2.265	(3.001)	-	7.504
Software under development	479	7.189	(2.265)	-	-	5.403
	8.869	7.189	-	(3.001)	-	13.057

	Consolidated				
	December 31, 2019	Additions	Transfers	Amortizations	December 31, 2020
Trademarks and patents	150	-	-	-	150
Software	9.126	2.030	2.665	(3.641)	10.180
Right to explore mineral resources	839	-	-	(393)	446
Goodwill	10.851	-	-	(823)	10.028
Software under development	1.426	8.908	(2.665)	-	7.669
	22.392	10.938	-	(4.857)	28.473

In 2020 the additions of intangibles totaled R\$10,938, an amount intended mainly for the Transformation project, which aims to optimize and implement digital improvements in the commercial area.

The amortization amounts were recorded as cost of goods sold, commercial expenses and administrative expenses as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cost of sales	479	1.170	871	1.569
Selling expenses	1.489	1.202	2.878	2.157
Administrative expenses:	1.033	1.147	1.108	1.214
	3.001	3.519	4.857	4.940

c) Projected amortization of consolidated intangible assets:

	2021	2022	2023	2024	2025 to 2038	Total
Software	3.022	2.658	2.388	1.495	617	10.180
Right to explore mineral resources	391	55	-	-	-	446
Goodwill	822	822	822	822	6.740	10.028
	4.235	3.535	3.210	2.317	7.357	20.654

The items trademarks and patents and software under development are not amortized due to their indefinite useful life. However, they are subject to impairment, as described in the main accounting policies, disclosed in these financial statements.

21. Right-of-use assets and lease liabilities

The agreements characterized as leases, in accordance with IFRS 16/CPC 06 (R2), are recorded as Lease Assets, with a corresponding entry in short and long-term liabilities, under the caption Lease Obligation.

As of December 31, 2020, the Company had 43 lease agreements for its commercial units. This asset is composed of the leases of the stores and distribution centers.

The contracts are adjusted annually, according to the variation of the main inflation indexes, and most of them have five-year terms with the option to renew them after that date.

The other contracts remained registered according to the expense competence.

a) Breakdown of right-of-use assets

	Parent Company	Consolidated
December 31, 2019	12.916	58.843
Remeasurement	-	(11.763)
(+) Additions	15.631	42.395
(-) Write-offs	(3.898)	(4.969)
(-) Accumulated depreciation	(5.672)	(13.115)
December 31, 2020	18.977	71.391

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

b) Breakdown of lease liabilities

	Parent Company	Consolidated
December 31, 2019	13.750	39.531
Remeasurement	-	6.937
Additions	15.455	43.600
Contract terminations	(4.494)	(5.612)
Payments	(5.339)	(14.196)
Incurred interests	1.101	2.923
December 31, 2020	20.473	73.182

c) Inflation effects

Right-of-use assets			Lease liabilities		
Actual Flow	Parent Company 31/12/2020	Consolidated 31/12/2020	Actual Flow	Parent Company 31/12/2020	Consolidated 31/12/2020
Right of Use	18.977	71.391	Right of Use	20.473	73.182
Depreciation	(5.672)	(13.115)	Embedded Interest	1.101	2.923
Inflated Flow	Controladora 31/12/2020	Consolidado 31/12/2020	Inflated Flow	Controladora 31/12/2020	Consolidado 31/12/2020
Right of Use	19.835	74.618	Right of Use	21.399	76.490
Depreciation	(5.928)	(13.708)	Depreciation	1.151	3.055

22. Trade payables and supplier credit assignment

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Domestic market				
Reverse factoring (a)	66.418	58.710	66.418	58.710
Operation Suppliers	183.232	128.374	194.929	140.558
Foreign market	-	6.127	-	6.127
Current	249.650	193.211	261.347	205.395
Domestic market (i)	144.021	124.754	144.021	124.754
Non-current	144.021	124.754	144.021	124.754
Total operation suppliers	393.671	317.965	405.368	330.149
Payables for investments (b)				
Domestic market	11.792	5.181	11.792	6.799
Foreign market	45.211	14.946	45.211	14.946
Total investment suppliers	57.003	20.127	57.003	21.745
	450.674	338.092	462.371	351.894

In 2020, we adjusted NE to present the balances of investment payables as it is becoming representative.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

- (i) Provision for payment to gas supplier arising from the matter mentioned in note 2.
- (ii) In the year 2020 as the accounts payable balances from investments became representative it was appropriate to NE.

a) Supplier credit assignment

The Company carried out supplier credit assignment operations with financial institutions in the amount of R\$ 66,418 as of December 31, 2020 (R\$ 58,710 as of December 31, 2019), with the purpose of providing its partner suppliers with more attractive credit lines, aiming at maintaining the business relationship. In this operation, the suppliers transfer the right to receive the securities to the Bank, which, in turn, will become a creditor of the operation.

In these transactions, there was no change in the payment conditions or in the prices negotiated with the suppliers.

b) Suppliers of fixed asset and intangible

The Company has a balance of R\$ 33,303 in current liabilities (R\$ 20,127 in the Parent Company and R\$ 21,745 in the Consolidated at December 31, 2019) referring to suppliers of property, plant and equipment and intangible assets. At the same time, there is a balance of R\$ 25,700 in the Parent Company and Consolidated in non-current liabilities, maturing between 2022 and 2025, which refers to fixed assets for updating the manufacturing facilities.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

23. Borrowings and debentures

	Currency	Maturity	Charges	Parent Company		Consolidated	
				December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Current							
Working capital	R\$			-	-	-	1.343
Banco do Nordeste S.A (a)	R\$	jun-25	3,84% p.a. ¹ +IPCA	32.786	36.419	32.786	36.419
NCE (b)	R\$	mar-24	4,22% p.a. ¹	84.538	40.320	84.538	40.320
NCE (b)	US\$	jun-21	3,20% p.a. ¹ +VC	19.316	10.969	19.316	10.969
PRODEC (c)	R\$	nov-22	3,57% p.a. ¹ +AVP	5.813	8.710	5.813	8.710
FINEP (d)	R\$	mai-21	7,56% p.a. ¹	5.683	13.250	5.683	13.250
DEG (e)	US\$	out-21	5,06% p.a. ¹ +VC	15.577	12.443	15.577	12.443
FINAME (f)	R\$	ago-23	3,00% p.a. ¹	420	420	420	420
DEBENTURES 1st series (g)	R\$	jun-21	4,14% p.a. ¹	49.514	99.050	49.514	99.050
DEBENTURES 2nd series (h)	R\$	jun-23	4,69% p.a. ¹	(448)	-	(448)	-
ACC	US\$	jun-20	5,14% p.a. ¹ +VC	10.709	10.845	10.709	10.845
Total current			4,86% p.a. ¹	223.908	232.426	223.908	233.769
Total domestic currency		R\$		178.306	198.169	178.306	199.512
Total foreign currency		US\$		45.602	34.257	45.602	34.257
Non-current							
Banco do Nordeste S.A (a)	R\$	jun-25	3,84% p.a. ¹ +IPCA	99.901	71.689	99.901	71.689
NCE (b)	R\$	mar-24	4,22% p.a. ¹	115.927	192.389	115.927	192.389
NCE (b)	US\$	jun-21	3,20% p.a. ¹ +VC	3.523	5.464	3.523	5.464
PRODEC (c)	R\$	nov-22	3,57% p.a. ¹ +AVP	12.478	11.817	12.478	11.817
FINEP (d)	R\$	mai-21	7,56% p.a. ¹	122.282	30.489	122.282	30.489
DEG (e)	US\$	out-21	5,06% p.a. ¹ +VC	-	12.092	-	12.092
FINAME (f)	R\$	ago-23	3,00% p.a. ¹	555	974	555	974
DEBENTURES 1st series (g)	R\$	jun-21	4,14% p.a. ¹	-	49.482	-	49.482
DEBENTURES 2nd series (h)	R\$	jun-23	4,69% p.a. ¹	149.192	148.211	149.192	148.211
Total non-current			4,86% p.a. ¹	503.858	522.607	503.858	522.607

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

a) Information on agreements

Note	Institution/Modality	Contract Date	Expires	Term (months)	Grace period (months)	Amortization	Amount raised	Release (in R\$ thousand)		Guarantees/ Observation
								Value	Date	
a)	Banco do Nordeste	jun/13	jun/25	133	24	Monthly	R\$ 105.646	R\$ 29.223	ago/14	Mortgage on real estate and machinery and equipment. Repaid in Apr/20.
								R\$ 45.765	jan/15	
								R\$ 14.700	set/15	
								R\$ 4.713	mar/16	
								R\$ 2.418	dez/16	
								R\$ 8.827	fev/19	
								R\$ 105.646	Total	
		jul/19	jun/27	95	24	Monthly	R\$ 31.147	R\$ 7.246	jun/19	Mortgage on real estate and machinery and equipment in 2nd degree. Repaid in Apr/20.
								R\$ 4.681	fev/20	
								R\$ 4.261	set/20	
b)	Export Credit (NCE)	set/19	ago/22	12	2	Monthly	R\$ 23.500	R\$ 23.500	set/19	Aval PBTEch and CBC. Reloaded in Apr/20.
		jun/20	jul/23	37	13	Monthly	R\$ 35.000	R\$ 35.000	jun/20	With covenants for Q4. Rescheduled in Apr/20.
		nov/17	nov/21	51	12	Monthly	R\$ 50.000	R\$ 50.000	nov/17	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract
		jun/18	jun/21	36	12	Quarterly	R\$ 24.000	R\$ 24.000	jun/18	Clean
		jun/18	mai/21	36	12	Quarterly	R\$ 24.000	R\$ 24.000	jun/18	Receivables from Portobello SA in the amount of 25% of the outstanding balance of the contract or short-term investment
		mar/19	abr/24	61	24	Anual	R\$ 54.000	R\$ 54.000	mar/19	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment
		mar/19	mar/24	60	24	Quarterly	R\$ 50.000	R\$ 50.000	mar/19	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment
		mar/19	mar/24	60	24	Quarterly	R\$ 10.000	R\$ 10.000	mar/19	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment
		jul/19	jul/23	48	12	Monthly	R\$ 20.000	R\$ 20.000	jul/19	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract or short-term investment
		jul/19	jul/23	48	12	Monthly	R\$ 20.000	R\$ 20.000	jul/19	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract or short-term investment
		set/19	set/22	36	12	Quarterly	R\$ 30.000	R\$ 30.000	set/19	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment
		jul/20	dez/21	18	18	Semiannually	R\$ 3.500	R\$ 3.500	jul/20	Clean
c)	Programa Desenvolv. Empresa Catarinense (PRODEC)	ago/20	ago/24	48	Bullet	Bullet	R\$ 437	R\$ 437	ago/20	Special regime obtained in Jun/19. Balance subject to Present Value Adjustment (AVP). Monetary restatement of 4% p.a. and UFIR variation. Rate: average of current working capital (5,24% p.a.). Deferred value: 60% of the tax generated in the month.
		set/20	set/24	48	Bullet	Bullet	R\$ 1.318	R\$ 1.318	set/20	
		out/20	out/24	48	Bullet	Bullet	R\$ 1.779	R\$ 1.779	out/20	
		nov/20	nov/24	48	Bullet	Bullet	R\$ 1.194	R\$ 1.194	nov/20	
		dez/20	dez/24	48	Bullet	Bullet	R\$ 1.519	R\$ 1.519	dez/20	
		dez/20	dez/24	48	Bullet	Bullet	R\$ 1.519	R\$ 1.519	dez/20	
d)	FINEP	jul/14	mai/21	84	24	Monthly	R\$ 57.318	R\$ 12.627	jul/14	Bank guarantee.
								R\$ 12.627	jan/16	
								R\$ 32.064	jun/17	
		dez/19	set/29	117	32	Monthly	R\$ 66.771	R\$ 57.318	Total	
								R\$ 25.008	dez/19	
								R\$ 33.000	mar/20	
e)	DEG	mai/14	out/21	90	23	Semiannually	US\$ 18.000	R\$ 58.008	Total	Machinery and equipment and promissory notes.
								R\$ 64.274	nov/20	
f)	Finame	mai/13	mai/23	120	25	Monthly	R\$ 39	R\$ 39	mai/13	Machinery and equipment.
		mai/13	abr/23	120	24	Monthly	R\$ 601	R\$ 601	mai/13	
		jul/13	jul/23	120	25	Monthly	R\$ 107	R\$ 107	jul/13	
		jul/13	ago/23	120	26	Monthly	R\$ 1.890	R\$ 1.890	jul/13	
		jan/14	jun/23	114	18	Monthly	R\$ 577	R\$ 577	jan/14	
g)	Debêntures (3a emissão/1a série)	jun/18	jun/21	36	24	Semiannually	R\$ 150.000	R\$ 150.000	jun/18	Issue approved on June 15, 2018 by the Board of Directors of PBG S.A. Funds intended for the redemption of the 2nd issue. Real guarantee and additional fidejussory guarantee. Has covenants that were met.
h)	Debêntures (3a emissão/2a série)	jun/18	jun/23	60	48	Semiannually	R\$ 150.000			
i)	ACC	jun/20	jun/21	12	Bullet	Bullet	US\$ 2.000	R\$ 150.000	jun/18	
		out/20	abr/21	12	Bullet	Bullet	US\$ 1.663	R\$ 10.804	jun/20	Receivables from Portobello S.A. of 35% of the outstanding balance
								R\$ 9.253	out/20	Aval PBShop

In guarantee of the other loans, linked financial investments were granted, mortgages on properties, equipment, receivables of the Parent Company and subsidiary (note 8), as endorsed by the controlling and subsidiary companies.

As requested in a waiver obtained from the DEG bank during 2020, the Company reclassified the amount of R\$ 5,640, equivalent to US\$ 1,000 to the linked financial investment, classified in non-current assets, according to note 5.3. There was no breach of covenants at December 31, 2020.

The loans have the following payment schedule:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
2020	-	232.426	-	233.769
2021	223.908	177.531	223.908	177.531
2022 to 2030	503.858	345.076	503.858	345.076
	<u>727.766</u>	<u>755.033</u>	<u>727.766</u>	<u>756.376</u>

The book values and the fair value of the loans are presented in Reais, segregated by currency type:

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Reais	678.641	703.220	678.641	704.563
US Dollar	49.125	51.813	49.125	51.813
	<u>727.766</u>	<u>755.033</u>	<u>727.766</u>	<u>756.376</u>

The fair value of the current loans does not differ significantly from their book value, since the book values are recorded at amortized cost and restated pro-rata.

The changes in loans and debentures are shown below:

	Total debt	
	Parent Company	Consolidated
Total debt at December 31, 2019	755.033	756.376
Changes affecting cash flow		
Proceeds from borrowings	171.021	171.021
Repayments of borrowings	(217.769)	(217.769)
Interest paid	(37.909)	(37.909)
Changes not affecting cash flow		
Exchange rate variations	14.294	14.294
Accrued interest	40.041	38.698
Marked-to-market	1.190	1.190
Allocation of debenture costs	1.865	1.865
Total debt at December 31, 2020	<u>727.766</u>	<u>727.766</u>

Debentures

At the Extraordinary Shareholders' Meeting held on June 15, 2018, the Company approved the execution, as proposed by the Board of Directors, of its 3rd (third) issue of simple debentures, not convertible into shares, of the type with collateral, with additional fiduciary guarantee, in two series, which will be the object of a public offering with restricted distribution efforts. The covenants for the year 2020 are being complied with.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	December 31, 2020	December 31, 2019
Borrowing amount		
Debentures - 1st series	50.033	150.088
Debentures - 2nd series	150.090	150.097
Gross balance	200.123	300.185
Borrowings cost	(1.866)	(3.443)
Net balance	198.257	296.742
Current	49.066	99.050
Non-current	149.192	197.692

Issuance characteristics	
Issue	3rd
Fiduciary Agent	PLANNER TRUSTEE DTVM LTDA
Settling bank	Banco Bradesco S/A
Lead Coordinator	Banco Itaú BBA S/A
Issue Rating	No
Trading	CETIP
Serial Number	2
Issue volume R\$	300.000.000,00
Total Debentures	300.000
Par value R\$	1.000,00

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

24. Installment payment of tax obligations

The Company and its subsidiaries have federal installment plans, whose adhesion occurred in November 2009 by the enactment of Law 11,941/09, with 46 (forty-six) installments remaining to be paid. The current balances of these installments total R\$ 43,706 in the Parent Company and R\$ 44,007 in Consolidated (R\$ 54,973 and R\$ 55,580, respectively, in December 2019).

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

The payment schedule for the installment payments is as follows:

Maturity January 1	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
2020	-	11.267	-	11.345
2021	11.523	11.523	11.601	11.601
2022	12.108	12.108	12.186	12.186
2023	12.723	12.723	12.801	12.801
2024	7.352	7.352	7.419	7.647
	43.706	54.973	44.007	55.580
Current	9.290	11.455	9.354	11.765
Non-current	34.416	43.518	34.653	43.815

25. Taxes, fees and contributions

At December 31, 2020, taxes, fees and contributions recorded in current liabilities were classified as shown in the table below:

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
IRRF	3.317	2.953	4.046	3.521
ICMS	14.453	6.014	14.746	6.253
PIS/COFINS	1.513	-	2.308	532
Other	209	136	343	274
	19.492	9.103	21.443	10.580

26. Other payables – Current liabilities

At December 31, 2020, the Company has recorded in other payables in Consolidated the amount of R\$20,939 (R\$24,401 at December 31, 2019) in current liabilities. The main accounts that compose this balance are provisions and commissions payable, provision for payment of consigned suppliers, pension plan, provision for freight and transportation expenses and gain or loss on derivative transactions.

27. Tax Debts Law 12,249/10 (MP 470 and MP 472)

In November 2009, the Company joined the installment plan provided for by MP 470 (undue use of IPI premium credit) with the SRF and PGFN. In this adhesion, in addition to the installment plan, there was a reduction in charges, and the Company was able to use tax credits arising from tax losses incurred up to 2008 to pay the debts.

When this Provisional Measure was converted (Law 12249/10) in June 2010, the use of tax credits arising from tax losses existing as of December 31, 2009 was authorized. The Company made use of

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

this benefit and recorded in the second quarter of 2010 the amount of R\$ 3,252, considering the settled installment plan.

The PGFN partially denied the request in June 2010, alleging the need to withdraw the lawsuits contesting the credit, as well as stating that the "undue use" requirement had not been met. The Company, faced with the dismissal order, filed a writ of mandamus in order to obtain the judicial ratification of the installment plan. After the writ of mandamus, the Company succeeded in having the installment plan governed by MP 470 fully ratified. On January 18, 2021, a certificate was issued confirming that on December 21, 2020 the decisions that granted approval of the installment plan sought by the Company had become final and unappealable.

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

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

Provisions are measured by the estimated costs that should be necessary to settle the obligation. Civil and labor lawsuits are assessed individually by the Company's legal advisors, who classify them according to the expected success of the lawsuits.

The opening balance of the provisions may be presented as follows:

Amount accrued	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Civil	25.072	17.126	25.072	17.126
Labor	9.013	11.891	9.013	11.891
Social security	4.511	6.615	4.511	6.615
Tax	24.946	84.568	24.977	84.600
	63.542	120.200	63.573	120.232

The movement of the balance of the provisions can be presented as follows:

	Parent Company				
	Civil	Labor	Social security	Tax	Total
At December 31, 2019	17.126	11.891	6.615	84.568	120.200
Charged (credited) to the statement of income:					
Additional provisions	11.087	(1.126)	-	(58.319)	(48.358)
Reversal - not used	18.335	3.794	-	3.031	14.410
Monetary adjustment (Reversal)	(10.449)	(4.560)	-	17.134	12.886
Reversal due to realization	2.871	(360)	-	(76.307)	(75.655)
At December 31, 2020	(2.811)	(1.752)	(2.104)	(3.480)	(8.300)
	25.072	9.013	4.511	24.946	63.542

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Consolidated				
	Civil	Labor	Social security	Tax	Total
At December 31, 2019	17.126	11.891	6.615	84.600	120.232
Charged (credited) to the statement of income:	11.087	(1.126)	-	(58.319)	(48.358)
Additional provisions	18.335	3.793	-	3.031	14.410
Reversal - not used	(10.449)	(4.560)	-	17.134	12.886
Monetary adjustment (Reversal)	2.871	(360)	-	(76.308)	(75.656)
Reversal due to realization	(2.811)	(1.752)	(2.104)	(3.480)	(8.300)
At December 31, 2020	25.072	9.013	4.511	24.977	63.573

Civil

The Company and its subsidiaries are defendants in 458 civil lawsuits (509 lawsuits as of December 31, 2019), in the Common and Special Civil Courts. Most of the lawsuits are filed by customers and have as their object indemnity for alleged moral and material damages. When applicable, judicial deposits were made (note 12).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 249 labor claims (279 claims at December 31, 2019), filed by former employees and third parties. The other claims refer to the payment of severance pay, bonuses, overtime, salary equalization, and compensation for moral and material damages resulting from occupational accident/occupational disease. The provisions are reviewed by Management in accordance with its legal advice. Some processes are supported by judicial deposits.

Social security

Based on the low expectation of success in administrative and judicial actions, which deal with corporate award cards, the Company recognized, in the first quarter of 2018, the provision for these debts in the total amount of R\$4,512, which still depend on a court decision, in the Tax Enforcement phase, or in some cases, on an administrative decision with the Federal Revenue Service of Brazil.

Change in the labor debt adjustment criterion

The Federal Supreme Court, in a session on December 18, 2020, declared the unconstitutionality of the application of the Reference Rate (TR) for the monetary correction of labor debts and appeal deposits in the scope of the Labor Court.

Thus, based on the decision rendered in ADI 5.867/DF, ADI 6.021/DF, ADC 58/DF, ADC 59/DF, the STF modulated the effects of the decision to determine that all ongoing lawsuits, i.e., not yet final and unappealable, in the discovery or appeals phase, regardless of whether there is a sentence, the Selic rate, interest and monetary correction should be applied retroactively.

The Company used to adjust its labor lawsuits by the TR plus 1% interest per month, therefore, in accordance with the effects of the decision handed down by the Federal Supreme Court, the Company calculated the effects and reversed the provision in R\$ 1,495.

PBG S.A. and subsidiaries

Notes to the Financial Statements

for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

Tax

Tax on legal asset - Plaintiff

In the second quarter of 2018, the Company recognized in tax provisions the amount of R\$74,180 referring to PIS, COFINS, IRPJ and CSLL on the judicial asset Polo Ativo, mentioned in note 16 (c).

In June 2020, the tax amounts of the IPI Premium Credit - Polo Active were reverted in accordance with the STF decision, totaling the amount of R\$ 70,187 referring to PIS, COFINS, IRPJ and CSLL, as mentioned in note 16 (c).

The remaining balance includes the success fees referring to the tax lawsuits and the provision for PIS and COFINS contingency on financial income.

29. Lawsuits assessed as possible and remote losses

It is understood that besides the provisions accounted for in its statements, classified as probable losses, there are other civil labor and social security lawsuits, which were classified as possible losses and according to the assessment of risks arising from the mentioned lawsuits, the Company, based on its legal advisors, estimates the amounts of contingent liabilities presented below:

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Civil	3.786	3.786	3.786	3.786
Labor	11.956	9.606	11.956	9.711
Social security	10.985	10.985	10.985	10.985
	26.727	24.377	26.727	24.482

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

On December 8, 2014, the Company was informed of the Tax Assessment Notices that constituted IRPJ and CSLL tax credits (as well as pecuniary penalties and interest), referring to the calendar years from 2009 to 2013. According to the Finance Authorities, the Company had allegedly committed infractions, among which we highlight: i) unduly excluded taxable income from tax benefits; ii) deducted expenses that were not necessary related to the principal amounts of tax debts (IPI, PIS, and COFINS) that were carried forward to prior years' results; and, iii) excluded non-deductible amounts related to the principal amount of IRPJ and CSLL. On January 6, 2015, the Company filed an Opposition against the assessments in question, rejecting all the infractions that were imputed to it. In judgment by the Brazilian Federal Revenue Service, the assessment was fully upheld. In a Voluntary Appeal filed by the Company, the CARF Councilors partially granted the assessment to rule out the rejection of the exclusions related to the revenues earned from the conversion of tax losses and negative tax bases of the CSLL. After the judgment of the voluntary appeal, both the Company and the National Treasury filed Special Appeals with the Superior Chamber of Tax Appeals - CARF.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

The National Treasury's Special Appeal was admitted, while the Company's Special Appeal was partially admitted. Faced with the order of partial admissibility of the Special Appeal, the Company filed an interlocutory appeal, which was not admitted, thus prevailing the decision of partial admissibility of the Special Appeal. Currently, this administrative proceeding is awaiting judgment of the Special Appeals filed by the Company and the National Treasury. The Company reiterates that, according to its legal advisors, the outcome will be almost certain, resulting in the cancellation of the Tax Assessment Notice, therefore, the Company understands that the chance of loss is remote, and has opted not to record the amount of R\$ 73,000 as potential liabilities.

On March 07, 2016, the Company was informed of the issue of the Tax Assessment Notices referring to tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91, which constituted tax credits referring to undue offsetting of IRPJ and CSLL. However, the Company argued that this discussion is already underway in Case No. 10983-721.445/2014-78. The cancellation of the impugned tax assessment in the amount of R\$19,000 was requested, due to duplicity on the part of the tax authorities. In a first instance decision, the challenges presented were upheld to recognize the duplicity of the assessment and, consequently, determine the extinction of the tax credit. Currently, the tax administrative proceedings nº 11516-720.299/2016-02 and nº 11516-720.300/2016-91 have been sent to the Administrative Council of Tax Appeals - CARF, for judgment of the ex-officio appeal.

30. Employee benefits

30.1 Pension plan

Since 1997, the Company and its subsidiaries sponsor a pension plan called Portobello Prev, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which has 3,638 active participants and 25 retirees and pensioners. 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.

Parent Company and Consolidated			Parent Company and Consolidated		
Fair value of the plan assets			Defined benefit liability		
At December 31, 2019	81.320	72.279	At December 31, 2019	74.981	62.604
Benefits paid in the year	(3.005)	(1.419)	Gross cost of current service (with interest)	1.186	1.365
Participant contributions in the year	1.202	1.059	Interest on actuarial obligation	4.135	6.082
Sponsor contributions in the year	1.552	1.387	Benefits paid in the year	(3.005)	(1.419)
Expected return on assets in the year	5.370	7.022	Liabilities - (gain) loss	690	6.349
Assets - gain (loss)	453	992			
At December 31, 2020	86.892	81.320	At December 31, 2020	77.987	74.981

Changes to fair values of the benefit plan assets and defined benefit obligation during the year were as follows:

	December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
Fair value of the plan assets	86.892	81.320	Gain (loss) in the actuarial obligations	690	6.770
Present value of the obligations financed	(77.987)	(74.981)	Gain (loss) in the plan assets	(453)	(992)
Net actuarial assets (liabilities)	8.905	6.338	Actuarial gain (loss)	237	5.778

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

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, 2020	December 31, 2019
Current service cost (with interest)	(1.185)	(1.365)
Interest on actuarial obligations	(4.952)	(6.082)
Expected return on plan assets	5.371	7.022
Participants contributions in the year	1.059	1.257
Actuarial gain (loss)	293	832

	Parent Company and Consolidated	
	December 31, 2020	December 31, 2019
Economical and financial		
Annual interest rate	7.08 % p.a. nominal (inflation + 3.46% p.a. real)	6.60 % p.a. nominal (inflation + 4.99% p.a. real)
Long-term return on assets	7.08 % p.a. nominal (inflation + 3.46% p.a. real)	6.60 % p.a. nominal (inflation + 4.99% p.a. real)
Long-term inflation		
Projected salary increases	3.50% p.a. (inflation+0.62% p.a. real)	3.50% p.a. (inflation+0.62% p.a. real)
Projected growth of the plan benefits	0.00% p.a.	0.00% p.a.
Factor for determining real value over time (salaries)	0,98	0,98
Factor for determining real value over time (benefits)	0,98	0,98
Biometric and demographic		
Hypothesis turnover	1,10%	13,20%
General mortality table	AT-2000	AT-2000
Mortality table of individuals with permanent disability	EXP. IAPC	EXP. IAPC
Table of new disability benefit vested	TASA 1927	TASA 1927
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, 2020, revenue of R\$293 (R\$832 as of December 31, 2019), relating to payments made by the sponsor in the year, with an asset effect for employee benefit plan purposes (see note 34).

31. Equity

31.1 Capital

At December 31, 2020, the Company has a paid-in capital stock in the total amount of R\$200,000 (R\$200,000 as of December 31, 2019), represented by 158,488,517 common, registered, book-entry shares with no par value.

At December 31, 2020 there were 72.576.171 shares outstanding, equivalent to 45,8% of the total shares issued (74,131,291 as of December 31, 2019, equivalent to 46% of the total). The balance of

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

outstanding shares comprises all securities available for trading on the market, excluding those held by Controlling Shareholders, members of the Board of Directors, member of the Fiscal Council, Managers and treasury shares.

31.2 Treasury shares

In a meeting of the Board of Directors on March 31, 2020, a new Share Buyback Program was approved, authorizing the acquisition of up to 3,959,156 shares, corresponding to 2.5% of the total shares issued by the Company and 5% of the free float, valid until March 31, 2021.

Until December 31, 2020, the company completed the share buyback program, totaling 3,959,156 shares, corresponding to 2.5% of the total shares issued by the Company and 5% of the outstanding shares. In January 2021, with the approval of the Board of Directors, these shares were cancelled without changing the capital stock.

31.3 Earnings reserve

The profit reserve is composed of the legal reserve, the profit retention reserve, and the earmarked profit reserve.

The legal reserve is established annually through the appropriation of 5% of net income for the year and cannot exceed 20% of the capital stock. The purpose of the legal reserve is to ensure the integrity of the capital stock and it can only be used to offset accumulated losses or increase capital stock. At December 31, 2020, the balance of the legal reserve totals R\$ 32,207 (R\$ 25,796 at December 31, 2019) as provided for in article 193 of the Brazilian Corporation Law.

The purpose of the reserve of profits to be allocated is to show the portion of profits whose destination will be decided and allocated at the Annual General Meeting.

In 2020, the Company constituted a Reserve for Tax Incentives in the amount of R\$26,445, referring to government subsidies for ICMS tax incentives related to Prodesin (Integrated Development Program of the State of Alagoas), to the Special Tax Treatment of Santa Catarina (TTD), and to Simples Nacional.

31.4 Carrying valuation adjustments

	Carrying value adjustments		
	Deemed cost	Cumulative translation adjustments	Other comprehensive income
Parent Company and Consolidated			
At December 31, 2019	33.506	(41.872)	(13.858)
Realization of revaluation reserve	(1.183)	-	-
Actuarial gain (loss)	-	-	(237)
Exchange variation of subsidiary located abroad	-	(26.481)	-
At December 31, 2020	32.323	(68.353)	(14.095)

a) Deemed cost

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 to use the revaluation of property and equipment made in 2006 as deemed cost, as it understood that this substantially represented the

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

fair value on the transition date. This revaluation included land, buildings and improvements, supported by a revaluation report prepared by an independent appraisal company, which has been realized according to the depreciation of the revalued buildings and improvements and recorded against retained earnings. The same effect of the realization of the equity valuation adjustment is reflected in the result for the year, by the depreciation of the revalued assets.

b) Cumulative translation adjustment

The variation in assets and liabilities in foreign currency (US dollar), arising from exchange rate fluctuations, as well as the variations between the daily rates and the closing rate of the movements in the results of the subsidiary headquartered abroad, are recognized in this heading of accumulated translation adjustments. In 2020, the amount of exchange variation was R\$ 26,481, according to note 18 (a).

32. Revenue

The reconciliation of gross revenue to net revenue, presented in the income statement for the year ended December 31, 2020, is as follows:

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Gross sales revenue	1.470.595	1.265.482	1.675.221	1.415.598
Deductions from gross revenue	(313.880)	(279.423)	(343.441)	(301.329)
Taxes on sales	(260.785)	(229.501)	(282.180)	(247.702)
Returns	(53.095)	(49.922)	(61.261)	(53.627)
Net sales revenue	1.156.715	986.059	1.331.780	1.114.269
Domestic market	983.736	797.651	1.158.801	939.218
Foreign market	172.979	188.408	172.979	175.051

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

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Sale of own products	1.120.751	960.259	1.189.772	1.011.370
Sale of third-party products	35.964	25.800	70.343	36.642
Royalties	-	-	71.665	66.257
Net revenue	1.156.715	986.059	1.331.780	1.114.269

33. Expenses by nature

Cost of sales, selling and administrative expenses for the period ended December 31, 2020 are as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Costs and expenses				
Cost of sales and/or services	(817.981)	(739.751)	(843.340)	(751.650)
Other costs (b)	(27.999)	-	(27.999)	-
Selling costs	(223.424)	(219.832)	(319.149)	(306.437)
General and administrative	(43.725)	(39.308)	(44.922)	(40.873)
	<u>(1.113.129)</u>	<u>(998.891)</u>	<u>(1.235.410)</u>	<u>(1.098.960)</u>
Breakdown of expenses by nature				
Direct production costs (raw materials and inputs)	438.217	453.478	341.309	444.038
Salaries, charges and employee benefits	251.522	245.959	299.516	285.242
Third-party labor and services	53.776	56.125	58.577	59.796
General production expenses (including maintenance)	56.277	48.580	56.893	49.207
Cost of goods resold	51.497	31.335	161.670	46.392
Amortization and depreciation	47.217	43.769	59.777	53.775
Other selling expenses	17.555	21.066	41.333	45.659
Sales commissions	33.942	31.696	39.936	34.844
Marketing and publicity	34.163	29.430	40.985	38.086
Transportation of goods sold	14.444	16.844	14.444	16.844
Lease expenses	13.317	13.347	19.161	17.269
Other administrative expenses	5.499	6.496	5.857	7.042
Changes in inventories of finished products and work in progress (a)	95.703	766	95.952	766
Total	<u>1.113.129</u>	<u>998.891</u>	<u>1.235.410</u>	<u>1.098.960</u>

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

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

34. Other operating income and expenses, net

The amount of other net operating income and expenses, for the year ended December 31, 2020, is arranged as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Other operating income				
Revenue from services	634	779	634	779
Out-of-period credits	-	12.805	-	12.805
Actuarial adjustment	2.804	2.020	2.804	2.020
Tax assets - rural credit bills (a)	-	-	13.160	-
Curtailment of ICMS from the PIS and COFINS tax base (2003-2009) (b)	-	50.227	-	50.227
Reversal of provision for PIS and Cofins contingencies	16.188	5.922	16.188	5.922
Reversal of attorney's fees	-	1.155	-	1.155
IPI premium credit - Complementary Portion (c)	83.695	-	83.695	-
Other revenue	5.090	387	7.859	387
Other revenue	108.411	73.295	124.340	73.295
Other operating expenses				
Provision for civil, labor, social security and tax risks	(8.751)	(3.085)	(8.751)	(3.085)
Taxes on Tax Assets	-	-	(1.322)	-
IPI premium credit - Challenged Portion - Plaintiff (d)	(69.584)	-	(69.584)	-
Legal fees for tax proceedings	(8.836)	-	(8.836)	-
Taxes on other revenues	(215)	(233)	(246)	(233)
Other expenses	(5.296)	(10.717)	(5.624)	(9.579)
Provision for profit sharing (e)	(10.769)	(636)	(10.769)	(636)
Total	(103.451)	(14.671)	(105.132)	(13.533)
Total - net	4.961	58.624	19.208	59.762

(a) Recognition of the amount receivable referring to the Rural Credit Note proceeding - Fraiburgo (Note 14)

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

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

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

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

35. Finance income (costs)

The financial result for the year ended December 31, 2020 is as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Finance income				
Interest	6.773	7.030	7.094	7.533
Asset adjustment	2.835	7.322	4.263	7.322
Reversal for contingency adjustment (a)	-	-	-	-
Gain on swap transaction (a)	8.682	388	8.682	388
Other	307	29	2.794	132
Total	18.597	14.769	22.833	15.375
Finance costs				
Interest	(23.080)	(28.273)	(25.360)	(30.126)
Finance charges with taxes	(343)	-	(401)	-
Adjustment of provision for contingencies	(3.956)	(5.588)	(3.957)	(5.588)
Commissions and service fees	(10.494)	(7.709)	(13.352)	(8.817)
Bank expenses/Negative goodwill (b)	(8.679)	(15.527)	(8.690)	(15.532)
Gain (loss) on swap transactions (a)	(5.026)	-	(5.026)	-
Interest on debentures	(18.036)	(26.525)	(18.036)	(26.525)
Other	(2.967)	(4.640)	(3.140)	(4.983)
Total	(72.581)	(88.262)	(77.962)	(91.571)
Foreign exchange variations, net				
Trade receivables and trade payables	46.964	3.415	46.958	3.401
Borrowings and financing	(21.826)	(2.317)	(21.843)	(2.317)
Total	25.138	1.098	25.115	1.084
Total - net	(28.846)	(72.395)	(30.014)	(75.112)

a) Note 7.

b) Negative goodwill related to the receipt of tax assets - Refinadora Catarinense S/A.

36. 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.

	Parent Company and Consolidated	
	December 31, 2020	December 31, 2019
Profit (loss) attributable to the owners of the Company	128.240	13.128
Weighted average number of common shares (a)	155.312	158.489
Basic earnings (loss) per share	0,82569	0,08283

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

a) At December 31, the Company had 3,969 thousand treasury shares, which were purchased between the 2nd and 4th quarter of 2020.

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.
All amounts in thousands of reais, unless otherwise stated

b) Diluted

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

37. Dividends

The minimum mandatory dividends for 2020 represent 25% of the Company's profit less the Legal Reserve constituted in 2020, totaling R\$ 121,789.

In January 2021 there was an anticipation of dividends, as approved by the Board of Directors Meeting on January 20, 2021, in the amount of R\$ 0.1118 per share, totaling R\$ 17,279. A proposal for additional dividends will be submitted for approval to the Ordinary General Meeting, which will also define the date of payment of dividends, in the amount of R\$ 30,447.

Dividend 2020	December 31, 2020
Net income for the year	128.200
Legal reserve constitution (5%)	(6.411)
Net income of the year adjusted for dividends	121.789
Dividends	
Interest on own capital, net of withholding tax	
Mandatory minimum dividends (25% of net income)	(30.447)
Proposed additional dividends	(30.447)
Total annual dividends	(60.894)

38. Segment reporting

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

The Executive Board carries out its business analysis by segmenting it under the perspective of the markets in which it operates: Domestic (Internal Market - Brazil) and Exports (External Market - Other Countries).

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

The Executive Board evaluates the performance of the operating segments based on the measurement of gross operating income.

The information per business segment, reviewed by the Executive Board, is as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	December 31, 2020			December 31, 2019		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Continuing operations						
Revenue	1.054.714	277.066	1.331.780	939.218	175.051	1.114.269
Cost of sales	(706.422)	(164.917)	(871.339)	(623.981)	(127.669)	(751.650)
Gross profit	348.292	112.149	460.441	315.237	47.382	362.619
Operating income (expenses), net	(320.289)	(24.574)	(344.863)	(232.991)	(54.557)	(287.548)
Selling, general and administrative	(337.710)	(26.362)	(364.072)	(292.753)	(54.557)	(347.310)
Other operating income (expenses), net	17.421	1.788	19.209	59.762	-	59.762
Operating income before finance income (cost)	28.003	87.575	115.578	82.246	(7.175)	75.071
% on NOR	3%	32%	9%	9%	-4%	7%

In general, the Company has no customers that individually represent more than 10% of net sales revenue. Regarding the foreign market, the Company exports to 61 countries.

At the end of 2020, the Company started the migration to the business unit model. And it is adapting its structure to this vision. Thus, the year 2020 is now shown as follows:

	December 31, 2019					
	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Continued operations						
Net revenue	1.114.269	(32.262)	598.047	141.877	343.428	63.179
Cost of goods sold	(751.650)	33.267	(390.289)	(121.164)	(216.629)	(56.834)
Gross operating profit	362.619	1.005	207.758	20.713	126.799	6.345

	December 31, 2020					
	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Continued operations						
Net revenue	1.331.780	(47.328)	682.049	185.850	393.724	117.485
Cost of products sold	(871.338)	21.375	(429.292)	(128.610)	(245.885)	(88.926)
Gross operating profit	460.442	(25.953)	252.758	57.239	147.839	28.560

39. Commitments

a) Commitments for acquisition of assets

At December 31, 2020, the contracted expenses related to fixed assets, but not yet incurred, totaled R\$ 18,742. These expenses correspond to the modernization of manufacturing equipment, in accordance with the Company's investment plan.

40. Insurance coverage

The insurance coverage at December 31, 2020 is considered sufficient to cover any claims and is summarized as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

Insurance Company	Insurance Policy	Maximum Indemnity Limit	Maturity
Mitsui Seguros	Property insurance	378.100	13/06/2021
General Brasil Seguros S.A.	Directors and Officers Liability Insurance (D&O)	10.000	27/08/2021
HDI Global Seguros	Civil Liability	6.520	14/04/2021
Prudential do Brasil Vida em Grupo S.A.	Group life insurance and funeral assistance	380.754	01/03/2021
Argo	International transport - Pointer imports	USD 12,000	31/12/2021
Porto Seguro	Vehicle fleet	66 (vehicles)	15/11/2021
Potencial Seguros	ENGIE guarantee	7.410	31/12/2021
Pottencial	Demand for Rent Guarantee PBG S.A.	1.941	25/05/2021
AXA Seguros	Propertu Insurance - OwB PBTech Stores	35.537	25/05/2021
		1.407	24/04/2023
Seguradora Berkley Internacional do Brasil Seguros S.A.	Legal Protection Insurance	850	13/03/2021
		3.899	26/04/2024
Fairfax	15th Labor Court of Salvador - BA	28.000	18/06/2025
		314	10/05/2022
Junto Seguros S.A.	Legal Protection Insurance	10.603	10/05/2022
Chubb Seguros Brasil S.A.	Property Insurance - (Only Buildings Alagoas)	13.085	13/06/2021

41. Related entities and parties

The commercial transactions of buying and selling products, raw materials and contracting services, as well as the financial transactions of loans and funding between the Parent Company and its subsidiaries were carried out as follows.

		Parent Company	
Nature - Assets and liabilities balance	Company	December 31, 2020	December 31, 2019
Subsidiaries			
Dividends receivable	Portobello Shop S.A.	53.023	37.237
Receivables	Portobello Shop S.A.	805	592
Trade receivables	Portobello América, Inc.	45.309	95.422
Trade receivables, net of advances	PBTech Com. Ser. Cer. Ltda.	8.232	9.534
Trade receivables, net of advances	Cia Brasileira de Cerâmica	227	194
Trade payables, net of advances	Cia Brasileira de Cerâmica	- 19	-
Trade payables, net of advances	Mineração Portobello Ltda.	- 1.467	-
Net assets and liabilities with subsidiaries		106.110	142.979
Related parties			
Receivables from related parties	Refinadora Catarinense S.A.	-	100.936
Payables to related parties	Refinadora Catarinense S.A.	- 56.330	- 22.803
Trade receivables, net of advances	Solução Cerâmica Com. Ltda.	378	232
Trade receivables, net of advances	Flooring Renest. Cer. Ltda.	-	6
Trade receivables, net of advances	Multilog Sul Armazéns S/A	6	-
Trade payables	Multilog Sul Armazéns S/A	- -	1.597
Trade payables	Flooring Revest. Cer. Ltda.	- 36	-
Trade payables	Flooring Revest. Cer. Ltda.	- 5.028	- 3.416
Trade payables	AB Parking	- 13	-
Trade payables	Neoway	- 106	- 2
Net assets of liabilities with other related parties		(61.129)	73.356

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

		Accumulated	
Nature - Result	Company	December 31, 2020	December 31, 2019
Revenues			
Subsidiaries			
Sale of products	PBTech Com. Sem. Cer. Ltda.	57.586	44.126
Sale of products	Cia Brasileira de Cerâmica	618	592
Sale of products	Portobello América, Inc.	40.640	-
Connected persons and related parties			
Sale of products	Solução Cerâmica Com. Ltda.	22.767	36.235
Sale of products	Flooring Revest. Cer. Ltda.	10.296	13.192
Expenses			
Subsidiaries			
Purchase of inputs	Mineração Portobello Ltda.	(7.972)	(986)
Related persons and related parties			
Rent	Gomes Part Societárias Ltda.	(457)	-
Freight services	Multilog Sul Armazéns S/A	(6.283)	(1.944)
Cutting Service	Flooring Revest. Cer. Ltda.	(14.676)	(11.454)
Software Service	Neoway Tecnologia	(541)	(189)
Marketing	Decorado Marketplace Ltda.	(538)	-
Software	Senior Sistemas S/A	(521)	-
Parking Services	AB Parking	(282)	-
		100.635	79.572

The Company restated its balances for the comparative period (September 30, 2019), with the objective of readjusting the comparative balances between 4Q19 and 4Q20.

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

Related-party transactions

Portobello Shop recognized receivables and service revenue relating to royalties of two related parties. The franchise network is composed of a subsidiary of the Company and two related companies. Transactions follow:

Transactions with subsidiaries and related entities	Nature	December		Nature	Accumulated	
		31, 2020	31, 2019		December 31, 2020	December 31, 2019
	Equity			Profit or loss		
Solução Cerâmica Com. Ltda.	Trade receivables, net of advances	607	690	Royalties	6.694	7.561
Flooring Revest. Cer. Ltda.	Trade receivables, net of advances	198	351	Royalties	2.573	3.216
		<u>805</u>	<u>1.041</u>		<u>9.267</u>	<u>10.777</u>

Key management personnel compensation

The compensation expenses paid to key management personnel, which comprise members of the Executive Board, Board of Directors, Fiscal Council and management, recorded for the year ended December 31, 2020, are as follows:

PBG S.A. and subsidiaries

Notes to the Financial Statements
for the year ended December 31, 2020.

All amounts in thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Fixed compensation				
Salaries	13.213	11.826	14.893	13.665
Fees	6.571	5.989	6.571	5.989
Variable compensation	1.869	1.591	2.197	1.853
Pension plan	838	894	872	964
Other	1.807	2.036	1.998	2.272
Severance benefits	115	279	154	279
	<u>24.413</u>	<u>22.615</u>	<u>26.683</u>	<u>25.022</u>

42. Events after the reporting period

The Company has identified from the period of the 2020 fiscal year-end to the date of publication of the Financial Statements, the following subsequent events:

- a) At the Board of Directors Meeting held on January 20, 2021, it was approved the anticipation of the dividend payment for the first half of 2020. The payment occurred on February 9, 2021, totaling R\$ 17,278 thousand, which R\$ 0.11181398 per share, representing 25% of the profit calculated by the Company.
- b) The Board of Directors Meeting held on January 20, 2021 has approved the cancellation of 3,959,156 treasury shares from the repurchase program, representing 100% of the shares authorized for purchase, according to Explanatory Note 31.2. The cancellation of the shares was adjusted with part of the balances of the Earnings Reserve.
- c) At the same Board of Directors Meeting held on January 20, 2021, a new 365-day share buyback program was approved, ending on January 21, 2022. This new program foresees that up to 6,999,658 shares can be acquired, corresponding to 10% of the outstanding shares and 4.41% of the Company's total shares.

PBG S.A.

***Parent company and consolidated
financial statements
at December 31, 2020
and independent auditor's report***



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. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2020 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, 2020 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 a summary of significant accounting policies.

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, 2020, 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 year. 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.





PBG S.A.

Why it is a Key Audit Matter

How the matter was addressed in the audit

Provisions, liabilities and gains on civil and tax lawsuits

As described in notes 3.10, 3.22, 4.2, 12, 14, 16, 17, 27, 28 and 29 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 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.

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, 20x1, 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



PBG S.A.

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.



PBG S.A.

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 about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



PBG S.A.

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 year 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 25, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

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, 2020, 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 2021 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, capital budgets, retention of profits 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 25, 2021.

Jorge Muller

Maro Marcos Hadlich Filho

Carlos Eduardo Zoppello Brennand

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, 2020; and

(ii) reviewed, discussed and agreed with the opinions expressed in the special review report of PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES Independent Auditors, regarding the Company's Quarterly Information for the quarter ended on December 31, 2020.

Tijucas, March 25, 2021.

Board Composition

Mauro do Valle Pereira - Chief Executive Officer

Ronei Gomes – VP of Finance and Investor Relations

Edson Luiz Mees Stringari – VP of Legal and Compliance