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PBG S.A.

Parent company and consolidated financial statements at December 31, 2023 and independent auditor's report

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Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of PBG S.A. (the "Company"), which comprise the balance sheet as at December 31, 2023 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of the Company and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2023 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 material accounting policies and other explanatory information.

Opinion on the parent company financial statements

In our opinion the parent company financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2023, and their financial performance and their cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (currently described as "IFRS Accounting Standards" by the IFRS Foundation).

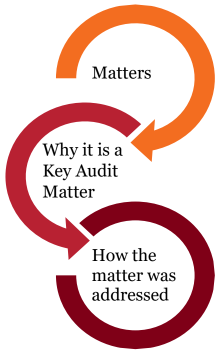
Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are 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.

PBG S.A.

Key Audit Matters

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



Why it is a Key Audit Matter	How the matter was addressed in the audit
Provisions, liabilities and gains on civil and tax lawsuits	
As described in notes, 11, 13, 15, 25 and 26 to the financial statements, the Company is either the plaintiff or the defendant in lawsuits and administrative proceedings of tax or civil nature filed with the court and government agencies. These matters require significant judgment by the Company and its legal advisors in determining the amount and the likelihood of financial disbursement or the chance of a favorable outcome and disclosures relating to this issue. Considering the complexity of these matters, especially those relating to the tax environment in which the Company operates, the susceptibility to changes in assumptions and case laws, and the uncertainties regarding the final outcome of the lawsuits and proceedings, the asset and liability amounts recognized and/ or disclosed in the financial statements are subject to changes.	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, 2023, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS Accounting Standards purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil and the 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) (currently described as "IFRS Accounting Standards"), 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 ability of the Company and its subsidiaries, as a whole, 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 and its subsidiaries, as a whole, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries, as a whole, 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 and its subsidiaries, as a whole, to cease to continue as a going concern.

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

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

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

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

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

Florianópolis, March 13, 2024

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SC000160/F-5

Leandro Sidney Camilo da Costa
Contador CRC 1SP236051/O-7

Earnings Release 2023

PortobelloGrupo

Portobello Grupo

Tijucas, Marth 13th, 2023. PBG S.A. (B3: PTBL3), "PBG" or "Company", ceramic tile company in Brazil, announces its results for the fourth quarter of 2023 (4Q23). The financial data reported herein is derived from PBG S.A.'s consolidated Quarterly Financial Information, prepared according to with the standards issued by the Accounting Pronouncement Committee (CPC) and the International Financial Reporting Standards (IFRS), whose comparisons are based on the same periods of 2022 and/or prior years, as indicated.

Portobello Grupo posts recurring profit of R$27.4 million in 4Q23 and advances its internationalization strategy.

Highlights

- **4Q23 Net Revenue** was R$556.2 million, 11.5% higher than 4Q22. Year-to-date 2023 revenue was R$2.2 billion, -0.3% vs. 2022.
- **Adjusted and Recurring Gross Profit** for 4Q23 reached R$221.3 million, 10.7% up on 4Q22, with a gross margin of R$39.8%.
- **Adjusted and Recurring EBITDA** of R$78.5 million in 4Q23, +29.1% vs. 4Q22, with an EBITDA margin of 14.1%. Accumulated 2023 EBITDA was R$284.3 million, -26.9% vs. 2022, with an EBITDA margin of 14.1%.
- **Comparable Adjusted and Recurring EBITDA** would be R$86.6 million, 42.4% higher than in 4Q22, with a margin of 15.6%, excluding expenses with strategic projects. The 2023 backlog would total R$364.8 million, -5.6% vs. 2022, with an EBITDA margin of 16.7%.
- **Adjusted Operating Expenses** in 4Q23 totaled R$179.4 million, 8.9% higher than in 4Q22. In 2023, we ended the year with R$723 million, 29% higher than in 2022. In the comparable view for 2023, expenses would be equivalent to R$642.3 million, showing an efficiency gain of 0.3p.p. vs. 2022 in the representativeness of expenses over Net Revenue.
- **Adjusted and Recurring Net Profit** in 4Q23 was R$27.4 million, compared to R$4.9 million in 4Q22. In 2023, we posted a loss of R$7.3 million versus a profit of R$137.4 million in 2022.
- **Comparable Adjusted and Recurring Net Income** would be R$33.2 million in 4Q23 and R$55.4 million in 2023, excluding expenses with strategic projects.
- Investment in Working Capital was R$192.8 million, an improvement of 39.4% vs. 4Q22. The Cash Conversion Cycle was 48 days in 4Q23, a reduction of 9 days compared to 4Q22.
- **PTBL3 shares** ended 2023 quoted at R$7.46. Market value: R$1.051 billion. Number of shares: 140,986,886, excluding treasury shares. Free Float: 38.8%.

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Message from Management

2023 was a year of important progress at the Portobello Group's strategy. We would highlight the inauguration and start-up of the plant in the United States, a milestone in the group's internationalization, in addition to the expansion of our direct operations with consumers in Brazil, through the opening of 16 Portobello Shop stores, ending the year with 158 operations around the country, 25 of which are company owned and 133 franchises, with an NPS rating of 86[1].

These advances took place against a global backdrop of macroeconomic and sectoral instability. In Brazil, the ceramic tile sector saw a slowdown in demand, with a 5.7%[2] drop compared to the previous year. In retail, according to ICVA[3] data, the building materials sector shrank by 2.5% in 2023. Brazilian industry felt the effect of lower sales and temporarily shut down some factories, bringing production capacity occupancy to 64%.

In the United States, the main indicators for the construction sector also performed in a way that hindered the resumption of growth, with high interest rates and an increase in the average mortgage rate. In addition, TCNA[4] data indicated that ceramic tile consumption went through a period of demand accommodation between 4Q22 and 1Q23, with a gradual recovery throughout 2023.

In this context, we consolidated our market share gains in the Brazilian[5] market, with a portfolio of innovative products, major launches and very successful collaborations at exhibitions and conferences such as ExpoRevestir, Cersaie and Coverings. In retail, Portobello Shop's results demonstrated the strength of its business model, which resulted in it surpassing the R$ 1 billion mark in annual sales and being recognized among the leading retail brands in Brazil. We supported the continuity of the group's internationalization strategy by expanding our operations and exports to regions such as Central America, the Middle East, Europe, and Africa.

In the US, our plant already operates with approximately 200 employees and is moving forward with a focus on flexibility and productivity in order to meet the demands of customers in the US. Our commitment is to maintain an exceptional level of service and meet the evolving needs of our North American customers, propelling us into the next phase of growth, integration, and profitability.

At the beginning of 2024, we announced strategic changes that shape our business journey. Mr. João Henrique Oliveira, previous CEO of the Portobello Tijucas unit, will now take on the role of CEO at Portobello America, while Mr. Luciano Alves Abrantes, the Group's CTO since May 2023, will become interim CEO of the Portobello BU. We would also like to point out that Mr. Luiz Felipe Brito, who held the position of CEO of the Portobello America, will now lead business development department (CBDO[6]) and Ms. Christiane Ferreira, previous Director of Innovation and Branding at the Portobello Shop unit, will take on the position of CCO[7] of the Portobello Group.

Against this challenging backdrop, we posted a recurring profit of R$27.4 million in 4Q23, with a comparable net profit result of R$33.2 in 4Q23 and R$55.4 million for the year. In addition to the effects of the operating results, we also reclassified financial expenses related to pre-operational investments in the amount of R$28 million in 4Q23.

At the end of 2023, we carried out the company's 5th debenture issue, raising R$367 million and lengthening the average debt term by 1.2 years (2023 vs. 2022) and reducing the cost of debt by 0.7p.p. (2023 vs. 2022). We also adjusted our investment level, still supporting our investments in strategic projects and closing with a net leverage of 3.3x.

We remain strong enough to achieve the 2024 results, maintaining our leadership position by advancing our growth and financial deleveraging strategies for the Group throughout the year.

[1] NPS Portobello Shop em Dez 2023
[2] Associação Nacional dos Fabricantes de Cerâmica para Revestimentos, Louças Sanitárias e Congêneres
[3] Índice Cielo de Varejo Ampliado
[4] Tile Council of North America
[5] Ganho de Market Share de 1,2p.p. na via úmida e 0,1p.p. na via seca 2023 vs. 2022. Fonte: Anfacer e Dados PBG.
[6] *Chief Business Development Officer*
[7] *Chief Creative Officer*

Economic and Financial Performance - Consolidated

	R$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Performance	**Net Revenue**	**556.2**	**496.4**	**12.0%**	**59.8**	**2,190.8**	**2,196.7**	**-0.3%**	**(5.8)**
	Gross Profit	**207.7**	**197.3**	**5.3%**	**10.5**	**855.4**	**945.6**	**-9.5%**	**(90.2)**
	Gross Margin	37.3%	39.7%	-2.4 p.p.		39.0%	43.0%	-4 p.p.	
	Adjusted and Recurring Gross Profit	**221.3**	**199.9**	**10.7%**	**21.4**	**869.0**	**945.6**	**-8.1%**	**(76.6)**
	Adjusted and Recurring Gross Margin	39.8%	40.3%	-0.5 p.p.		39.7%	43.0%	-3.4 p.p.	
	EBIT	**28.7**	**41.4**	**-30.5%**	**(12.6)**	**135.6**	**314.4**	**-56.9%**	**(179)**
	Ebit Margin	5.2%	8.3%	-3.2 p.p.		6.2%	14.3%	-8.1 p.p.	
	Net income (loss)	**14.3**	**9.1**	**56.2%**	**5.1**	**(35.1)**	**153.1**	**-122.9%**	**(188)**
	Net Margin	2.6%	1.8%	0.7 p.p.		-1.6%	7.0%	-8.6 p.p.	
	Adjusted and Recurring Net Income	**27.4**	**4.9**	**458.8%**	**22.5**	**(7.3)**	**137.4**	**-105.3%**	**(145)**
	Adjusted and Recurring Net Margin	4.9%	1.0%	3.9 p.p.		-0.3%	6.3%	-6.6 p.p.	
	EBITDA	**65.4**	**67.5**	**-3.2%**	**(2.2)**	**273.7**	**406.2**	**-32.6%**	**(133)**
	EBITDA Margin	11.7%	13.6%	-1.9 p.p.		12.5%	18.5%	-6 p.p.	
	Adjusted and Recurring EBITDA	**78.5**	**60.8**	**29.1%**	**17.7**	**284.3**	**386.4**	**-26.4%**	**(102)**
	Adjusted and Recurring EBITDA Margin	14.1%	12.2%	1.9 p.p.		13.0%	17.6%	-4.6 p.p.	
Indicators	**Working Capital (R$)**	**192.8**	**317.9**	**-39.4%**	**(125.1)**				
	Cash Conversion Cycle (days)	**48**	**57**	**-16.0%**	**(9)**				
	Net Debt	**895.2**	**630.5**	**42.0%**	**264.7**				
	Net debt/EBITDA	3.3	1.6	110.7%	1.7				
PTBL3	Share Price	7.46	8.23	-9.4%	(0.8)				
	Market Value	1,051.8	1,160.3	-9.4%	(108.5)				
	Average Trading Volume (12 Months)	144.7	181.4	-20.2%	(36.7)				
	Average daily trading volume (ADTV)	5.6	14.8	-62.2%	(9.2)				

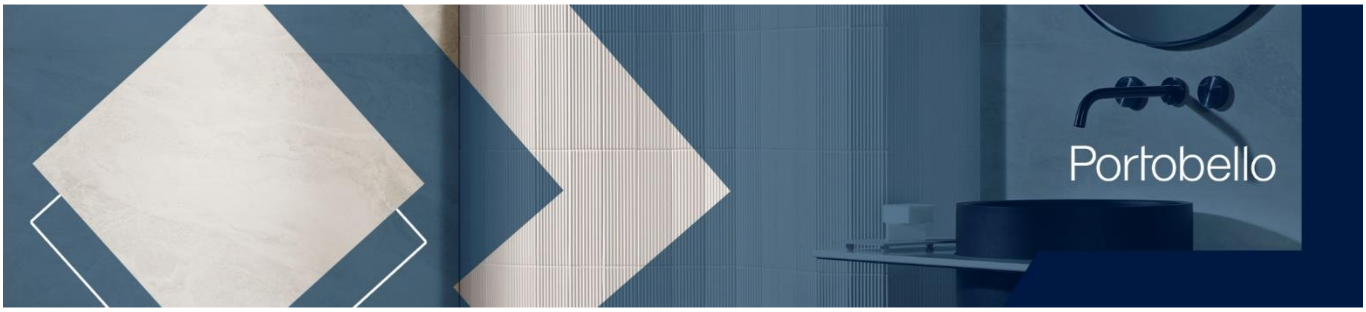
Comparable Results

In order to show the comparable result, we present below adjustments related to investments made in strategic projects of the Portobello Group, which are expected to bring future results. Part of the additional expenses are related to the Portobello America projects, with the purpose of building demand and structuring teams for the start-up of the new plant in the United States.

The second part of the increases is related to Portobello Shop's projects to expand its network of own stores, which should generate positive results as sales increase and order backlog are formed.

Both investments will bring future results and dilute the additional expenses, bringing operations to the ideal levels of margins and profitability.

R$ million	4Q23	PB Shop	PBA	4Q23 Comparabe	4Q22	▲%	2023	PB Shop	PBA	2023 Comparabe	2022	▲%
Net Revenue	**556.2**	-	-	**556.2**	**496.4**	**12.0%**	**2,191**	-	-	2,191	**2,197**	**-0.3%**
Gross Profit	207.7	-	-	207.7	197.3	5.3%	855.4	-	-	855.4	945.6	-9.5%
Gross Margin	37.3%	-	-	37.3%	39.7%	-6.0%	39.0%	-	-	39.0%	43.0%	-9.3%
Expenses	(179.0)	-	8.1	(170.9)	(155.9)	9.6%	(719.8)	30.9	49.6	(639.3)	(631.2)	1.3%
Depreciation	36.6	-	-	36.6	26.2	39.9%	138.1	-	-	138.1	92.0	50.2%
EBITDA	**65.4**	-	8.1	**73.5**	**67.5**	**8.8%**	**273.7**	30.9	49.6	**354.2**	**406.2**	**-12.8%**
Non-Recurring Events:	13.1	-	-	**13.1**	(6.9)		10.6	-	-	**10.6**	(19.9)	
Adjusted and Recurring EBITDA	**78.5**	**-**	**8.1**	**86.6**	**60.8**	**42.4%**	**284.3**	**30.9**	**49.6**	**364.8**	**386.4**	**-5.6%**
Adjusted and Recurring EBITDA Margin	14.1%			15.6%	12.2%	3.3 p.p.	13.0%			16.7%	17.6%	-0.9 p.p.



Business Units Operating Performance

Portobello Business Unit ("BU")

R$ million	4Q23	4Q22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	**239.9**	**219.2**	**9.4%**	**20.7**	**956.8**	**1,022.8**	**-6.5%**	**(66.0)**
(-) COGS	148.1	137.7	7.5%	10.4	598.3	577.3	3.6%	21.0
Gross Profit	**91.8**	**81.5**	**12.7%**	**10.3**	**358.5**	**445.5**	**-19.5%**	**(87.0)**
Gross Margin	38.3%	37.2%	1.1 p.p.		37.5%	43.6%	-6.1 p.p.	

In 4Q23, the BU's net revenue totaled R$239.9 million, up 9.4% on 4Q22, with a gross margin of 38.3% (up 1.1 p.p. vs. 4Q22). Results in the Brazilian market performed well, with important advances in the Engineering channel (+25.0% vs. 4Q22), through an assertive strategy and expanding the base of real state developments. This result reinforces the recovery in the second half of the year, with growth in this channel higher than in the third quarter, which is seasonally the strongest period of the year. The Portobello BU achieved this result in the Brazilian market against a backdrop in which there has still been no significant upturn, showing gains of 1.3 p.p. vs. 4Q22 in market share.

In regard to exports, the BU showed a 1.4 p.p. gain in market share in Brazilian exports in 4Q23 compared to 4Q22, as well as made progress in developing new markets, especially in Central America, Europe, the Middle East, and Africa, which partially offsets the more restrictive scenario for exports to Argentina. Even so, the operation was negatively impacted by the heavy rains in the South region of Brazil which paralyzed operations at the port of Itajaí, the main seaport for Portobello products shipping, for around 20 days.

Capacity utilization indicators also outperformed the market, closing the quarter with 93% utilization, while the market average, according to ANFACER, was 74%.

This above-average market performance is the result of an assertive multichannel strategy and flexible production, which allows sales efforts to be targeted according to the best opportunities from the point of view of volume and profitability. This characteristic of the Tijucas-SC unit is consequence of the progress made in qualifying product mix, especially with the growth in sales of tile slabs and other large formats, products with a design differential and greater added value, which means that the gross margin is sustained at high levels.

Accumulated revenue for 2023 was 6.5% lower than net revenue for 2022, due to lower revenue in Brazilian currency (exchange rate variation) from exports and lower volume sales in 1H23 vs. 1H22, which was still experiencing a more heated demand scenario. However, the market has already shown an improvement in sales dynamics in 2H23 when compared to the first half of the year, with the expectation that the recovery expected for 2024 will continue, with good opportunities.

The unit's priorities continue to be i) continuous improvement in service levels, ii) efficiency in balancing stock levels and meeting demand and iii) implementing ESG actions.

Portobello Shop Business Unit ("BU")

R$ million	4T23	4T22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	**226.8**	**215.1**	**5.5%**	**11.7**	**917.2**	**813.7**	**12.7%**	**103.4**
(-) COGS	116.7	120.7	-3.3%	(4.0)	480.6	436.6	10.1%	44.0
Gross Profit	**110.1**	**94.4**	**16.6%**	**15.7**	**436.5**	**377.1**	**15.8%**	**59.4**
Gross Margin	48.5%	43.9%	4.6 p.p.		47.6%	46.3%	1.3 p.p.	

Portobello Shop continues to grow sequentially, influenced by the strategic advances that have transformed the Portobello Group's vision of integrated retail.

In 4Q23, the BU's Net Revenue totaled R$226.8 million, representing growth of 5.5% vs. 4Q22, leading the BU to a new record quarterly and annual result. In 2023, net revenue was 12.7% higher than the previous year, reaching R$917 million (surpassing the mark of more than R$1 billion in gross revenue), representing 42% of the company's revenue.

The results achieved by Portobello Shop demonstrate the development, mainly strategic, of the retail business model. Expressive growth is recurring even in a scenario in which the building materials market is facing results comparable to the worst moments in history. ICVA data shows that the building materials retail sector in Brazil fell by -2.5% in 2023 compared to the previous year, in terms of Portobello Shop's market share gains.

Portobello Shop's gross margin also showed a strong result in 2023, closing the year at 47.6%, being positively influenced by the greater share of owned stores, which represented 44.9% of the Unit's total, with a significant growth of 23% in 2023 vs. 2022. The growth in the share of owned stores boosts the absorption of synergies from the integrated chain and begins to offset the costs of investments in strategic projects, generating gains in margins and profitability. Also noteworthy is the growth in the share of the national sales channel and large accounts, from 2.5% in 2022 to 5.3% in 2023.

The company currently has 158 stores in operation across the country, of which 25 are owned and 133 are franchised. 9 franchised stores were opened in 4Q23. The growth in stores that had already been opened in the previous year can be seen in the Same Store Sales indicator for the quarter, which represented an increase of 6.1% in 4Q23 vs. 4Q22.

The NPS indicator, which measures customer satisfaction with own stores, reached 86% in 2023.

It is also worth highlighting the important strategic advances made by Portobello Shop, motivated by the culture of customer-centeredness and the continuous search for operational excellence. These advances are part of the digital transformation that the company has been implementing, enabling agility in capturing and interpreting data that subsidizes strategic actions and guarantees customer satisfaction.

Pointer Business Unit (“BU”)

R$ million	4T23	4T22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	**56.8**	**47.8**	**19.0%**	**9.1**	**193.6**	**225.4**	**-14.1%**	**(31.8)**
(-) COGS	50.2	35.0	43.5%	15.2	169.5	153.3	10.6%	16.2
Gross Profit	**6.7**	**12.8**	**-48.0%**	**(6.2)**	**24.1**	**72.2**	**-66.6%**	**(48.0)**
Gross Margin	11.7%	26.8%	-15.1 p.p.		12.5%	32.0%	-19.6 p.p.	

From the second half of the year onwards, Pointer showed an important recovery in results, with a 19.0% growth in Net Revenue in 4Q23 vs. 4Q22, achieving the best revenue of the year. The figures reflect, in addition to indicators of recovery in the dry rail market, Pointer’s strategic evolution in the North and Northeast regions, which strengthened our regional brand presence, with expansion of penetration supported by strategies to gain commercial and logistical efficiency, leading to an increase in market share (+1.1 p.p. in 4Q23 vs. 4Q22).

In the year, the result was impacted by the lower volumes sold during the first half, closing the year with Net Revenue of R$194 million and a Gross Margin of 12.5%, 19.6 p.p. down on the previous year, largely due to the lower dilution of production costs and promotional sales actions aimed at balancing inventory levels and productivity.

The BU strengthened its specific actions for the different customer profiles, for each type of product and channel, supported by the training of commercial partners in the region.

In the North and Northeast market, Pointer ended 2023 with a 0.5 p.p. increase in market share vs. 2022. In 4Q23, this gain was 1.1 p.p. vs. 4Q22. Even with a more resistant Brazilian market scenario, Pointer in the Northeast region showed growth.

The acceleration in sales that was confirmed throughout 2H23 made it possible to maintain the kilns working, with technical maintenance stoppages only due to contractual supply issues, showing capacity occupancy of 67% in 4Q23, above the market average in the region, which was approximately 50%, according to ANFACER data.

PortobelloGrupo

Portobello America Business Unit ("BU")

R$ million	4T23	4T22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	**56.0**	**49.2**	**13.9%**	**6.8**	**227.8**	**233.0**	**-2.2%**	**(5.2)**
(-) COGS	43.5	38.3	13.5%	5.2	175.5	178.2	-1.5%	(2.8)
Gross Profit	**12.5**	**10.8**	**15.3%**	**1.7**	**52.3**	**54.8**	**-4.5%**	**(2.5)**
Gross Margin	22.3%	22.1%	0.3 p.p.		23.0%	23.5%	-0.5 p.p.	

In 2023, Portobello America recorded a historic milestone for the company, with the start of operations at the new factory, which had been planned and consolidated since 2018. Over this period, major advances have been made in the BU, whether from the point of view of brand positioning or market development, which have made this first phase possible. The Unit, which now has state-of-the-art facilities and can produce around 4 million m² of products for the North American market every year, is focusing its efforts on consolidating its business model, integrated with production, growth and profitability.

In 4Q23, Portobello America's Net Revenue grew by 13.9% compared to 4Q22, reaching R$56 million, with the highlight being the recovery in the home centers channel, which was going through a market scenario of greater retraction. Gross margin was 22.3% in the period, in line with 4Q22, with the factory in the setup phase and gaining production scale. With production at the new factory stabilized, the focus will be on expanding the distribution channel, whose profitability is more attractive.

The BU's Net Revenue in 2023 was R$228 million, practically in line with the previous year, surpassing the market result which, according to TCNA data, showed a drop of -8.0% in volumes sold in the year to 3Q23, with most of the impact reflected in imports and keeping consumption of local products more stable.

During the year, a large part of Portobello America's expenses was characterized as pre-operational. In this sense, expenses related to preparing for the start-up of the plant or to sales, marketing and other support activities amounted to R$47.9 million in 2023, representing a 51.0% increase in Portobello America's expenses. These expenses are part of the unit's strategic planning and are considered, for management purposes, part of the project's investment, from which a future return is expected.

In the first phase of the project, the BU has a furnace with a production capacity of 3.6 million m² plus special parts. In the future, the factory project aims to have a second line, which should double capacity to around 7.2 million m². Portobello America will continue to sell ceramic tiles produced at the Portobello and Pointer BU factories in Brazil, as a way of complementing its portfolio and gaining scale for phase II of the project.

Consolidated Performance

Net Revenue

R$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Net Revenue	**556.2**	**496.4**	**12.1%**	**59.8**	**2,190.8**	**2,196.7**	**-0.3%**	**(5.9)**
Domestic Market (BR)	449.5	398.3	12.9%	51.2	1,740.2	1,683.6	3.4%	56.6
International Market	106.7	98.1	8.8%	8.6	450.7	513.2	-12.2%	(62.5)
US$ million	**4T23**	**4T22**	**▲ %**	**▲ Abs**	**2023**	**2022**	**▲ %**	**▲ Abs**
International Market	20.2	16.4	22.9%	3.8	85.4	92.9	-8.1%	(7.5)

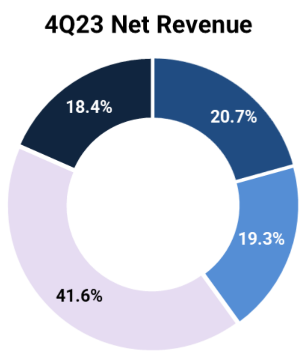
Portobello Grupo's Net Revenue in 2023 was R$2.2 billion, in line with the previous year. In light of the context of cooling demand, this revenue built up over the year is considered positive, since the company faced market challenges with greater restrictions and performed well above the sector, reflecting the resilience of the business model and the assertiveness of the multichannel strategy.

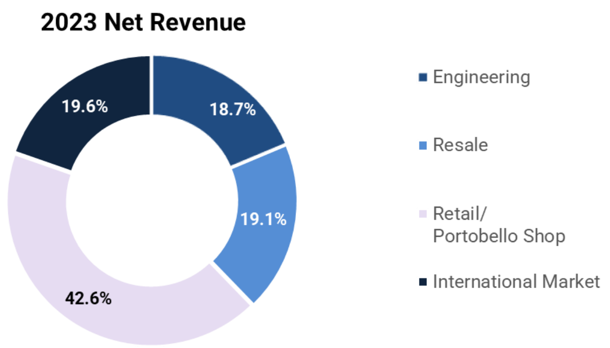
It is worth highlighting the progress made in the Brazilian market, with a 3.4% growth in Net Revenue, in a year in which the building materials market shrank by -4.4%, according to deflated data from ABRAMAT. According to ANFACER data, the ceramic tile sector saw a reduction in volumes sold (in square meters) of around -5.7% in 2023 vs. 2022.

Regar exports, the actions taken to develop new markets are already starting to be reflected in the company's results. In 4Q23, Net Revenue in dollars grew by 22.9% compared to 4Q22. In addition, another positive point is related to the qualification of the mix of products sold abroad, whose share of Net Revenue was around 67% of large formats, products with higher added value and more attractive margins.

In the year to date, the company posted a -8.1% reduction in Net Revenue in dollars in 2023, impacted mainly by an international market with greater instability and restrictive measures in some countries, such as Argentina, resulting in lower volumes sold to some of Portobello's main clients. Throughout the year, Portobello continued to develop its internationalization plan, making progress in important markets such as Central America, Europe, the Middle East and Africa.

The distribution of sales between channels highlights the company's ability to execute its multichannel strategy. Highlights include i) retail sales, which account for 42.6% of the Group's total Net Revenue in 2023 vs. 38.0% in 2022; ii) the export channel, with a 19.6% share of the result, 9.9% of which is accounted for by sales made by Portobello America in the United States and 9.7% for the other markets of the Portobello and Pointer Business Units; and iii) the Engineering channel's 18.7% share of sales.





Gross Profit

R$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Net Operating Revenue	556.2	496.4	**12.1%**	59.9	2,190.8	2,196.7	**-0.3%**	(5.8)
Cost of Goods Sold (COGS)	(340.7)	(299.1)	-13.9%	(41.6)	(1,314.9)	(1,251.0)	-5.1%	(64.0)
Idleness Costs	(7.8)		-100.0%	(7.8)	(20.5)	-	-100.0%	(20.5)
Gross Operating Profit	**207.7**	**197.4**	**5.2%**	**10.3**	**855.4**	**945.6**	**-9.5%**	**(90.2)**
Gross Margin	37.3%	39.8%	**-2.4 p.p.**		39.0%	43.0%	**-4 p.p.**	
Non-Recurring Events:	**13.5**	**2.5**	441.9%	**11.0**	**13.5**	-	0.0%	**13.5**
1) DIFAL unconstitutionality reversal	-	2.5			-	-		
2) Inventory Adjustment	13.5	-			13.5	-		
Adjusted and Recurring Gross Profit	**221.3**	**199.9**	**10.7%**	**21.4**	**869.0**	**945.6**	**-8.1%**	**(76.6)**
Adjusted and Recurring Gross Margin	39.8%	40.3%	**-0.5 p.p.**		39.7%	43.0%	**-3.4 p.p.**	

Adjusted and Recurring Gross Profit accumulated in 2023 was R$869.0 million, a reduction of -8.1% vs. 2022 and -3.4 p.p. in gross margin. Over the course of the year, the company showed an important recovery in gross margin, managing to close the year at 40%. The advances were partly due to a resumption of sales levels in the market, which put pressure on the flexibility of the prices charged, but also made it possible to return to production levels which allow for greater dilution of costs.

In addition, in 2023 the company faced some impacts resulting from more restrictive market scenarios, such as: (i) an increase in costs resulting from inflationary pressure on goods, services and labor that occurred throughout 2022 and were reflected in the 2023 results; (ii) a retraction in the sector margins scenario, which was partially offset by commercial strategies to make prices for specific products more flexible, seeking to maintain the level of market share and better production planning without impacting inventories and (iii) the start of production at the Portobello America plant, which is still undergoing a process of evolution in productivity and efficiency, in line with the strategic plan. We would also highlight the +41.1% increase in natural gas in 2022, based on data from the Ministry of Mines and Energy, but which showed reductions in 2023, accumulating a variation of -10.3% in the year.

Operating Expenses

R$ Million	4Q23	%RL	4Q22	%RL	▲ %	▲ Abs	2023	%RL	2022	%RL	▲ %	▲ Abs
Operating Expenses												
Selling	(163.2)	29.3%	(139.9)	28.2%	16.6%	(23.3)	(627.8)	28.7%	(534.0)	24.3%	17.6%	(93.8)
General and Administrative	(34.2)	6.2%	(25.5)	5.1%	34.2%	(8.7)	(118.8)	5.4%	(90.2)	4.1%	31.8%	(28.6)
Other Revenues (Expenses)	18.4	-3.3%	9.5	-1.9%	-94.0%	8.9	26.8	-1.2%	(7.1)	0.3%	-477.8%	33.9
Operating Expenses	**(179.0)**	**32.2%**	**(155.9)**	**31.4%**	**14.8%**	**(23.1)**	**(719.8)**	**32.9%**	**(631.2)**	**28.7%**	**14.0%**	**(88.6)**
Non-Recurring Revenues	(0.5)	0.1%	(9.4)	1.9%	-95.2%	8.9	(2.9)	0.1%	(20.0)	1%	-85.3%	17.0
Adjusted Operating Expenses	**(179.4)**	**32.3%**	**(165.3)**	**33.3%**	**8.6%**	**(14.1)**	**(722.7)**	**33.0%**	**(651.2)**	**29.6%**	**11.0%**	**(71.6)**

Adjusted Operating Expenses totaled R$722.7 million in 2023, an increase of 11.0% vs. 2022. When analyzed as a percentage of Net Revenue, they showed an increase of 3.4 p.p. compared to 2022.

The biggest variations in absolute terms were concentrated in: (i) Portobello America (+45.9% vs. 2022) due to the marketing strategy and team structuring adopted during the stage of building demand for the start-up of the new factory; and (ii) Portobello Shop (+11.2% vs. 2022), explained by the growth in the sales structure absorbed in the acquisitions made in the expansion of the Owned Stores network. Without the strategic expenses, the company would have seen a reduction in expenses of R$80.5 million in absolute terms.

Selling Expenses: An increase of R$94 million (+17.6%) vs. 2022, due to by the additional investments in the company's strategic projects that will bring future results, as mentioned above.

General and Administrative Expenses: Increase of R$29 million (+31.8%) vs. 2022, contemplating investments in the structure of the teams of the operations with the highest growth, mainly in the Portobello America and

Portobello Shop Business Units. These investments are in line with the Company's strategic planning and should be supported by the expected growth and expenses will be diluted in proportion to the development of operations.

Other Revenues and Expenses: Mainly refer to the recognition of tax credit and update of provisions.

EBITDA and Adjusted EBITDA

R$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Net Income	**14.3**	**9.1**	**56.2%**	**5.1**	**(35.1)**	**153.1**	**-122.9%**	**(188.2)**
(+) Financial Expenses	12.2	37.9	-67.7%	(25.6)	159.2	109.7	45.2%	49.5
(+) Depreciation and Amortization	36.6	26.2	39.9%	10.4	138.1	92.0	50.2%	46.1
(+) Income Taxes	2.2	(5.7)	139.3%	7.9	11.5	51.5	-77.6%	(39.9)
EBITDA	**65.4**	**67.5**	**-3.2%**	**(2.2)**	**273.7**	**406.2**	**-32.6%**	**(132.5)**
EBITDA Margin	**11.7%**	**13.6%**	**-1.9 p.p.**		**12.5%**	**18.5%**	**-6 p.p.**	-6%
Non-Recurring Events:	**13.1**	**(6.9)**			**10.6**	**(19.9)**		
1) DIFAL unconstitutionality reversal	-	(4.9)				(17.3)		
2) Other Favorable Outcomes in Lawsuits	-	1.0			(0.4)	0.3		
4)COFINS - Tax optimization	-	(3.0)			(1.4)	(3.0)		
5) Recognition and Restatements of Lawsuits	-	-			(1.5)	-		
6) Commissions	-	-			0.8	-		
7) Inventory provision Adjustment	13.1				13.1			
Adjusted and Recurring EBITDA	**78.5**	**60.8**	**29.1%**	**17.7**	**284.3**	**386.4**	**-26.4%**	**102.0**
Adjusted and Recurring EBITDA Margin	**14.1%**	**12.2%**	**1.9 p.p.**		**13.0%**	**17.6%**	**-4.6 p.p.**	

Adjusted and Recurring EBITDA in 2023 was R$284 million, -26.4% less than in 2022, with an Adjusted and Recurring EBITDA Margin of 13.0%, -4.6 p.p. compared to the previous year. To calculate the adjusted result, gains from updates to legal proceedings were disregarded. In 4Q23, the result was 29% higher than in 4Q22, reinforcing the construction of the result throughout the year and reflecting a significant evolution in the second half of the year.

These results in an adverse market scenario throughout the year reinforce Portobello Grupo's competitive edge, delivering positive results and guaranteeing investments in strategic projects focused on sustainable growth and which will bring significant returns. Over the course of 2024, in line with strategic planning, the company will begin to incorporate the good levels of profitability with the maturing of the factory operations at Portobello America

The company continues to prioritize its position as the leading design and innovation brand in the ceramic tile segment, constantly seeking to improve the product mix, optimize production, improve sales performance and the development of all channels, maintain prices, all combined with discipline in managing costs, expenses and investments.

Net Income

R$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
EBITDA	**65.4**	**67.5**	**-3.2%**	**-2.2**	**273.7**	**406.2**	**-32.6%**	**-132.5**
(-) Financial Expenses	(12.2)	(37.9)	67.7%	25.6	(159.2)	**(109.7)**	-45.2%	-49.5
(-) Depreciation and Amortization	(36.6)	(26.2)	-39.9%	-10.4	(138.1)	**(92.0)**	-50.2%	-46.1
(-) Income Taxes	(2.2)	5.7	-139.3%	-7.9	(11.5)	**(51.5)**	77.6%	39.9
Net Income	**14.3**	**9.1**	**56.2%**	**5.1**	**(35.1)**	**153.1**	**-122.9%**	**-188.2**
Net Margin	**2.6%**	**1.8%**	**0.7 p.p.**		**-1.6%**	**7.0%**	**-8.6 p.p.**	
Non-Recurring Events:	**13.1**	**(4.2)**			**27.8**	**(15.7)**		
(1) DIFAL unconstitutionality reversal	-	(4.9)			-	(17.3)		
(2) SELIC on Income Tax/Social Contribution Basis	-	(0.3)			-	(1.1)		
(3) Recognition and Restatements of Lawsuits	-	(0.4)			16.8	(2.5)		
(4) Others¹	-	-			(2.9)	5.1		
(5) Recognition and Restatements of Lawsuits – Other revenues/expenses	-	1.0			-	0.3		
(6) Recognition and Restatements of Lawsuits-IR/CSLL	-	3.3			-	7.8		
(7) COFINS - Tax optimization	-	(3.0)			-	(3.0)		
(8) Commissions	-	-			0.8	-		
9) Inventory provision Adjustment	13.1	-			13.1			
Adjusted and Recurring Net Income	**27.4**	**4.9**	**453.8%**	**22.4**	**(7.3)**	**137.4**	**-105.3%**	**-144.7**
Adjusted and Recurring Net Margin	**4.9%**	**1.0%**	**3.9 p.p.**		**-0.3%**	**6.3%**	**-6.6 p.p.**	

The high interest rates that impacted 2023 reflected not only on Portobello Grupo's market, but also on the company's financial results. Gross indebtedness combined with high interest rates led to an increase of R$49.5 million in financial expenses compared to 2022.

The resumption in operating performance during the second half of 2023 was partially offset by the increase in financial expenses, which was unable to reverse the result for the first half of the year, resulting in an Adjusted and Recurring Net Profit of R$27.4 million in 4Q23 and an Adjusted and Recurring Net Loss of R$7.3 million for the year to date.

The company continues to work on several fronts to ensure greater operating cash generation and prioritization of investments, with a consequent reduction in financial leverage and financing costs.

Cash Flow

R$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Activities								
Operating	59.8	4.6	1188.8%	55.2	186.3	227.0	-17.9%	(40.7)
Investment	(60.2)	(38.6)	-55.8%	(21.6)	(332.8)	(206.0)	-61.6%	(126.9)
Financing	161.2	155.9	3.4%	5.3	376.9	45.3	731.5%	331.6
Changes in Cash	160.8	121.9	31.9%	38.9	230.4	66.4	247.1%	164.0
Opening Balance	**325.7**	**134.1**	**142.8%**	**191.6**	**256.1**	**189.7**	**35.0%**	**66.4**
Closing Balance	**486.5**	**256.1**	**90.0%**	**230.4**	**486.5**	**256.1**	**90.0%**	**230.4**

The company ended 2023 with a cash position of R$486 million, R$230 million higher than the previous year. The main variations occurred in financing activities, with funding of around R$644 million and interest and amortization payments of R$268 million. The company continues to focus its efforts on efficient debt and cash management, always seeking to optimize debt costs combined with the best amortization schedule.

The level of investment activities was more intense due to the concentration of the flow of payments for the investments made in Portobello America and Portobello Shop, mainly in the first half of the year.

The company's operating activities in 4Q23 generated cash of R$117.2 million and in the year to date R$214.1 million, a reduction of R$12.9 million in the year compared to 2022, mainly due to higher costs that negatively impacted the operating margin in the first half.

Working Capital

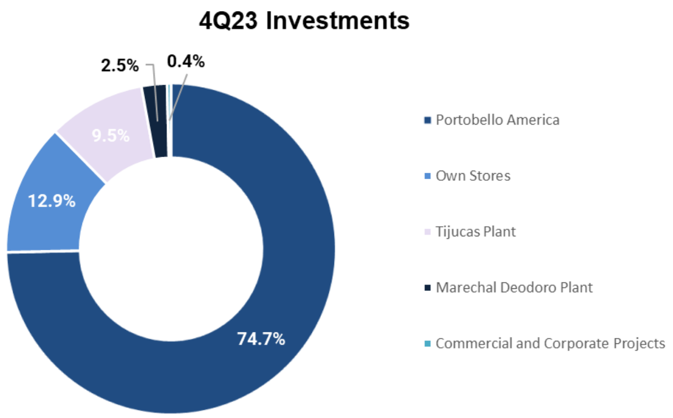
		4Q23	4Q22	▲ %	▲ Abs	3Q23	▲ %	▲ Abs
R$ million	Accounts Receivable	152.3	230.0	-33.8%	(77.7)	210.6	-27.7%	(58.2)
	Inventories	489.0	455.0	7.5%	34.0	467.9	4.5%	21.1
	Suppliers	(448.6)	(367.1)	22.2%	(81.5)	(403.0)	11.3%	(45.6)
	Working Capital	**192.8**	**317.9**	**-39.4%**	**(125.1)**	**275.5**	**-30.0%**	**(82.7)**
Days	Accounts Receivable	29	37	-21.7%	(8)	34	-14.7%	(5)
	Inventories	131	129	1.6%	2	131	-0.3%	(0)
	Suppliers	(112)	(108)	3.9%	(4)	(106)	5.8%	(6)
	Cash Convertion Cycle (CCC)	**48**	**57**	**-16.0%**	**(9)**	**59**	**-19.4%**	**(12)**

The company's Working Capital fell in 4Q23 to R$192.8 million, down R$125.1 million on 4Q22 (-39.4%). The Cash Conversion Cycle in 4Q23 was 48 days, -9 days lower than in 4Q22, due to the improvement in the terms of the receivables portfolio by 5 days and the payment term by 6 days.

Investments

In 4Q23, investments totaled R$88.0 million, of which R$28 million refers to the reclassification of Financial Expenses, related to the capitalization of interest on the purchase of equipment for the Portobello America Unit. Of the total investments made in 4Q23, 74.7% were earmarked for the new Portobello America factory project, 12.9% for the Portobello Shop between own stores and digital evolution, 9.5% for the Portobello BU plant in Tijucas-SC, 2.5% for investments in the Pointer industrial plant and 0.4% for commercial and corporate projects.

The investments made at Portobello America are largely related to the acquisition of machinery and equipment for phase 1 of the new plant, which began operating in July 2023. The plant is one of the most modern ceramic tile factories in the United States, with state-of-the-art technology in all its facilities.

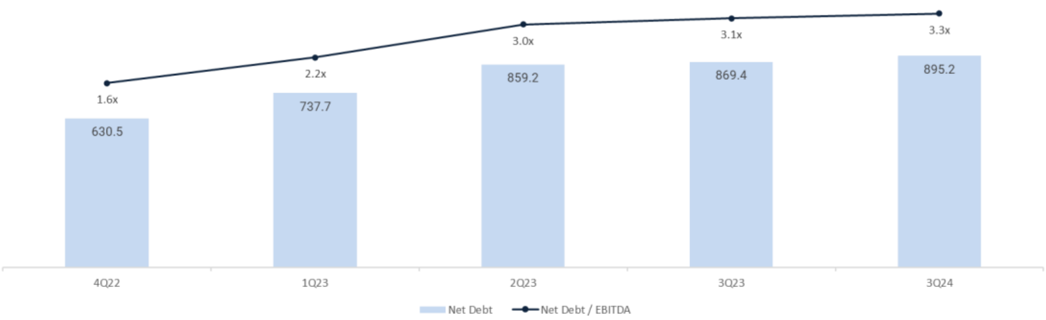


Indebtedness and Capital Structure

The company's net debt ended the year at R$895.2 million, an increase of R$264.6 million vs. 2022, necessary to support the strategic investment cycle that ended in 2023. The reduction in Adjusted and Recurring EBITDA over the last 12 months to R$273.7 million added to the higher level of debt brought financial leverage to 3.3x. The company's expectation is that this level of leverage will be reduced as the evolution of EBITDA in the coming quarters replaces the lower results of previous quarters. Portobello Grupo continues to have financial management discipline as one of its priorities, with a focus on constant optimization of the Cash Conversion Cycle.

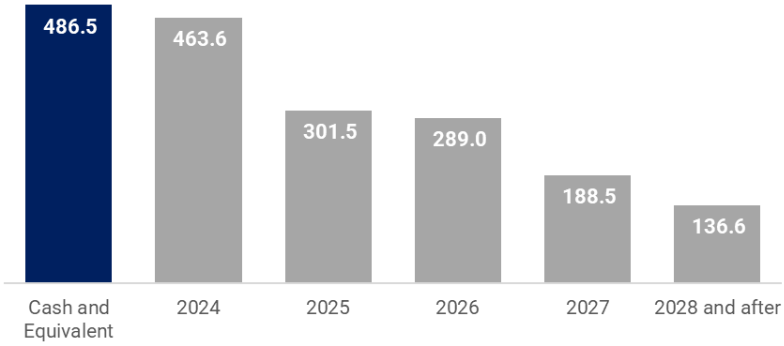
R$ million	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22
Gross Bank Debt[1]	**1,381.6**	**1,195.1**	**1,268.2**	**1,127.4**	**886.6**	**718.4**	**733.4**
Cash and Cash Equivalents	(486.5)	(325.7)	(409.0)	(389.7)	(256.1)	(134.2)	(190.6)
Net Indebtedness	**895.2**	**869.4**	**859.2**	**737.7**	**630.5**	**584.3**	**542.8**
EBITDA (LTM)	273.7	276.0	290.4	337.6	406.2	433.2	427.1
Adjusted and Recurring EBITDA (LTM)	284.3	266.5	276.7	325.4	385.1	422.3	423.1
Net Debt-to-EBITDA ratio	**3.3**	**3.1**	**3.0**	**2.2**	**1.6**	**1.3**	**1.3**

In 4Q23, in line with the company's funding plan, the 5th issue of Simple Debentures was carried out, in the amount of R$367 million at a rate of CDI + 3.65%, with a term of five years and a one-year grace period to pay the principal. Part of this funding was used to settle the Commercial Notes issued at the beginning of 2023, as well as to extend the term of the group's debt.

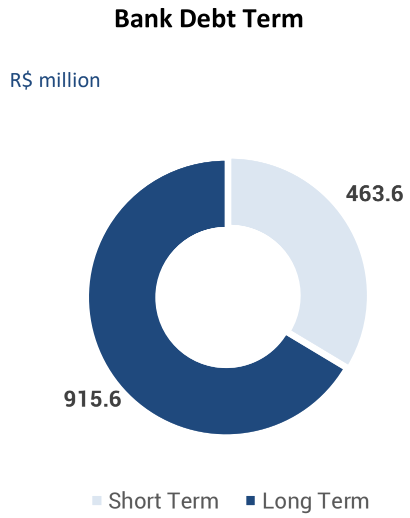


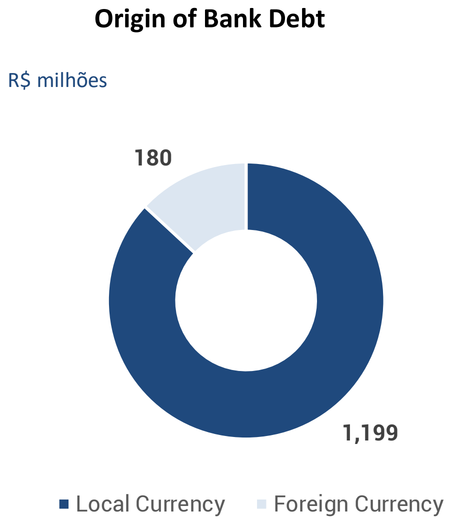
At the end of 2023, all the contractual requirements (covenants) relating to the leverage ratio, which could lead to the early maturity of financing contracts and debentures, were achieved.

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



Gross Debt maturing in the short term represents 33.6% of the total, the rest of the debt maturing in the long term, as shown in the amortization schedule above. Most of the Gross Bank Debt (86.9%) is in local currency. The average total cost of Bank Debt is 13.3% p.a. and the average maturity is 5 years.





2024 Outlook and Strategic Planning

- For 2024, the company expects a market with stability and gradual recovery, both in Brazil and in the United States. As in previous years, the ceramic tiles sector has a well-defined seasonality, with a sequential evolution until the third quarter and a slight cooling in the fourth quarter.

- The North American construction sector shrank in 1H23, which was also reflected in Portobello America's performance in 2023, mainly due to inflation, high interest rates and lower growth. In this context, the ceramic tile market tends to gradually recover over the course of 2024, with greater stability for local producers.

- **Portobello Shop:** Evolution of Portobello Shop's results, advances in productivity and profitability of strategic investments. Increase of Same Store Sales and advances in new sales channels.

- **Portobello America:** Profitability of the investments made in the factory with a plan to accelerate sales in distribution channels and home centers and expand margins with the start of production in the USA.

- **UN Portobello:** Progress in internationalization with the development of new markets and advanced hubs. Focus on constant optimization of the product mix and management of sales channels.

- **Pointer:** Acceleration in sales with a consequent market share gain with advances in small and medium-sized resellers and strengthening of home centers. Optimization of installed capacity.

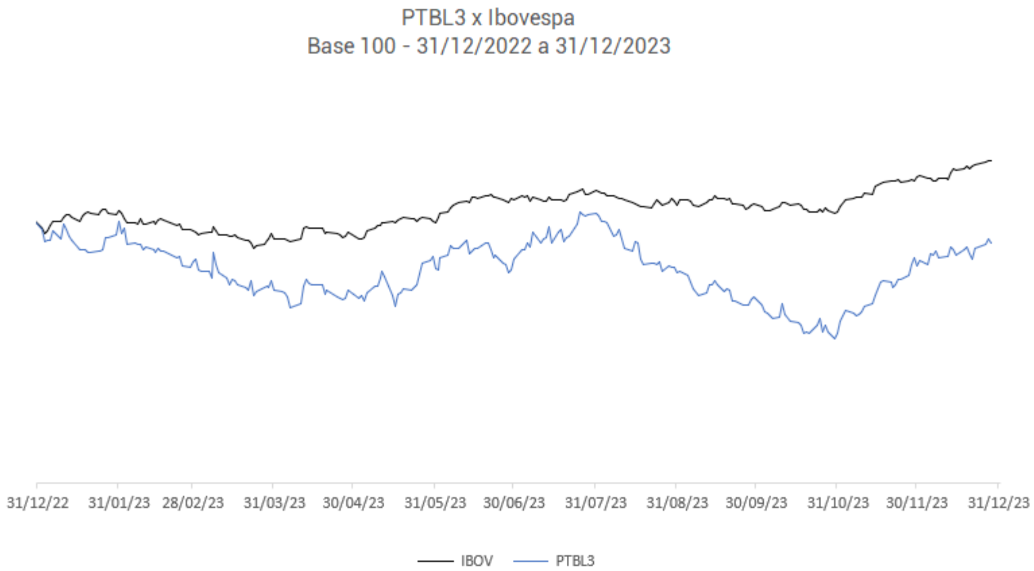
- The company has a positive outlook for working capital, with actions to reduce inventories in all units and improve payment and receivables terms, maintaining a controlled level of defaults.

- Regarding investments, Portobello Grupo's focus is on making the most of the investments already made in this 2022-2023 cycle, maintaining a perspective only of investments necessary for the maintenance and continuity of operations in 2024.

- Outlook for a continuous reduction in the level of net leverage (ratio of net debt to adjusted and recurring EBITDA for the last 12 months) with a sequential reduction bias for the coming quarters.

PTBL3 Stock Performance

The shares traded under the ticker PTBL3, closed the trading session on December 29, 2023 at R$7.46, a decrease of -9.4 when compared to the close of 2022 (R$8.23). The average daily trading volume (ADTV) in 4Q23 was R$9.4 million. At the end of the quarter, the company had a market value equivalent to R$1,052 million.



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 assume that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client.

Financial Statements

Balance Sheet

Assets	4Q23	AV %	4Q22	AV %	Var%
Current assets	**1,331.8**	**40.4%**	**1,103.1**	**44.5%**	**20.7%**
Cash and cash equivalents	486.5	14.8%	256.1	10.3%	90.0%
Trade Receivables	269.0	8.2%	314.5	12.7%	-14.5%
Inventories	489.0	14.8%	455.0	18.3%	7.5%
	11.1	0.3%	11.8	0.5%	-5.8%
Other	76.1	2.3%	65.7	2.6%	15.8%
Non-current assets	**1,964.3**	**59.6%**	**1,376.7**	**55.5%**	**42.7%**
Long-term assets	**256.6**	**7.8%**	**375.0**	**15.1%**	-31.6%
Judicial deposits	7.1	0.2%	106.7	4.3%	-93.3%
Judicial assets	115.1	3.5%	140.3	5.7%	-18.0%
Guarantee deposit	19.9	0.6%	19.4	0.8%	2.7%
Receivables - Eletrobrás	-	0.0%	12.8	0.5%	-100.0%
Restricted financial investments	10.3	0.3%	9.3	0.4%	10.8%
Recoverable taxes and deferred tax	69.6	2.1%	19.4	0.8%	258.2%
Other non-current assets	34.5	1.0%	67.0	2.7%	-48.5%
Fixed assets	**1,707.7**	**51.8%**	**1,001.7**	**40.4%**	**70.5%**
PPE, Intangible Assets and Investments	1,141.7	34.6%	813.6	32.8%	40.3%
Right of Use of Leased Assets	562.7	17.1%	187.7	7.6%	199.7%
Other investments	3.3	0.1%	0.3	0.0%	862.1%
Total assets	**3,296.0**	**100.0%**	**2,479.8**	**100.0%**	**32.9%**

Liabilities	4T23	AV %	4T22	AV %	Var%
Current liabilities	**1,321.2**	**40.1%**	**945.1**	**38.1%**	**39.8%**
Loans and Debentures	463.6	14.1%	165.9	6.7%	179.5%
Trade Payables and Credit Assignment	459.7	13.9%	378.8	15.3%	21.4%
	89.4	2.7%	82.0	3.3%	9.0%
Lease obligations	40.3	1.2%	26.4	1.1%	52.6%
Tax liabilities	41.2	1.3%	43.2	1.7%	-4.6%
Payroll and related taxes	76.6	2.3%	64.6	2.6%	18.5%
Advances from Customers	116.7	3.5%	84.5	3.4%	38.1%
Other	33.7	1.0%	99.7	4.0%	-66.2%
Non-current liabilities	**1,588.9**	**48.2%**	**1,067.5**	**43.0%**	**48.8%**
Loans and Debentures	915.6	27.8%	717.7	28.9%	27.6%
Suppliers	-	0.0%	94.4	3.8%	-100.0%
	107.0	3.2%	28.1	1.1%	280.8%
Debts with related parties	56.3	1.7%	56.3	2.3%	0.1%
Provisions	80.0	2.4%	88.4	3.6%	-9.5%
Lease obligations	6.4	0.2%	6.4	0.3%	-0.2%
	404.3	12.3%	51.4	2.1%	0.0%
Other Non Current Liabilites	19.3	0.6%	24.9	1.0%	-22.5%
Equity	**385.9**	**11.7%**	**467.2**	**18.8%**	**-17.4%**
Capital	250.0	7.6%	250.0	10.1%	0.0%
Treasury shares	191.8	5.8%	255.3	10.3%	0.0%
Earnings reserve	(55.9)	-1.7%	(38.1)	-1.5%	46.6%
Total liabilities	**3,296.0**	**100.0%**	**2,479.8**	**100.0%**	**32.9%**

Income Statement

R$ Million	4Q23	4Q22	2023	2022
Net Sales Revenue	556.2	496.4	2,190.8	2,196.7
Cost of goods sold	(348.5)	(299.1)	(1,335.4)	(1,251.1)
Gross Operating Profit	**207.7**	**197.3**	**855.4**	**945.6**
Operating Income (Expenses), Net	**(179.0)**	**(155.9)**	**(719.8)**	**(631.4)**
Selling	(163.2)	(139.9)	(627.8)	(534.0)
General and Administrative	(34.2)	(25.5)	(118.8)	(90.2)
Other Operating Income (Expenses), Net	18.4	9.5	26.8	(7.2)
Operating Profit before Financial Income	**28.7**	**41.4**	**135.6**	**314.2**
Financial Result	**(12.2)**	**(37.9)**	**(159.2)**	**(109.6)**
Financial Revenues	7.6	3.2	37.5	18.2
Financial Expenses	(24.9)	(31.5)	(196.0)	(122.4)
Net exchange rate change	5.0	(9.6)	(0.6)	(5.4)
Income (loss) before income taxes	**16.5**	**3.5**	**(23.6)**	**204.6**
Income Tax and Social Contribution	(2.2)	5.7	(11.5)	(51.5)
Net income (loss) for the Period	**14.3**	**9.1**	**(35.1)**	**153.1**

Cash Flow

R$ Million	4Q23	4Q22	2022	9M22
Net cash from operating activities	**59.8**	**4.6**	**186.3**	**227.0**
Cash from operations	55.0	24.0	263.0	346.7
Changes in assets and liabilities	41.5	3.9	75.1	18.4
Interest paid and income taxes paid	(36.7)	(23.4)	(151.8)	(138.1)
Net cash used in investment activities	**(60.2)**	**(38.6)**	**(332.9)**	**(206.0)**
Acquisition of property, plant and equipment	(44.7)	(77.0)	(273.2)	(179.6)
Acquisition of intangible assets	(15.5)	(7.4)	(56.7)	(23.0)
	-	45.8	-	(59.2)
	-	-	(3.0)	-
Receipt for the sale and reimbursement of fixed assets	-	-	-	55.8
Net cash provided by (used in) financing activities	**161.2**	**155.9**	**376.9**	**45.3**
Funding loans and financing	230.7	176.2	644.8	192.9
Payment of loans and financing	(28.6)	(13.8)	(148.9)	(74.8)
Dividends paid	-	(0.0)	(29.6)	(46.9)
Lease Amortization	(40.9)	(6.4)	(89.4)	(25.9)
Increase/(Decrease) in Cash for the period/year	**160.8**	**121.9**	**230.3**	**66.4**
Opening Balance	**325.7**	**134.1**	**256.1**	**189.7**
Closing Balance	**486.5**	**256.0**	**486.5**	**256.0**

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

PBG S.A and subsidiaries
Balance sheet
At December 31, 2023 and 2022
In thousands of Brazilian reais, unless otherwise stated

		Parent company		Consolidated	
Assets	Note	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Current assets					
Cash and cash equivalents	6	376.366	176.995	486.472	256.088
Trade receivables	8	219.186	282.273	269.041	314.507
Inventories	9	374.170	377.211	489.041	455.038
Advances to suppliers		4.779	4.947	11.118	11.768
Taxes recoverable	10	24.757	35.786	31.798	37.533
Income tax and social contribution recoverable	14a	2.347	11.210	8.603	12.477
Other taxes recoverable	10	22.410	24.576	23.195	25.056
Prepaid expenses		4.334	5.526	17.488	13.811
Derivative financial instruments	7.1a	14.620	6.410	14.620	6.410
Dividends receivable	16	39.693	-	-	-
Other accounts receivable		10.956	6.501	12.177	7.943
Total current assets		1.068.861	895.649	1.331.755	1.103.098
Non-current assets					
Receivables from subsidiaries	38	89.002	161.765	-	-
Judicial deposits	11	7.090	106.509	7.098	106.704
guarantee deposits	12	19.887	19.365	19.887	19.365
Receivables from Eletrobras	13	-	12.821	-	12.821
Taxes recoverable	10	16.131	19.384	16.190	19.442
Deferred income tax and social contribution	14b	39.815	16.109	53.458	31.910
Legal assets	15	115.141	140.333	115.141	140.333
Actuarial assets	28	21.575	27.320	21.575	27.320
Restricted investments	5.3	10.297	9.291	10.297	9.291
Other accounts receivable		12.832	13.275	12.933	14.191
		331.770	526.172	256.579	381.377
Investments					
Interest in subsidiaries	16	483.683	116.590	-	-
Other investments	16	3.348	348	3.348	348
Property, plant and equipment	17	559.871	562.091	1.057.882	771.230
Intangible assets	18	41.045	31.047	83.769	42.377
Right-of-use assets	19a	37.296	35.445	562.675	187.727
		1.125.243	745.521	1.707.674	1.001.682
Total non-current assets		1.457.013	1.271.693	1.964.253	1.383.059
Total assets		2.525.874	2.167.342	3.296.008	2.486.157

		Parent company		Consolidated	
Liabilities	Note	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Current liabilities					
Suppliers	20	266.035	225.384	326.851	252.418
Supplier credit assignment	20a	132.859	126.393	132.859	126.393
Payables for property, plant and equipment	20b	15.123	26.390	89.372	82.021
Borrowings	21	463.636	165.903	463.636	165.903
Borrowings		338.807	77.973	338.807	77.973
Debentures		124.829	87.930	124.829	87.930
Installment payment of tax obligations	22	10.724	12.313	10.724	12.313
Taxes, fees and contributions	23	24.013	22.031	30.306	27.877
Income tax and social contribution payable	14a	-	-	202	3.021
Dividends payable	34	640	563	640	563
Advances from customers		22.022	14.200	116.696	84.500
Social and labor liabilities		55.992	51.074	76.578	64.557
Payables to subsidiaries and related parties	38	14.100	7.714	-	49.683
Provision for profit sharing		-	10.491	-	10.491
Lease liabilities	19b	21.112	16.299	40.276	26.361
Derivative financial instruments	7.2	1.894	-	1.894	-
Other payables	24	22.233	23.015	31.131	39.006
Total current liabilities		1.050.383	701.770	1.321.165	945.107
Non-current liabilities					
Trade payables	20	-	94.426	-	94.426
Payables for property, plant and equipment	20b	2.814	9.190	107.002	28.095
Borrowings	21	915.598	717.668	915.598	717.668
Borrowings		443.177	494.470	443.177	494.470
Debentures		472.421	223.198	472.421	223.198
Provision for civil, labor, social security and tax risks	25	43.228	75.073	79.971	88.369
Tax installment payment	22	-	10.217	-	10.217
Payables to subsidiaries and related parties	15b and c/38	103.204	66.700	56.330	56.330
Lease liabilities	19b	19.188	21.592	404.279	51.354
Deferred income tax and social contribution	14b	-	-	6.387	6.387
Other payables	24	5.525	3.490	19.287	20.960
Total non-current liabilities		1.089.557	998.356	1.588.854	1.073.806
Equity					
Capital	27.1	250.000	250.000	250.000	250.000
Profit reserves	27.3	191.785	225.696	191.785	225.696
Carrying value adjustments	27.4	(55.851)	(38.095)	(55.851)	(38.095)
Additional dividends	34	-	29.615	-	29.615
		385.934	467.216	385.934	467.216
Non-controlling interest		-	-	55	28
		385.934	467.216	385.989	467.244
Total liabilities and equity		2.525.874	2.167.342	3.296.008	2.486.157

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

In thousands of Brazilian reais, unless otherwise stated

		Parent company		Consolidated	
	Note	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net sales revenue	29	1.723.734	1.760.351	2.190.834	2.196.681
Cost of sales	30	(1.215.686)	(1.147.595)	(1.335.416)	(1.251.067)
Gross profit		508.048	612.756	855.418	945.614
Operating income (expenses), net					
Selling	30	(321.728)	(311.691)	(627.779)	(533.989)
General and administrative	30	(89.611)	(86.097)	(118.843)	(90.165)
Other operating income (expenses), net	31	26.226	6.287	26.821	(7.215)
Equity in the earnings of subsidiaries	16	(66.425)	37.185	-	-
		(451.538)	(354.316)	(719.801)	(631.369)
Operating profit before finance income (costs)		56.510	258.440	135.617	314.245
Finance income (costs)	32				
Finance income		30.137	14.281	37.456	18.155
Finance costs		(138.613)	(101.052)	(196.036)	(122.438)
Foreign exchange variations, net		(604)	(5.390)	(601)	(5.378)
		(109.080)	(92.161)	(159.181)	(109.661)
Profit (loss) before income tax and social contribution		(52.570)	166.279	(23.564)	204.584
Income tax and social contribution	14c				
Current		12.352	(5.839)	(14.469)	(48.902)
Deferred		5.088	(7.342)	2.930	(2.577)
		17.440	(13.181)	(11.539)	(51.479)
Profit (loss) for the year		(35.130)	153.098	(35.103)	153.105
Profit (loss) attributable to					
Owners of the Company		(35.130)	153.098	(35.130)	153.098
Non-controlling interest		-	-	27	7
Amount per thousand shares outstanding in the year				140.987	140.987
Basic and diluted earnings (loss) for the year per share	33			(0,24917)	1,08590

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

In thousands of Brazilian reais, unless otherwise stated

		Parent company		Consolidated	
	Note	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Profit (loss) for the year		(35.130)	153.098	(35.103)	153.105
Other components of comprehensive income		(16.537)	4.386	(16.537)	4.386
Actuarial gain / (loss)	27 and 28	(11.337)	7.364	(11.337)	7.364
Deferred income tax and social contribution on actuarial gain (loss)		3.854	(2.504)	3.854	(2.504)
Foreign exchange variations of subsidiaries located abroad	16	(14.475)	(3.071)	(14.475)	(3.071)
Hedge accounting transactions	7	8.212	3.935	8.212	3.935
Deferred income tax and social contribution on hedge accounting	7	(2.791)	(1.338)	(2.791)	(1.338)
Total comprehensive income (loss) for the year		(51.667)	157.484	(51.640)	157.491
Comprehensive income (loss) for the year attributable to					
Owners of the Company		(51.667)	157.484	(51.667)	157.484
Non-controlling interest		-	-	27	7

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

PBG S.A and subsidiaries
Statements of changes in equity
Years ended December 31, 2023 and 2022
In thousands of Brazilian reais, unless otherwise stated

				Profit reserves					Carrying value adjustments						
Parent Company and Consolidated	Note	Capital	Treasury shares	Legal reserve	Profit retention reserve	Unallocated profits reserve	Tax incentive reserve	Additional dividends proposed	Deemed cost	Cumulative translation adjustment	Other comprehensive income	Accumulated deficit	Total equity - Parent company	Non-controlling interest	Total equity - Consolidated
At December 31, 2021		250.000	(91.351)	43.016	92.174	35.633	65.785	3.489	31.139	(66.490)	(7.259)	-	356.136	21	356.157
Cancellation of treasury shares - 2nd Repurchase program 2021	27.1/27.2	-	91.351	-	(91.351)	-	-	-	-	-	-	-	-	-	-
Additional dividends distributed	34	-	-	-	-	-	-	(3.489)	-	-	-	-	(3.489)	-	(3.489)
Realization of the revaluation reserve	27.4	-	-	-	-	-	-	-	129	-	-	(129)	-	-	-
Actuarial gain / (loss)	27.4	-	-	-	-	-	-	-	-	-	7.364	-	7.364	-	7.364
Deferred income tax and social contribution on actuarial gain (loss	27.4	-	-	-	-	-	-	-	-	-	(2.504)	-	(2.504)	-	(2.504)
Hedge accounting transactions	27.4	-	-	-	-	-	-	-	-	-	3.935	-	3.935	-	3.935
Deferred income tax and social contribution on hedge accounting	27.4	-	-	-	-	-	-	-	-	-	(1.338)	-	(1.338)	-	(1.338)
Foreign exchange variation of subsidiary located abroad	16	-	-	-	-	-	-	-	-	(3.071)	-	-	(3.071)	-	(3.071)
Profit for the year		-	-	-	-	-	-	-	-	-	-	153.098	153.098	7	153.105
Dividends for the year		-	-	-	-	-	-	-	-	-	-	(43.442)	(43.442)	-	(43.442)
Legal reserve (5%)	27.3	-	-	6.984	-	-	-	-	-	-	-	(6.984)	-	-	-
Tax incentive reserve	27.3	-	-	-	-	-	37.409	-	-	-	-	(37.409)	-	-	-
Proposal for allocation of additional dividends	34	-	-	-	-	-	-	29.615	-	-	-	(29.615)	-	-	-
Reversal of expired dividends		-	-	-	527	-	-	-	-	-	-	-	527	-	527
Recognition of unallocated earnings reserve	27.3	-	-	-	35.519	-	-	-	-	-	-	(35.519)	-	-	-
At December 31, 2022		250.000	-	50.000	36.869	35.633	103.194	29.615	31.268	(69.561)	198	-	467.216	28	467.244
Additional dividends distributed	34	-	-	-	-	-	-	(29.615)	-	-	-	-	(29.615)	-	(29.615)
Realization of the revaluation reserve	27.4	-	-	-	-	-	-	-	(1.219)	-	-	1.219	-	-	-
Actuarial gain / (loss)	27.4	-	-	-	-	-	-	-	-	-	(11.337)	-	(11.337)	-	(11.337)
Deferred income tax and social contribution on actuarial gain (loss	27.4	-	-	-	-	-	-	-	-	-	3.854	-	3.854	-	3.854
Hedge accounting transactions	27.4	-	-	-	-	-	-	-	-	-	8.212	-	8.212	-	8.212
Deferred income tax and social contribution on hedge accounting	27.4	-	-	-	-	-	-	-	-	-	(2.791)	-	(2.791)	-	(2.791)
Foreign exchange variation of subsidiary located abroad	16	-	-	-	-	-	-	-	-	(14.475)	-	-	(14.475)	-	(14.475)
Loss for the year		-	-	-	-	-	-	-	-	-	-	(35.130)	(35.130)	27	(35.103)
Tax incentive reserve	27.3	-	-	-	(20.705)	-	20.705	-	-	-	-	-	-	-	-
At December 31, 2023		250.000	-	50.000	16.164	35.633	123.899	-	30.049	(84.036)	(1.864)	(33.911)	385.934	55	385.989

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

PBG S.A and subsidiaries
Statements of cash flows
Years ended December 31, 2023 and 2022
In thousands of Brazilian reais, unless otherwise stated

	Note	Parent company December 31, 2023	Parent company December 31, 2022	Consolidated December 31, 2023	Consolidated December 31, 2022
Net cash from operating activities		100.309	109.215	186.333	227.015
Cash from operations		180.037	268.532	262.966	346.739
Profit or loss for the year before taxes		(52.570)	166.279	(23.564)	204.584
Depreciation and amortization		78.742	61.113	138.120	91.969
Equity in the earnings of subsidiary	16	66.425	(37.185)	-	-
Unrealized foreign exchange variations of borrowings and investments		1.589	(2.980)	(12.886)	(2.980)
Provision for valuation of inventories at market value	9	(104)	4.707	(836)	8.842
Provision for impairment of trade receivables	8	94	(1.192)	1.128	(1.617)
Provision for civil, labor, social security and tax risks	25	(21.085)	9.879	2.507	11.934
Provision for profit sharing		1.651	(13.759)	343	(13.759)
Provision for guarantees		1.770	-	1.770	-
Provision for long-term incentive		2.035	2.476	2.035	2.476
Monetary adjustment of legal assets, guarantee deposits and judicial deposits	11/12/15	(5.356)	(8.301)	(5.356)	(8.301)
Provision for interest on loans and debentures	21	104.090	83.876	104.090	83.876
Interest and exchange rate changes on leases	19	5.938	989	21.898	2.886
Lease terminations	19	39	1.560	2.304	1.560
Actuarial assets	28	(5.745)	(1.279)	(5.745)	(1.279)
Adjustment to present value (APV) - Prodec	21	(382)	1.857	(382)	1.857
Derivative financial instruments - Swap		2.675	-	2.675	-
Disposals and exchange rate variation of property, plant and equipment and intangible assets	17/18	231	492	34.865	(35.309)
Changes in assets and liabilities		39.178	(63.295)	75.118	18.361
Trade receivables		62.993	15.114	44.338	62.734
Inventories		3.145	(148.810)	(33.167)	(178.516)
Judicial deposits and long-term suppliers		(10)	(11.762)	130	(11.907)
Advances to suppliers		168	5.406	650	856
Taxes recoverable		31.187	(3.345)	29.097	(5.984)
Restricted investments		(1.006)	4.388	(1.006)	4.388
Legal assets and guarantee deposits		1.100	74.670	1.100	93.456
Receivables from Eletrobras	13	12.821	-	12.821	-
Other assets		(11.030)	(5.663)	(14.863)	(9.358)
Trade payables		47.117	60.429	80.899	61.597
Advances from customers		7.822	(9.244)	32.196	14.936
Tax installment payment		(11.806)	(10.539)	(11.806)	(10.539)
Taxes, fees and contributions		1.982	478	2.429	3.672
Social and labor liabilities		4.916	1.294	12.019	5.566
Provision for civil, labor, social security and tax risks		(4.970)	(8.827)	(5.068)	(9.094)
Derivative financial instruments - Swap		(781)	150	(781)	150
Payables to subsidiaries and related parties		(89.776)	(32.607)	(49.683)	(6.086)
Other payables		(14.694)	5.573	(24.187)	2.490
Other		(118.906)	(96.022)	(151.751)	(138.085)
Interest paid on loans and debentures	21	(118.906)	(79.661)	(118.906)	(79.661)
Income tax and social contribution paid		-	(16.361)	(32.845)	(58.424)
Net cash provided by (used in) investing activities		(342.426)	(119.178)	(332.831)	(205.972)
Acquisition of property, plant and equipment	17	(65.608)	(85.257)	(273.150)	(179.582)
Acquisition of intangible assets	18	(19.376)	(15.592)	(56.681)	(22.989)
Acquisition of lease assets	19	-	-	-	(59.165)
Acquisition of other investments	16	(3.000)	-	(3.000)	-
Receivables for sale and reimbursement of property, plant and equipment	17	-	-	-	55.764
Dividends received		-	50.237	-	-
Advance for future capital increase	16	(254.442)	(68.566)	-	-
Net cash used in financing activities		441.488	61.442	376.882	45.327
Proceeds from borrowings and debentures	21	644.822	192.903	644.822	192.903
Payments of borrowings	21	(148.890)	(74.816)	(148.890)	(74.816)
Dividends paid	34	(29.615)	(46.810)	(29.615)	(46.884)
Lease payment	19	(24.829)	(9.835)	(89.435)	(25.876)
Increase in cash and cash equivalents		199.371	51.479	230.384	66.370
Opening balance of cash and cash equivalents	6	176.995	125.516	256.088	189.718
Closing balance of cash and cash equivalents	6	376.366	176.995	486.472	256.088

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

PBG S.A and subsidiaries
Statements of value added
Years ended December 31, 2023 and 2022
In thousands of Brazilian reais, unless otherwise stated

	Note	Parent company December 31, 2023	Parent company December 31, 2022	Consolidated December 31, 2023	Consolidated December 31, 2022
Revenues		2.173.364	2.205.170	2.718.982	2.701.826
Sale of goods, products and services		2.151.488	2.177.049	2.709.212	2.664.436
Other revenues		21.788	26.929	11.002	35.773
Reversal of (allowance for) impairment of trade receivables		88	1.192	(1.232)	1.617
Inputs acquired from third parties		(1.108.353)	(1.070.415)	(1.332.415)	(1.252.107)
Costs of products, goods and services sold		(881.647)	(816.407)	(963.095)	(895.520)
Materials, energy, third-party services and other		(236.946)	(262.887)	(378.274)	(365.326)
Impairment/recovery of assets		10.240	8.879	8.954	8.739
Gross value added		1.065.011	1.134.755	1.386.567	1.449.719
Retentions		(78.742)	(61.113)	(138.120)	(91.969)
Depreciation and amortization	17b ,18b and 19	(78.742)	(61.113)	(138.120)	(91.969)
Net value added produced		986.269	1.073.642	1.248.447	1.357.750
Value added received in transfer		(20.257)	60.570	57.348	27.430
Equity in the earnings of subsidiaries	16	(66.425)	37.185	-	-
Finance income		46.168	23.385	53.614	27.430
Other (dividends, rentals, royalties)		-	-	3.734	-
Total value added to distribute		966.012	1.134.212	1.305.795	1.385.180
Distribution of value added		966.012	1.134.212	1.305.795	1.385.180
Personnel		338.910	344.060	511.692	459.904
Direct compensation		277.000	287.562	432.140	392.680
Benefits		40.809	36.134	51.392	42.178
Government Severance Indemnity Fund for Employees (FGTS)		21.101	20.364	28.160	25.046
Taxes, fees and contributions		473.149	495.244	598.738	605.337
Federal		185.190	213.128	294.001	313.131
State		287.278	281.237	303.930	291.064
Municipal		681	879	807	1.142
Remuneration of third-party capital		189.083	141.810	230.468	166.834
Interest		155.050	115.524	193.129	135.791
Rentals		34.033	26.286	37.339	31.043
Remuneration of own capital		(35.130)	153.098	(35.103)	153.105
Retained earnings (losses)		(35.130)	153.098	(35.130)	153.098
Non-controlling interest in retained earnings		-	-	27	7

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

1. General information

PBG S.A., hereinafter referred to as “Company” or “Parent Company”, is a publicly-held company and its shares are traded on the Novo Mercado segment of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), under ticker symbol PTBL3. The Company is controlled by a group of stockholders, formalized in the agreement entered into on April 15, 2011, and amended on August 5, 2021, which holds 61.18% of the Company’s shares at December 31, 2023. The remaining share balance of 38.82% refers to outstanding shares (free float).

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

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, franchiser that manages a network of 133 franchises of Portobello Shop stores specialized in porcelain tiles and ceramic coatings; (ii) PBTech, which manages 25 Portobello Shop owned stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which, as of the 2nd quarter of 2018, operates the special cuts factory, manufacturing products with the Officina Portobello brand; and (v) Portobello America, which has two distribution centers where it distributes Portobello products in the US market and began its own production in July 2023, after the completion of the plant in the USA through its subsidiary Portobello America Manufacturing LLC. This represents an advance in the Company’s internationalization strategy and in its consolidation in the US market. In this first stage, the new industrial facility will have an annual production capacity of up to 3.6 million square meters, with a built-up area of 90 thousand square meters, designed with cutting-edge technology and counting on state-of-the-art machinery and processes, in the region that is currently considered as the US industrial hub for ceramic coatings.

1.1 Consumption tax reform

At December 20, 2023, Constitutional Amendment ("EC") 132 was enacted, establishing the Tax Reform ("Reform") on consumption. Several issues, including the rates of the new taxes, are still pending regulation by Complementary Laws (CLs), which must be sent to the National Congress for evaluation within 180 days.

The Reform model is based on a split VAT ("double VAT") with two competences, one federal (contribution on goods and services - CBS) and one sub-national (tax on goods and services - IBS), which will replace the PIS, COFINS, ICMS and ISS taxes.

A Selective Tax ("IS") has also been created, a federal tax that would be imposed on the production, extraction, marketing or importation of goods and services harmful to health and the environment under the terms of the CL.

There will be a transition period from 2024 to 2032, in which the two tax systems - old and new - will coexist. The impacts of the Reform on the calculation of the taxes mentioned above, from the start of the transition period, will only be fully known when the process of regulating the issues pending by CL is finalized. Consequently, there is no effect of the Reform on the financial statements at December 31, 2023.

2. Presentation of financial statements

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee (CPC), and are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (currently referred to as "IFRS® Accounting Standards"), including the interpretations issued by the IFRS Interpretations Committee (IFRIC® Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC® Interpretations), 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 individual financial statements are prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements, interpretations, and guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC) and not considered in compliance with International Financial Reporting Standards (IFRS), as they include the capitalization of interest on qualifying assets of subsidiaries in the parent company's financial information.

The parent company financial statements are disclosed together with the consolidated financial statements.

The material accounting policies applied in the preparation of these financial statements are summarized in Note 3.

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

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

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The statement of value added was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". IFRS does not require the presentation of this statement. Therefore, under IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements. The issue of the parent company and consolidated financial statements was authorized by the Board of Directors on March 12, 2024.

3. Material accounting policies

The material accounting policies applied in the preparation of these parent company and consolidated financial statements are as follows. These policies have been consistently applied to all years presented, unless otherwise stated.

All amounts in thousands of reais, unless otherwise stated.

3.1 Consolidations

3.1.1 Consolidated financial statements

a) Subsidiaries

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

The Company's ownership interest in subsidiaries at December 31, 2023 is as follows:

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

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

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

b) Transactions and non-controlling interests

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

3.1.2 Parent Company financial statements

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

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

3.2 Segment reporting

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

3.3 Functional currency and foreign currency translation

a) Transactions and balances

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

b) Foreign subsidiaries

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

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 and liabilities that will be realized in the short and long 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 at amortized cost using the effective interest rate method. Interest income, monetary adjustment and foreign exchange variation, less impairment losses, as applicable, are recognized in the statement of operations for the year as finance income or costs, when incurred.

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

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

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

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

(iv) Derecognition of financial assets

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

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

(v) Reduction of the recoverable value of financial assets

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

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

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 statement of operations when the liabilities are derecognized, as well as during the amortization process using the effective interest rate method.

(iii) Derecognition of financial liabilities

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

(iv) Financial instruments – net presentation

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

(v) Derivative financial instruments

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

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

(vi) Cash flow hedge

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

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

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

3.6 Inventories

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

3.7 Taxes recoverable

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

3.8 Prepaid expenses

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

3.9 Judicial deposits

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

3.10 Guarantee deposits

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

3.11 Receivables from Eletrobrás

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

3.12 Legal assets

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

3.13 Investments

Investments in subsidiaries are accounted for under the equity method, recognized in income for the year as operating income or expenses, depending on the results obtained. In the case of the exchange variation of the investment in the subsidiary Portobello América Inc., the variations in the value of the investment arising exclusively from the balance sheet translation adjustment and the result for the period due to the exchange difference, are recorded in the account "Carrying value adjustment", in the Company's equity, and are only recorded in the result for the year when the investment is sold or written off as a loss.

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

3.14 Property, plant and equipment

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

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

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

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

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

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

3.15 Intangible assets

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 and expenses on new product development projects. They are presented at the cost incurred in the acquisition or formation and, subsequently, deducted from the accumulated amortization or depletion and losses in the recoverable value, when applicable. They are stated at acquisition cost, combined with the annual amortization or depletion rates, mentioned in Note 18, calculated by the straight-line method, taking into account the useful life defined for the asset.

Internally generated intangible assets resulting from new product development expenses are recognized if, and only if, the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it can be made available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- Evidence that the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development of the intangible asset and to use or sell it; and
- The ability to reliably measure the costs attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets corresponds to the amount of expenditure incurred since the intangible asset began to meet the above recognition criteria. Where an internally generated intangible asset cannot be recognized, development costs are recognized in the statement of operations as incurred. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses, as are separately acquired intangible assets. Amortization commences on completion of projects when the Company obtains, or is able to obtain, the economic benefits arising from their use and/or commercialization.

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

3.16 Leases (CPC 06 (IFRS 16))

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

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

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

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of lease payments as follows:

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

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

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

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

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

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

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

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

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

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

3.18 Suppliers

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

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

3.19 Supplier credit assignment– confirming

The Company carries out supplier credit assignment transactions with financial institutions in order to provide its supplier partners with advance payment of amounts due in order to maintain commercial relationships. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction. In this type of transaction, the Company accepts the change of creditor without changing the previously agreed payment terms and conditions.

3.20 Borrowings and debentures

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

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

3.21 Advances from customers

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

3.22 Provisions for tax, labor and civil risks

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

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

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

3.23 Current and deferred income tax and social contribution

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

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

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

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

The Company reviewed the treatments given to income taxes in order to determine the impact on the parent company and consolidated financial statements, as determined by IFRIC 23/ICPC 22-Uncertainty over Income Tax Treatments. The Company considered the main income tax and social contribution calculation treatments and applied the interpretation of this standard.

3.25 Employee benefits

a) Private pension plan

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

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

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

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

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

b) Profit-sharing plan

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

3.26 Share capital

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

3.27 Distribution of dividends and interest on capital

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

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

3.28 Revenue recognition

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

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

a) Product sales - wholesale

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

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

b) Income from franchisees

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

c) Revenue from goods and services – Officina Portobello

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

d) Interest income

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

3.29 Finance costs

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

3.30 Tax incentives

Tax incentives refer to tax benefits that are recognized in the statement of operations in the period in which they are enjoyed, in a systematic manner, in relation to the expense whose benefit is intended to offset. Tax incentives related to sales taxes of the current year are recognized in the Company's net revenue in the statement of operations for the year. The Company has ICMS tax incentives, the main benefit being Prodesin at the Alagoas plant.

3.31 Provision for warranty claims

The Company recognizes a provision for estimated warranty claims related to products sold that are still under warranty at year end. These claims are expected to be settled in the short term. The Company generally offers a 1-year warranty for its products sold. Management estimates the provision related to future warranty claims based on historical warranty claim information as well as recent trends that may suggest that past cost information may differ from future claims. The assumptions made for the current period are consistent with those of the prior year.

4. Critical accounting estimates and judgments

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

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

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

b) Provisions for inventory losses

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

c) Deferred income tax and social contribution

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

d) Uncertain tax treatment and related contingencies

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

e) Private pension plan

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

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

f) Product sales - rebates

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

g) Provision for warranties

The Company records a warranty provision for its products based on historical data on warranty and technical assistance costs.

5. Financial risk management

5.1. Financial risk factors

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

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

Risk	Exposure	Methodology used to measure impact	Management
Market risk – Foreign exchange risk	Future commercial transactions	Cash flow forecasts	Hedging policy
	Financial assets and liabilities in foreign currency	Sensitivity analysis	Foreign exchange swaps
Market risk - interest rate	Short-term and long-term floating rate borrowings	Sensitivity analysis	Credit market monitoring with strategic renegotiation rounds
Credit risk	Cash and cash equivalents, trade receivables.	Maturity analysis Credit evaluation	Diversification of financial institutions and internal credit analysis
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Tracking of the Company's liquidity and monitoring of ratings/available credit limits

a) Market risk

I) Foreign exchange risk

The Company operates globally and is exposed to the foreign exchange risk arising from exposures of some currencies, mainly in relation to the U.S. Dollar, Euro and Yuan. The foreign exchange risk arises from future commercial transactions and recognized assets and liabilities and net investments in operations abroad.

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

	In thousands of Brazilian reais			
	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Trade receivables	81,462	80,718	112,431	104,616
Checking account	6	36	8,665	14,539
Receivables from subsidiaries	80,433	150,220	-	-
Exposed assets	161,901	230,974	121,096	119,155
Suppliers	(674)	(5,059)	(38,152)	(18,098)
Suppliers of property, plant and equipment and intangible assets	(10,918)	(19,511)	(186,417)	(93,416)
Borrowings and financing	(180,415)	(93,484)	(180,415)	(93,484)
(-) Swap transactions	97,591	-	97,591	-
Exposed liabilities	(94,416)	(118,054)	(307,393)	(204,998)
Net exposure	67,485	112,920	(186,297)	(85,843)

The foreign exchange exposure is divided into:

1. Euro:

	In thousands of Euros			
	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Trade receivables	605	241	605	241
Suppliers	(511)	(391)	(511)	(391)
Suppliers of property, plant and equipment and intangible assets	(2,040)	(3,503)	(8,433)	(17,667)
	(1,946)	(3,653)	(8,339)	(17,817)

2. U.S. Dollar:

	In thousands of U.S. Dollars			
	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Trade receivables	15,756	15,213	22,153	19,793
Checking account	1	7	1,790	2,786
Receivables from subsidiaries	16,614	28,790	-	-
Suppliers	456	(552)	(7,286)	(3,051)
Suppliers of property, plant and equipment and intangible assets	-	-	(29,184)	-
Borrowings and financing	(37,266)	(17,917)	(37,266)	(17,917)
(-) Swap transactions	20,158	-	20,158	-
	15,719	25,541	(29,634)	1,611

3. Yuan:

	In thousands of Yuans			
	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Trade receivables	2,851	-	2,851	-
Suppliers	(214)	-	(214)	-
	2,637	-	2,637	-

The Company has a policy of maintaining foreign exchange exposure losses at an amount equivalent to one year of its exports.

ii) Cash flow or fair value risk associated to the interest rate

The interest rate risk arises from long-term borrowings obtained at floating rates that expose the Company and its subsidiaries to the interest rate and cash flow risks, as described in Note 21. Borrowings that bear fixed interest expose the entities to the fair value risk associated with interest rate.

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

Financial investments are made in CDBs with a small portion in investment funds, as stated in Note 6.

Sensitivity analysis

At December 31, 2023, if the CDI and TJLP interest rates on the borrowings held in reais increased by approximately 0.25%, with all other variables held constant, the profit for the year would present a variation of R$ 2,743 and R$ 377 respectively (R$ 1,265 and R$ 362 in 2022), mainly due to higher interest expenses on the variable rate borrowings.

At December 31, 2023, if the U.S. Secured Overnight Financing Rate (SOFR) interest rates on the borrowings held in foreign currencies on that date increased by approximately 0.5%, with all other variables held constant, the profit for the year would present a variation of R$118, mainly due to higher interest expense on variable rate borrowings.

	Impact on profit for the year	
Index	December 31, 2023	December 31, 2022
CDI increase 0.25% (0.22% in 2022)	(2,743)	(1,265)
TJLP increase 0.25% (0.22% in 2022)	(377)	(362)
SOFR increase- 0,5%	(118)	-

All amounts in thousands of reais, unless otherwise stated.

b) Credit risk

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

c) Liquidity risk

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

To manage cash liquidity both in domestic and foreign currencies, future disbursement and cash inflow assumptions are established and monitored on a daily basis by the Treasury Area and the finance vice-president. The Company has been taking care to manage cash in accordance with its investment and funding policies.

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

	Parent company				
	December 31, 2023				
	Borrowings and debentures	Lease liabilities	Trade payables, credit assignment and payables for property, plant and equipment	Installment payment of tax obligations	Total
Less than 1 year	463,636	18,842	406,810	10,724	900,012
From 1 to 2 years	301,472	16,849	10,021	-	328,342
From 2 to 5 years	581,312	4,609	-	-	585,921
Over 5 years	32,814	-	-	-	32,814
	1,379,234	40,300	416,831	10,724	1,847,089

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

All amounts in thousands of reais, unless otherwise stated.

	Consolidated				
	December 31, 2023				
	Borrowings and debentures	Lease liabilities	Trade payables, credit assignment and payables for property, plant and equipment	Installment payment of tax obligations	Total
Less than 1 year	463,636	40,276	543,726	10,724	1,053,483
From 1 to 2 years	301,472	35,261	44,345	-	381,078
From 2 to 5 years	581,312	47,593	68,013	-	696,918
Over 5 years	32,814	321,425	-	-	359,118
	1,379,234	444,555	656,084	10,724	2,490,597

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

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

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

This study is based on the likely scenario of a decrease in the CDI rate to 10.73% per year, based on the future interest curve by B3 S.A. - Brasil, Bolsa e Balcão and Selic to 10.73% per year. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively. The scenarios below were estimated for a one-year period:

	Consolidated in Reais							
	December 31, 2023	Risk	Probable Rate		Possible (25%)*		Remote (50%)*	
			%	R$	%	R$	%	R$
Borrowings and financing	(1,076,719)	CDI increase	10.73%	(115,532)	13.41%	(144,415)	16.10%	(173,298)
Debentures	(232,629)	CDI increase	10.73%	(24,961)	13.41%	(31,201)	16.10%	(37,442)
Installment payment of tax obligations	(10,724)	Selic increase	10.73%	(1,151)	13.41%	(1,438)	16.10%	(1,726)
	(1,320,072)			(141,644)		(177,055)		(212,466)

* Selic and CDI rates obtained from the B3 (Brasil, Bolsa e Balcão) website on January 18, 2024.

All amounts in thousands of reais, unless otherwise stated.

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to a foreign currency in the balance sheet as at December 31, 2023, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of these financial statements. The probable rate in U.S. dollar is R$ 4.98 and in Euro is R$ 5.43. The probable rate was then stressed by 25%, 50%, -25% and -50%, used as benchmark for the possible and remote scenarios, respectively.

Accordingly, the table below simulates the effects of foreign exchange differences on future profit or loss in U.S. dollars and Euros, which are more representative:

	Consolidated						
	December 31, 2023		Probable scenario	Currency appreciation		Currency depreciation	
	(Payable) Receivable			Possible +25%	Remote +50%	Possible -25%	Remote -50%
	U.S. Dollar	Reais	4.9816	6.2270	7.4724	3.7362	2.4908
Trade receivables	22,153	107,248	3,108	30,697	58,286	(24,481)	(52,070)
Checking account	1,790	8,664	253	2,482	4,712	(1,976)	(4,205)
Suppliers	(7,286)	(35,272)	(1,022)	(10,096)	(19,169)	8,051	17,125
Borrowings and financing	(37,266)	(180,415)	(5,228)	(51,639)	(98,050)	41,182	87,593
(-) Swap contracts	20,158	97,591	2,828	27,933	53,038	(22,277)	(47,381)
Suppliers of property, plant and equipment and intangible assets	(29,184)	(141,286)	(4,094)	(40,440)	(76,785)	32,251	68,596
Net exposure	(29,634)	(143,470)	(4,156)	(41,062)	(77,968)	32,751	69,658
	Euro	Reais	5.4349	6.7936	8.1524	4.0762	2.7175
Trade receivables	605	3,240	50	873	1,696	(772)	(1,595)
Suppliers	(511)	(2,734)	(43)	(737)	(1,431)	652	1,346
Suppliers of property, plant and equipment and intangible assets	(8,433)	(45,131)	(702)	(12,160)	(23,619)	10,756	22,214
Net exposure	(8,339)	(44,625)	(695)	(12,024)	(23,354)	10,637	21,965

*Possible and remote scenarios calculated based on the probable future rate of the Euro and the U.S. Dollar for 90 days, obtained from the B3 (Brasil, Bolsa e Balcão) website on January 18, 2024.

Furthermore, the Company has financial instruments to protect revenue from exports and borrowings, according to Note 7.

5.2 Capital management

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

Capital is monitored based on the gearing ratio. Net debt is calculated as total borrowings, financing and debentures, lease liability with purchase option less cash and cash equivalents.

All amounts in thousands of reais, unless otherwise stated.

At December 31, 2023 and 2022, the gearing ratios are summarized as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Gross Banking Debt	1,381,635	886,570	1,381,635	886,570
Cash and cash equivalents	(376,366)	(176,995)	(486,472)	(256,088)
Net indebtedness	1,005,269	709,575	895,163	630,482
Net debt/ EBITDA*			3.27	1.55
Gearing ratio (%)			70	57

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

5.3 Financial instruments by category

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Assets measured at fair value through profit or loss and other comprehensive income				
Hedge accounting derivatives	14,620	6,410	14,620	6,410
Amortized cost				
Cash and cash equivalents	376,366	176,995	486,472	256,088
Trade receivables	219,186	282,273	269,041	314,507
Receivables from subsidiaries	89,002	161,765	-	-
Judicial deposits	7,090	106,509	7,098	106,704
Guarantee deposits	19,887	19,365	19,887	19,365
Restricted investments	10,297	9,291	10,297	9,291
	736,448	762,608	807,415	712,365
Liabilities at fair value through profit or loss				
Derivatives - swaps	1,894	-	1,894	-
Amortized cost				
Trade payables, credit assignment and payables for property, plant and equipment	416,831	481,783	656,084	583,353
Borrowings, financing and debentures	1,379,234	883,571	1,379,234	883,571
Dividends payable	640	563	640	563
Lease liabilities	40,300	37,891	444,555	77,715
Payables to related parties	117,304	74,414	56,330	106,013
	1,956,203	1,478,222	2,538,737	1,651,215

The Company's financial investment is linked to a long-term investment fund and is pegged to a reciprocity clause in the loan agreement with Banco do Nordeste in the amount of R$ 10,297 at December 31, 2023 (R$ 9,291 at December 31, 2022), and is therefore classified as a non-current asset.

All amounts in thousands of reais, unless otherwise stated.

6. Cash and cash equivalents

Short-term investments designated as cash equivalents are mostly CDB investments, remunerated based on the Interbank Deposit Certificate (CDI) variation. They have immediate liquidity and can be redeemed at any time without penalties.

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Checking accounts	8,189	60,118	21,906	81,710
Local currency	8,183	60,082	18,034	67,685
Foreign currency	6	36	3,872	14,025
Financial investments	368,177	116,877	464,566	174,378
Local currency	368,177	116,877	459,773	173,864
Foreign currency	-	-	4,793	514
	376,366	176,995	486,472	256,088

7. Derivative financial instruments

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

7.1 Non Deliverable Foward (NDF)

The Company has NDF contracts with a total notional amount of US$ 63,970, under the following conditions:

a) Transactions to be settled/realized after December 31, 2023 with effect on current assets and equity:

Maturity	Quotation set (weighted average of agreements) R$/US$	Notional value (US$)	Fair value - MTM
01/31/2024	5.1331	4,286	1,126
02/29/2024	5.1486	4,751	1,250
03/31/2024	5.1583	5,242	1,338
04/30/2024	5.1710	4,895	1,217
05/31/2024	5.1773	5,307	1,272
06/30/2024	5.1871	5,801	1,349
07/31/2024	5.1993	5,705	1,283
08/31/2024	5.2073	6,181	1,336
09/30/2024	5.2201	6,797	1,449
10/31/2024	5.2230	4,687	933
11/30/2024	5.2375	4,985	998
12/31/2024	5.2512	5,333	1,069
Total		63,970	14,620

All amounts in thousands of reais, unless otherwise stated.

b) Transactions settled/realized up to December 31, 2023 with effects on profit or loss:

Maturity	Quotation set (weighted average of agreements) R$/US$	Notional value (US$)	Operating income		Finance income (costs)	
			December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
2022	5.9556	52,379	-	41,896	-	-
2023	5.3541	83,644	30,344	-	1,431	-

These contracts were classified as cash flow hedges and were entered into to hedge the operating margin as regards sales in U.S. Dollar, and are recorded under the hedge accounting methodology, according to the Company's hedging policy.

In December 2023, the unrealized gain (fair value - mark-to-market at the curve of the U.S. Dollar of B3) of R$ 14,620, without considering the effect of income tax and social contribution, recorded in other comprehensive income (equity) and in current assets, for contracts falling due on that date. This amount is shown in the statement of changes in equity and in the statement of comprehensive income.

The realized gain in 2023, in the amount of R$ 31,775, was recorded as operating income (R$ 30,344, Note 29) and finance income (R$ 1,431, Note 32) based on the hedge accounting methodology included in the Policy adopted by the Company.

7.2 Swaps

The Company contracted U.S. dollar operations under Export Prepayments (PPE), Export Credit Notes (NCE) and working capital, with partial hedging of swap transactions designed to protect the Company from future exposure to currency fluctuations. The maturities of the contracted operations are equivalent to those of the borrowings in dollars, whose contracted amounts in the closing position at December 31, 2023 are R$ 36,271, indexed at 95.5%, 97% and 100% of the CDI, with a market-to-market at the same date of R$ 1,894.

8. Trade receivables

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Receivables from third parties				
Domestic market	140,842	204,555	162,602	214,705
Foreign market	81,462	80,718	112,431	104,616
	222,304	285,273	275,033	319,321
Receivables from related parties				
Entities related to management	-	24	-	50
	-	24	-	50
Total trade receivables (current assets)	222,304	285,297	275,033	319,371
Impairment of trade receivables				
Provision for impairment of trade receivables (current assets)	(3,118)	(3,024)	(5,992)	(4,864)
Total trade receivables, net of provision for impairment of trade receivables	219,186	282,273	269,041	314,507

All amounts in thousands of reais, unless otherwise stated.

a) Aging list of trade receivables:

	Parent company					
	December 31, 2023	Estimated losses	Coverage %	December 31, 2022	Estimated losses	Coverage %
Not yet due	212,131	(709)	0.3%	275,669	(1,132)	0.4%
Past due up to 30 days	5,174	(114)	2.2%	4,537	(45)	1.0%
Past due from 31 to 60 days	1,131	(64)	5.7%	1,713	(86)	5.0%
Past due from 61 to 90 days	1,001	(109)	10.9%	677	(68)	10.0%
Past due from 91 to 120 days	579	(153)	26.4%	734	(184)	25.1%
Past due from 121 to 180 days	709	(390)	55.0%	916	(458)	50.0%
Past due from 181 to 360 days	1,579	(1,579)	100.0%	1,051	(1,051)	100.0%
	222,304	(3,118)		285,297	(3,024)	

	Consolidated					
	December 31, 2023	Estimated losses	Coverage %	December 31, 2022	Estimated losses	Coverage %
Not yet due	,	(1,596)	0.6%	296,191	(1,286)	0.4%
Past due up to 30 days	11,257	(156)	1.4%	11,523	(115)	1.0%
Past due from 31 to 60 days	4,182	(172)	4.1%	3,408	(170)	5.0%
Past due from 61 to 90 days	2,582	(222)	8.6%	2,744	(274)	10.0%
Past due from 91 to 120 days	2,995	(678)	22.6%	2,309	(577)	25.0%
Past due from 121 to 180 days	2,041	(758)	37.1%	1,509	(755)	50.0%
Past due from 181 to 360 days	3,160	(2,410)	76.3%	1,687	(1,687)	100.0%
	275,033	(5,992)		319,371	(4,864)	

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

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

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

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

	Parent company	Consolidated
Balance at December 31, 2021	(4,216)	(6,481)
Provision	(3,619)	(10,100)
Reversal of provision	2,682	9,587
Write-off due to effective loss	2,129	2,130
Balance at December 31, 2022	(3,024)	(4,864)
Provision	(5,148)	(8,622)
Reversal of provision	2,737	4,237
Write-off due to effective loss	2,317	3,257
Balance at December 31, 2023	(3,118)	(5,992)

All amounts in thousands of reais, unless otherwise stated.

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

At December 31, 2023, there are notes receivable pledged as collateral for borrowings, financing and debentures in the amount of R$ 126,046 (R$ 88,094 at December 31, 2022) and there are no amounts to guarantee the operations of third parties with franchisees (R$ 167 at December 31, 2022).

9. Inventories

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Finished products	317,836	321,573	422,648	401,824
Work in progress	11,116	11,116	17,197	11,330
Raw and consumable materials	56,744	57,440	67,373	59,130
Imports in transit	1,671	383	1,671	3,438
Provision for valuation of inventories at realizable value	(13,197)	(13,301)	(19,848)	(20,684)
	374,170	377,211	489,041	455,038

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

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

	Parent company	Consolidated
Balance at December 31, 2021	(8,594)	(11,842)
Recognition of provision	(11,804)	(19,185)
Reversal of provision due to sale or write-off	7,097	10,343
Balance at December 31, 2022	(13,301)	(20,684)
Recognition of provision	(6,165)	(18,513)
Reversal of provision due to sale or write-off	6,269	19,349
Balance at December 31, 2023	(13,197)	(19,848)

All amounts in thousands of reais, unless otherwise stated.

10. Taxes recoverable

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Current assets				
IRPJ/CSLL (a)	2,347	11,210	8,603	12,477
ICMS (b)	6,768	10,257	7,097	10,575
PIS/COFINS (c)	7,388	9,703	7,641	9,765
IRRF	4,296	932	4,306	933
IPI	2,338	2,798	2,479	2,865
Reintegra	1,610	880	1,610	880
Other taxes recoverable	10	6	62	38
	24,757	35,786	31,798	37,533
Non-current assets				
ICMS-ST (d)	9,982	9,982	10,041	9,982
ICMS - DIFAL (e)	4,186	9,103	4,186	9,103
ICMS (b)	1,963	299	1,963	357
	16,131	19,384	16,190	19,442

a) IRPJ and CSLL

At December 31, 2022, the main component of this line item is the amount of undue tax payments related to non-taxation of SELIC interest on IRPJ and CSLL bases. The Company obtained a favorable outcome on lawsuit No. 5027201-31.2018.4.04.7200, which had a final and unappealable decision rendered on June 30, 2023. Subsequently, it filed a request for approval of credit in the total amount of R$ 10,965 with the Brazilian Federal Revenue Service, which was offset in 2023.

At December 31, 2023, the balance is substantially due to the negative IRPJ and CSLL balance of 2022.

b) ICMS

The balance is substantially composed of ICMS DIFAL credits and ICMS credits on property, plant and equipment.

c) PIS and COFINS

This balance includes the amounts of PIS and COFINS on property, plant and equipment and PIS and COFINS credits arising from the Company's normal operations, which will be fully offset in the calculations for the following periods.

d) ICMS-ST

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

All amounts in thousands of reais, unless otherwise stated.

e) ICMS - DIFAL

The Company filed writs of mandamus against the collection of DIFAL in the states of Rio Grande do Sul (writ of mandamus No. 5015551-38.2021.8.21.0001, Minas Gerais (writ of mandamus No. 5012757-94.2021.8.13.0024) and Paraná (writ of mandamus No. 0001091-63.2021.8.16.0004), before the enactment of the complementary law. It obtained a favorable decision for the refund of the amounts paid upon a final and unappealable decision in September 2022. The amounts are R$ 1,980 (MG), R$ 1,820 (RS) and R$ 386 (PR). These amounts are already being refunded through offsets against the amounts calculated monthly by the Company.

11. Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see Notes 25 and 26) and are discussing these matters at administrative and judicial level, which are supported by judicial deposits, when applicable. These are recorded at the original amount adjusted by the rates relating to the benchmark interest rates applicable to savings accounts.

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Civil (a)	-	94,426	-	94,426
Other civil deposits	92	156	92	156
Labor	1,578	1,636	1,586	1,786
Tax	5,420	10,291	5,420	10,336
PIS/COFINS on finance income	-	5,525	-	5,570
Guarantee deposit - DIFAL PB, PR, AL, RS and MG (b)	2,553	1,966	2,553	1,966
Other tax deposits	2,868	2,800	2,867	2,800
	7,090	106,509	7,098	106,704

(a) The Company filed a lawsuit against the gas supply company due to the suspension of the monthly discount provided for in the contract. The court decision was favorable to the Company and the judge ordered that the discount amount be deposited in court. However, in January 2022, the court decision was revoked and the supplier was authorized to partially withdraw 50% (R$ 87,100) of the amounts deposited in court. The Company appealed to the Court of Justice, but was unsuccessful. In 2023, after a court decision, the gas supplier obtained the right to withdraw the complete balance deposited in court, with no balance remaining in December 2023.

(b) The Company filed writs of mandamus against the collection of DIFAL in the states of Bahia and the Federal District. The Company obtained a court order for the amounts related to 2021 and 2022 to be paid into court.

12. Guarantee deposits

In September 2020, the Company signed a “Term of Understanding and Settlement of Obligations” with Refinadora Catarinense S.A. (“Refinadora”), referring to the settlement of a debt of the Refinadora with the Company, in the amount of R$ 101,990. In this Term, the Parties agreed that Refinadora paid the transferred money, in the amount of R$ 89,517, for the tax foreclosure proceedings filed against PBG S.A. This amount was recorded in October 2020 in a guarantee deposits account, classified in non-current assets. This balance was updated over the years (R$1,622 in 2023 and R$4,331 in 2022).

All amounts in thousands of reais, unless otherwise stated.

In 2022, according to the court order that allowed the withdrawal, the Company presented guarantee insurances in the records of the tax foreclosures No. 0001185-67.2007.8.24.0072 and 0002437-66.2011.8.24.0072.

In January 2023, R$1,100 was withdrawn in favor of the Company, resulting in a deposited balance of R$19,887 at December 31, 2023 (R$19,365 in 2022), which is expected to be realized in 2025.

13. Receivables from Eletrobras

The Company filed a lawsuit against Centrais Elétricas Brasileira S.A. - Eletrobras in order to be reimbursed for the compulsory loan paid through electricity bills between 1977 and 1993, based on Law 4,156/1962, the amount calculated by the court accountant was R$12,977, updated to September 2020.

After the homologation decision and summons from Eletrobras for the payment of enforceable amount, Eletrobras made the judicial deposit of R$ 13,746 on January 17, 2023, of which R$ 12,668 was withdrawn by the Company and R$ 1,078 was withdrawn by the Law Firm in March 2023. No balance remains at December 31, 2023.

14. Income tax and social contribution

a) Income tax and social contribution recoverable and payable

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

	Current assets			
	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Income tax	2,345	8,331	7,329	9,286
Social contribution	2	2,879	1,274	3,191
	2,347	11,210	8,603	12,477

	Current liabilities			
	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Income tax	-	-	41	1,931
Social contribution	-	-	161	1,090
	-	-	202	3,021

All amounts in thousands of reais, unless otherwise stated.

b) Deferred income tax and social contribution

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Tax losses	76,204	23,647	87,634	35,078
Temporary differences - assets	30,338	64,254	32,550	68,623
Provision for civil, labor, social security and tax risks	8,066	18,205	8,362	18,665
Provision for success fees	6,632	7,320	6,655	7,588
Provision for expenses	1,906	2,924	1,929	4,466
Provision for Difal	3,208	3,863	3,208	3,863
Provision for commissions	4,101	3,449	4,101	3,449
Provision for adjustment to market value	1,957	2,526	1,957	2,526
Provision for impairment of trade receivables	2,213	2,181	2,374	2,591
Provision for profit sharing and long-term incentive	1,879	4,754	1,879	4,754
Cash basis foreign exchange variations	(4,406)	16,067	(4,406)	16,067
Other temporary differences - assets	4,782	2,965	6,491	4,654
Temporary differences - liabilities	(66,727)	(71,792)	(66,726)	(71,791)
Depreciation adjustment (to the useful lives of goods)	(29,184)	(27,177)	(29,183)	(27,176)
Realization of the revaluation reserve	(15,480)	(16,108)	(15,480)	(16,108)
Legal asset - IPI credit premium - Phase II	(10,093)	(9,452)	(10,093)	(9,452)
Portobello pension plan	(3,481)	(9,289)	(3,481)	(9,289)
Hedge accounting transactions	(4,971)	(2,180)	(4,971)	(2,180)
Legal asset - IPI credit premium - Phase I	(3,518)	(3,264)	(3,518)	(3,264)
Receivables from Eletrobrás	-	(4,359)	-	(4,359)
Adjustment to present value	-	37	-	37
Deferred income tax and social contribution - Asset (net)	39,815	16,109	53,458	31,910
Temporary differences - liabilities				
Legal Asset - Rural credit notes - PBTech	-	-	6,387	6,387
Deferred income tax and social contribution - Liabilities (net)	-	-	6,387	6,387
Non-current assets	106,542	87,900	120,185	103,701
Non-current liabilities	(66,727)	(71,791)	(73,114)	(78,178)
Assets and liabilities, net	39,815	16,109	47,071	25,523

All amounts in thousands of reais, unless otherwise stated.

At December 31, 2023 and December 31, 2022, net variations in deferred income tax and social contribution are as follows:

	Parent company	Consolidated
December 31, 2021	27,293	31,942
Tax losses	(4,055)	(1,416)
Temporary differences - assets	1,200	3,326
Temporary differences - liabilities	(6,923)	(6,923)
Hedge accounting transactions	(1,339)	(1,339)
Revaluation reserve	(67)	(67)
December 31, 2022	16,109	25,523
Tax losses	52,557	52,556
Temporary differences - assets	(33,916)	(36,073)
Temporary differences - liabilities	7,228	7,228
Hedge accounting transactions	(2,791)	(2,791)
Revaluation reserve	628	628
December 31, 2023	39,815	47,071

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

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Profit (loss) before tax	(52,570)	166,279	(23,564)	204,584
Tax calculated based on the nominal rate - 34%	17,874	(56,535)	8,012	(69,559)
Equity in the earnings of subsidiaries	(22,584)	12,643	-	-
Tax incentives	7,040	11,861	7,040	11,861
Interest on capital	3,278	6,035	3,278	6,035
Lei do Bem	-	8,625	5,465	9,975
Tax incentives - Sudene	-	858	-	858
IRPJ and CSLL on undue tax payments	692	(610)	692	(610)
Depreciation of revalued assets	628	1,141	628	1,141
Deferred IRPJ and CSLL not recorded - Portobello America	-	-	(38,148)	-
Deferred IRPJ and CSLL not recorded - CBC	-	-	(3,913)	-
Capitalization of interest	9,458	-	9,458	-
Other	1,055	2,801	(4,050)	(11,180)
	17,440	(13,181)	(11,539)	(51,479)
Current tax on profit for the year	12,352	(5,839)	(14,469)	(48,902)
Deferred income tax and social contribution	5,088	(7,342)	2,930	(2,577)
Income tax and social contribution expense (recognized in profit or loss - current and deferred)	17,440	(13,181)	(11,539)	(51,479)
Effective tax rate	33.2%	7.9%	-49.0%	25.2%

All amounts in thousands of reais, unless otherwise stated.

d) Tax losses in the Parent Company and Consolidated

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Tax losses	224,130	69,551	257,746	103,170
Deferred IRPJ and CSLL	76,204	23,647	87,634	35,078

Based on studies and projections of results for the following periods, a recoverability test was conducted for deferred tax assets arising from income tax and social contribution losses recorded at December 31, 2023 in the Parent Company and its subsidiary Companhia Brasileira de Cerâmica, where we estimated the following asset recoverability schedule:

Period	Parent company	Consolidated
2024	-	4,106
2025	8,494	13,148
2026	5,401	6,569
2027	6,324	7,826
2028	16,752	16,752
2029	17,077	17,077
2030	17,948	17,948
2031	4,208	4,208
	76,204	87,634

15. Legal assets

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
IPI premium credit (a)				
Lawsuit No. 1987.0000.645- 9 (Phase II)	29,686	27,799	29,686	27,799
Lawsuit No. 1984.00.020114-0 (Phase I)	10,348	9,600	10,348	9,600
IPI premium credit - Plaintiff - Complementary Portion (b)	75,107	75,107	75,107	75,107
IRPJ and CSLL on interest on undue tax payments (c)	-	27,827	-	27,827
	115,141	140,333	115,141	140,333

a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called ‘IPI premium credit’, in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 1, 1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the Federal Court accounting department; the amount recognized in November 2009, maintained at December 31, 2023, is R$ 29,666 (R$ 27,799 at December 31, 2022).

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

The Federal Government, represented by the National Treasury's Attorney's Office, did not manifest itself, which led to tacit agreement and, consequently, preclusion. The lawsuit is concluded and there is no further possibility of objection. The Company recognized, in 2015, the amount calculated by the legal expert, in the amount of R$ 4,983, and, as the Company understands that the gain in the mentioned lawsuit is practically certain, it recorded the tax asset in June 2015, and maintains the balance of R$ 10,348 at December 31, 2023 (R$ 9,600 at December 31, 2022). The Company will ensure that the payment request be dispatched by April 2025, so that the financial realization takes place by June 2026.

b) IPI premium credit – Plaintiff

The proceeding was initially filed in 1984. During its course, it was distributed to the Federal Supreme Court (STF) and returned to the 6th Federal Court of the Judiciary Section of the Federal District (original court), for enforcement of the sentence.

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

In the 1st quarter of 2020, an asset of R$ 75,107 was recognized. In addition, the following amounts were recorded in liabilities: i) R$ 56,330 referring to the amounts to be paid to Refinadora Catarinense; ii) R$ 1,737 referring to PIS and COFINS; and iii) R$ 3,380 referring to deferred IRPJ/CSLL (currently recorded in the net amount in the balance sheet within assets, with a corresponding entry in the statement of operations. Moreover, success fees were provided for, and the net amount payable to the Company is R$ 4,823.

In the decision on the merits of the case, issued in July 2022, about the objection to the enforcement of the sentence by the National Treasury, the Court rejected the arguments presented and also approved the calculations presented by the Federal Court. Due to said decision, the National Treasury filed a Motion for Clarification which was denied, remaining unaffected by the appealed decision.

In 2023, due to the decisions approving the calculation, the National Treasury filed an appeal to the Federal Regional Court (TRF) of the 1st Region, which was received without the granting of suspensive effect, and awaits judgment.

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

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

All amounts in thousands of reais, unless otherwise stated.

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

Considering the above and as determined by IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, due to the likelihood of success in the proceeding as a result of the decision in general repercussion of the STF, the Company recorded its best estimate to date in the amount of R$ 28,140; of that amount, R$ 10,869 refers to current IRPJ and CSLL and R$ 17,271 refers to deferred IRPJ and CSLL. In accordance with the Company's assessment, the amount was recorded in the group of legal assets, since it understands that it cannot recover the tax yet.

In June 2023, a decision was issued approving the partial withdrawal of the Writ of Mandamus regarding the unenforceability of IRPJ and CSLL on the Selic rate obtained in the release of judicial deposits. Accordingly, as a final and unappealable decision has already been rendered, in September 2023 the Company reclassified the balance of R$ 28,139 to Taxes Recoverable (R$ 13,391 in Current assets) and Deferred IRPJ and CSLL (R$ 14,748 in Non-current assets).

16. 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".

Subsidiaries are closely-held companies, for which variations in the years 2022 and 2023 are presented below:

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Equity	Revenue	Profit or loss
At December 31, 2023								
Portobello America Inc.	United States	100.00%	0.00%	937,477	623,146	314,331	211,927	(111,901)
Portobello America Manufacturing (a)	United States	0.00%	100.00%	501,470	522,084	(20,614)	36,174	(19,288)
PBTech Ltda.	Brazil	99.94%	0.06%	253,039	191,357	61,682	424,003	51,487
Portobello Shop S/A	Brazil	99.90%	0.00%	83,794	41,459	42,335	106,960	27,899
Mineração Portobello Ltda.	Brazil	99.99%	0.00%	54,718	42,149	12,569	15,970	(22,326)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	33,234	7,308	25,926	15,822	(11,292)
At December 31, 2022								
Portobello America Inc.	United States	100.00%	0.00%	253,447	222,616	30,831	210,724	(42,424)
Portobello America Manufacturing (a)	United States	0.00%	100.00%	139,538	139,888	(350)	-	(2,359)
PBTech Ltda.	Brazil	99.94%	0.06%	225,106	189,167	35,939	344,896	31,973
Portobello Shop S/A	Brazil	99.90%	0.00%	47,234	18,847	28,386	107,967	51,906
Mineração Portobello Ltda.	Brazil	99.76%	0.00%	17,046	17,001	45	13,063	(197)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	33,241	11,170	22,071	12,509	(4,884)

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

All amounts in thousands of reais, unless otherwise stated.

Subsidiaries are closely-held companies, for which variations in the years 2022 and 2023 are presented below:

	Percentage of interest	December 31, 2022	Foreign exchange variations	Reimbursement assets	Capitalization of interest	Advances for future capital increase	Equity in the earnings of subsidiary	Dividends	December 31, 2023
Investments									
Portobello America Inc. (b)	100.00%	30,247	(14,475)	-	-	409,875	(111,965)	-	313,682
PBTech Ltda.	99.94%	35,918	-	-	-	-	51,456	(25,744)	61,630
Portobello Shop S.A.	99.90%	28,357	-	-	-	-	27,871	(13,949)	42,279
Mineração Portobello Ltda. (c)	99.99%	45	-	34,849	-	-	(22,325)	-	12,569
Companhia Brasileira de Cerâmica S/A (b)	98.85%	22,013	-	-	-	15,147	(11,161)	-	25,999
Portobello S/A	100.00%	10	-	-	-	-	-	-	10
Capitalization of interest (d)		-	-	-	27,815	-	(301)	-	27,514
Total net investment in subsidiaries		116,590	(14,475)	34,849	27,815	425,022	(66,425)	(39,693)	483,683
Interest in subsidiaries		116,590							483,683

(b) Between January and December 2023, Companhia Brasileira de Cerâmica S/A received advances for future capital increase from PBG S.A in the total amount of R$ 15,147 and Portobello América received an advance for future capital increase in the amount of R$ 409,875 (R$ 170,580 referring to receivables, not affecting cash, and R$ 239,295 referring to loan, with a cash effect, as shown in the Statement of Cash Flows, in investing activities).

(c) In June 2023, Mineração Portobello had net capital deficiency due to the registration of updated legal proceedings, as described in Note 25.a. In December 2023, PBG signed a debt assumption agreement with Mineração Portobello relating to these lawsuits, recording it under investment against a reimbursement liability in the amount of R$34,849.

(d) The Parent Company's investments present capitalization of interest on borrowings, financing and debentures, which are related to the acquisition, construction or production of property, plant and equipment of its investees in the United States. In Consolidated, these amounts are capitalized in property, plant and equipment, in accordance with Note 17.

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

(a) In April 2022, PBG S.A. increased the capital of Mineração Portobello by R$ 9,000, paying the amount through an advance for future capital increase previously recorded.

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

I) Portobello Shop

Portobello Shop was founded in October 2002 and started its activitiies in September 2003. The Company operates the PORTOBELLO SHOP franchise system, the largest chain of stores specializing in the sale of ceramic tiles in Brazil.

The franchises are only present in the national territory and operate in consultative sales, with customizations, innovations and technological resources to serve their customers. The Company currently manages 133 franchises throughout Brazil.

II) PBTech

PBTech Comércio e Serviços de Revestimentos Cerâmicos Ltda. was founded in August 2003 and its activity is the retail trade of ceramic tiles, as well as products for civil construction and the provision of services related to the ceramic tiles area. At December 31, 2023, the Company had a network of 25 (twenty-five) own stores in Brazil.

At December 31, 2023, the Company has negative net working capital of R 65,253 (R$ 101,878 in 2022). The difference between the years is mainly due to the balance of R$ 60,005 of payables to related parties in connection with the acquisition of stores, paid in 2023. The Company has history of profits in recent years and at December 31, 2023 it had positive operating cash of R$ 100,160. Management believes that the negative net working capital is momentary, given the acquisitions of operations carried out in 2022.

III) Mineração Portobello

Mineração Portobello Ltda. was founded on November 14, 1978, and its main operating activity is the extraction of clay and associated processing and sale of the extracted production to PBG S.A., the mining company's parent company. The material supplied by Mineração Portobello Ltda. is used by PBG S/A as part of the raw material mix for industrializing ceramic products under the Portobello and Pointer brands. The extraction mines are divided regionally into the South and Northeast. The mines in the South supply 28% of the extraction volume for the Portobello product mix and the mines in the Northeast supply around 72% of the extraction volume for the Pointer brand raw material mix (not reviewed).

The Company is headquartered in the city of Tijucas/SC, with branches in the states of Santa Catarina, Paraná, Sergipe and Alagoas.

IV) Companhia Brasileira de Cerâmica

Companhia Brasileira de Cerâmica S.A. is a closed-held company, founded in Marechal Deodoro/Alagoas in April 2014, which began operations in May 2014. The Company manufactures products made from porcelain tiles, specializing in the Portobello Shop Franchise System, the largest chain of stores specializing in ceramic tiles in Brazil, operating in the cities of Jundiaí/SP and Tijucas/SC.

The Company is undergoing a restructuring that will take effect in the first quarter of 2024, so it is expected that the loss accumulated in the Company will be absorbed by the retail distribution operation.

V) Portobello America

Portobello America is a subsidiary of PBG located in the state of Tennessee - USA, where it has 2 distribution centers to distribute Portobello products in the North American market. In July 2023, the testing phase of the subsidiary Portobello America Manufacturing LLC began and in October 2023, the production of its marketing portfolio began.

In this first stage, the new industrial facility will have an annual production capacity of up to 3.6 million square meters, with a built-up area of 90 thousand square meters, designed with cutting-edge technology and counting on state-of-the-art machinery and processes, in the region that is currently considered as the US industrial hub for ceramic coatings.

With the start of production in the new plant, the main focus is on expanding the distribution model, which has more attractive profitability, so the return on investment is expected to occur over the next few years.

All amounts in thousands of reais, unless otherwise stated.

b) Other investments

On October 2, 2023, the Company acquired a stake of R$3,000 in Enel Brasil, represented by 106,573,709 Class B common shares, specifically in the wind power plant Ventos de Santa Esperança 21, which belongs to the wind farm Morro do Chapéu Sul II, located in Bahia, built and operated by Enel Green Power, Enel's division of renewable energy. The wind farm has an installed capacity of R$ 353 MW and 84 wind turbines.

The agreement entered into between the Company and Enel has a 15-year term and provides for the supply of renewable energy corresponding to half of the consumption of the Company and its subsidiaries in Brazil, with a maximum volume of 10 average Megawatts (aMW), equivalent to a consumption of 87.6 GWh/year. Under this agreement, Enel is allowed to trade the remaining electricity generated by the plant in the free market, after supplying the volume contracted by the Company.

17. Property, plant and equipment

a) Breakdown

		Parent company			
		December 31, 2023			December 31, 2022
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value
Land	-	12,603	-	12,603	12,603
Buildings, constructions and improvements	3%	293,385	(100,444)	192,941	202,167
Machinery and equipment	15%	793,070	(482,357)	310,713	303,346
Furniture and fixtures	10%	10,659	(9,641)	1,018	2,345
Computers	20%	35,154	(30,487)	4,667	4,998
Other property, plant and equipment	20%	1,429	(1,226)	203	62
Construction in progress	-	37,726	-	37,726	36,570
		1,184,026	(624,155)	559,871	562,091

		Consolidated			
		December 31, 2023			December 31, 2022
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value
Land	-	13,486	-	13,486	13,486
Buildings, constructions and improvements	3%	343,670	(130,489)	213,181	217,406
Machinery and equipment	15%	1,040,799	(488,250)	552,549	315,946
Furniture and fixtures	10%	21,352	(12,854)	8,498	7,435
Computers	20%	40,936	(31,951)	8,985	7,395
Other property, plant and equipment	20%	3,469	(2,817)	652	1,088
Capitalized interest	5%	27,815	(301)	27,514	-
Construction in progress	-	201,947	31,070	233,017	208,474
		1,693,474	(635,592)	1,057,882	771,230

All amounts in thousands of reais, unless otherwise stated.

b) Changes in property, plant and equipment

	Parent company					
	December 31, 2022	Additions	Transfers	Depreciation	Write-offs	December 31, 2023
Land	12,603	-	-	-	-	12,603
Buildings and improvements	202,167	2,179	1,703	(13,108)	-	192,941
Machinery and equipment	303,346	27,705	14,054	(34,391)	(1)	310,713
Furniture and fixtures	2,345	76	(1,043)	(360)	-	1,018
Computers	4,998	1,163	795	(2,289)	-	4,667
Other property, plant and equipment	62	15	162	(36)	-	203
Construction in progress	36,570	16,827	(15,671)	-	-	37,726
	562,091	47,965	-	(50,184)	(1)	559,871

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

	Consolidated						
	December 31, 2022	Additions	Transfers	Depreciation	Write-offs	Foreign exchange variations	December 31, 2023
Land	13,486	-	-	-	-	-	13,486
Buildings and improvements	217,406	11,562	4,656	(20,322)	(121)	-	213,181
Machinery and equipment	315,946	281,215	14,054	(40,699)	(1)	(17,966)	552,549
Furniture and fixtures	7,435	4,401	(1,043)	(1,916)	(3)	(376)	8,498
Computers	7,395	3,350	1,478	(2,966)	-	(272)	8,985
Other property, plant and equipment	1,088	16	162	(614)	-	-	652
Capitalized interest (a)	-	27,815	-	(301)	-	-	27,514
Construction in progress (b)	208,474	58,864	(19,307)	-	-	(15,014)	233,017
	771,230	387,223	-	(66,818)	(125)	(33,628)	1,057,882

All amounts in thousands of reais, unless otherwise stated.

	Consolidated						
	December 31, 2021	Additions	Transfers	Depreciation	Write-offs	Foreign exchange variations	December 31, 2 022
Land	31,633	-	-	-	(14,904)	(3,243)	13,486
Buildings and improvements	226,379	9,658	357	(18,648)	(285)	(55)	217,406
Machinery and equipment	286,057	31,116	30,563	(31,630)	(132)	(28)	315,946
Furniture and fixtures	12,270	28,057	(30,629)	(2,416)	-	153	7,435
Computers	5,713	5,445	(870)	(2,845)	-	(48)	7,395
Other property, plant and equipment	4,069	482	(2,811)	(636)	(16)	-	1,088
Construction in progress	48,337	158,094	3,390	-	-	(1,347)	208,474
	614,458	232,852	-	(56,175)	(15,337)	(4,568)	771,230

(a) Borrowing costs totaling R$27,815 were capitalized in 2023, considering the average interest rate on the loan portfolio of 13.60% p.a.

(b) Construction in progress refers substantially to some production lines that are being implemented in a second phase of the plant in the United States, which is scheduled to start operating in 2024.

In 2023, additions to property, plant and equipment in the Consolidated amounted to R$ 387,223, of which 83% were allocated to the acquisition of machinery and equipment for the US plant, 6% to the Tijucas plant, 7% to the Marechal Deodoro (Pointer) plant, , 2% to own stores, and the remaining 2% was divided between commercial and corporate projects.

Depreciation amounts were recorded as cost of goods sold, selling expenses and administrative expenses, as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cost of goods sold	(42,585)	(40,318)	(43,395)	(40,524)
Selling expenses	(4,723)	(5,449)	(15,214)	(13,406)
Administrative expenses	(2,876)	(1,905)	(8,209)	(2,245)
	(50,184)	(47,672)	(66,818)	(56,175)

c) Impairment of property, plant and equipment

Property, plant and equipment is tested for impairment at least annually, and for the year ended December 31, 2023, Management reviewed the cash flow projections of assets and did not identify the need to record a provision for impairment.

All amounts in thousands of reais, unless otherwise stated.

18. Intangible assets

a) Breakdown

	Parent company				
		December 31, 2023			December 31, 2022
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150
Software	20%	79,823	(48,705)	31,118	26,158
Right to explore mineral resources	9%	1,000	(1,000)	-	-
Product development expenses	20%	2,037	-	2,037	-
Software under development	-	7,740	-	7,740	4,739
		90,750	(49,705)	41,045	31,047

	Consolidated				
		December 31, 2023			December 31, 2022
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	370	-	370	150
Software	20%	120,105	(58,573)	61,532	35,062
Right to explore mineral resources	9%	4,074	(3,839)	235	284
Product development expenses	20%	4,243	-	4,243	-
Software under development	-	17,389	-	17,389	6,881
		146,181	(62,412)	83,769	42,377

All amounts in thousands of reais, unless otherwise stated.

b) Changes in intangible assets

	Parent company					
	December 31, 2022	Additions	Transfers	Amortizations	Write-offs	December 31, 2023
Trademarks and patents	150	-	-	-	-	150
Software	26,158	9,665	4,673	(9,148)	(230)	31,118
Product development expenses	-	2,037	-	-	-	2,037
Software under development	4,739	7,674	(4,673)	-	-	7,740
	31,047	19,376	-	(9,148)	(230)	41,045

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

	Consolidated						
	December 31, 2022	Additions	Transfers	Amortizations	Write-offs	Foreign exchange variations	December 31, 2023
Trademarks and patents	150	233	-	-	-	(13)	370
Software	35,062	35,317	6,380	(14,128)	(248)	(851)	61,532
Right to explore mineral resources	284	-	-	(49)	-	-	235
Product development expenses (a)	-	4,243	-	-	-	-	4,243
Software under development	6,881	16,888	(6,380)	-	-	-	17,389
	42,377	56,681	-	(14,177)	(248)	(864)	83,769

	Consolidated						
	December 31, 2021	Additions	Transfers	Amortizations	Write-offs	Foreign exchange variations	December 31, 2022
Trademarks and patents	150	-	-	-	-	-	150
Software	20,919	6,827	16,272	(8,792)	(349)	185	35,062
Right to explore mineral resources	351	-	-	(67)	-	-	284
Software under development	7,377	16,162	(16,272)	-	(386)	-	6,881
	28,797	22,989	-	(8,859)	(735)	185	42.377

(a) In 2023, the Company recorded R$ 4,243 related to expenses on new product development projects, in accordance with the policy described in Note 3.15.

In 2023, additions to intangible assets in the Consolidated amounted to R$ 56,681, mainly for digital improvement projects in the commercial area and the implementation of the Oracle system (54% for Officina and own stores and 31% for Portobello America).

All amounts in thousands of reais, unless otherwise stated.

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cost of goods sold	(82)	(64)	(1,101)	(64)
Selling expenses	(2,274)	(2,310)	(4,093)	(3,909)
Administrative expenses	(6,792)	(4,151)	(8,983)	(4,886)
	(9,148)	(6,525)	(14,177)	(8,859)

c) Impairment of intangible assets

Intangible assets are tested for impairment at least annually, and, at December 31, 2023, Management reviewed the cash flow projections of assets and did not identify the need to record a provision for impairment.

d) Projected amortization of consolidated intangible assets

	2023	2024	2025	2026	2027 to 2038	Total
Software	(13,703)	(12,004)	(11,053)	(13,719)	(11,053)	(61,532)
Right to explore mineral resources	(68)	(68)	(68)	(19)	(12)	(235)
	(13,771)	(12,072)	(11,121)	(13,738)	(11,065)	(61,767)

Trademarks and patents are not subject to amortization due to their indefinite useful lives.

Software licenses are capitalized based on the costs incurred to acquire the software and make it ready for use. These costs are amortized over the estimated useful life of the software, which is five years and is reviewed annually by management. In 2023, there were no changes in the useful life of intangible assets. Software development costs recognized as assets are amortized over their estimated useful life, which does not exceed five years.

19. Right-of-use assets and lease liabilities

The agreements characterized as leases, in accordance with IFRS 16/CPC 06 (R2), are recorded as right of use (right-of-use assets, non-current assets), with a corresponding entry in lease liabilities (current and non-current liabilities).

At December 31, 2023, the Company and its subsidiaries had a total of 64 lease agreements (52 in 2022), 46 of which are classified as lease agreements without purchase option for its industrial, commercial and logistics units, and 18 lease agreements with purchase option intended for vehicles for the Company's managers, which refer to leases for which there is a purchase option at the end, resembling a financing operation.

All amounts in thousands of reais, unless otherwise stated.

The leases without purchase option at the end of the contract comprise leases of the Company's own stores, distribution centers and of the land for storage, stockpiling and blending of the ores extracted from the mines and equipment, as well as machinery such as forklifts and wheel loaders and the built-to-suit contract executed by Portobello America. The lease agreements with purchase option at the end of the agreement are comprised of rental of vehicles used by the Company's managers.

The amount of lease liabilities represents the present value of future lease payments discounted at the Company's average financing interest rate. The Company determines the term of the lease and the physical location for logistics purposes and strategic commercial points. The lease assets are detailed below and represent the initial measurement value of the lease liability, plus any payments made up to the inception date, less incentives, plus dismantling and removal cost and their residual value at the end of the lease, when applicable. The terms of the right-of-use contracts vary between 2 (vehicles and machinery) and 7 years (stores), and there is one contract with a 20-year term (shed occupied by the US plant). The amortization term of goodwill is 10 years on average.

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

In the 2nd quarter of 2023, the Company recorded lease assets and liabilities in the amount of R$ 390,680 (US$ 75,888 at present value) respectively, for which subsidiary Portobello América Manufacturing LLC is the lessor and OAK Street is the lessee. The lease comprises land and building, where the new ceramic and porcelain products plant was installed, in the city of Baxter, State of Tennessee (USA). The built-to-suit contract was signed on January 26, 2022, however, under IFRS 16 and CPC 06-R2, it was considered effective when the asset was made available for use, which occurred in June 2023. The contract has an initial term of 20 years with possibility of renewal every five years, without purchase option, and a finance cost of 6.35% p.a. plus an annual adjustment rate of 2% as from the second year.

a) Breakdown of and changes in lease assets

	Parent company				
	Distribution Center	Vehicles	Machinery	Buildings	Total
December 31, 2021	16,331	4,272	-	-	20,603
Remeasurement	1,461	537	-	-	1,998
Additions	-	1,721	23,576	-	25,297
Contract terminations	(2,753)	(2,784)	-	-	(5,537)
Depreciation	(4,704)	(1,272)	(940)	-	(6,916)
December 31, 2022	10,335	2,474	22,636	-	35,445
Without purchase option	10,335	-	22,636	-	32,971
With purchase option	-	2,474	-	-	2,474
Remeasurement	1,940	-	-	-	1,940
Additions	-	1,493	15,194	2,673	19,360
Contract terminations	-	(39)	-	-	(39)
Depreciation	(5,474)	(1,660)	(11,979)	(297)	(19,410)
December 31, 2023	6,801	2,268	25,851	2,376	37,296
Without purchase option	6,801	-	25,851	2,376	35,028
With purchase option	-	2,268	-	-	2,268

All amounts in thousands of reais, unless otherwise stated.

	Consolidated							
	Distribution Center	Stores	Buildings	Goodwill	Vehicles	Machinery	Land	Total
December 31, 2021	16,331	29,682	8,916	11,465	4,272	-	870	71,536
Remeasurement	1,461	-	1,173	-	537	-	84	3,255
Foreign exchange variations	-	-	(30)	-	-	-	-	(30)
Additions (a)	-	6,039	5,181	108,834	1,721	23,576	87	145,438
Contract terminations	(2,753)	-	-	-	(2,784)	-	-	(5,537)
Depreciation	(4,704)	(8,030)	(6,372)	(5,553)	(1,272)	(940)	(64)	(26,935)
December 31, 2022	10,335	27,691	8,868	114,746	2,474	22,636	977	187,727
Without purchase option	10,335	27,691	8,868	114,746	-	22,636	977	185,253
With purchase option	-	-	-	-	2,474	-	-	2,474
Remeasurement	1,940	185	-	-	-	-	-	2,125
Foreign exchange variations	-	-	(25,930)	-	-	-	-	(25,930)
Additions (b)	-	16,020	431,794	-	1,493	15,194	-	464,501
Contract terminations	-	(5,661)	-	(2,922)	(40)	-	-	(8,623)
Depreciation	(5,474)	(9,976)	(17,417)	(10,517)	(1,660)	(11,979)	(102)	(57,125)
December 31, 2023	6,801	28,259	397,315	101,307	2,267	25,851	875	562,675
Without purchase option	6,801	28,259	397,315	101,307	-	25,851	875	560,408
With purchase option	-	-	-	-	2,267	-	-	2.267

(a) In 2022, the Company acquired stores owned by franchisees, related parties and third parties, whose goodwill amounts were supported by Valuation (see Note 38).

(b) The significant addition of buildings in 2023 refers to the built-to-suit transaction of the new plant in the US.

b) Breakdown of and changes in lease liabilities

	Parent company				
Lease	Distribution Center	Vehicles	Machinery	Buildings	Total
December 31, 2021	20,355	3,064	-	-	23,419
Remeasurement	1,461	537	-	-	1,998
Additions	-	1,721	23,576	-	25,297
Contract terminations and reclassification	(3,144)	(833)	-	-	(3,977)
Payments	(6,281)	(2,412)	(1,142)	-	(9,835)
Accrued interest in the period	(299)	922	366	-	989
December 31, 2022	12,092	2,999	22,800	-	37,891
Without purchase option	12,092	-	22,800	-	34,892
With purchase option	-	2,999	-	-	2,999
Remeasurement	1,940	-	-	-	1,940
Additions	-	1,493	15,194	2,673	19,360
Payments	(6,544)	(3,512)	(14,379)	(394)	(24,829)
Accrued interest in the period	568	1,421	3,781	168	5,938
December 31, 2023	8,056	2,401	27,396	2,447	40,300
Without purchase option	8,056	-	27,396	2,447	37,899
With purchase option	-	2,401		-	2,401
Current liabilities					21,112
Non-current liabilities					19,188

All amounts in thousands of reais, unless otherwise stated.

	Consolidated						
Lease	Distribution Center	Stores	Buildings	Vehicles	Machinery	Land	Total
December 31, 2021	20,355	31,568	8,920	3,064	-	946	64,853
Remeasurement	1,461	-	1,173	537	-	84	3,255
Foreign exchange variations	-	-	(563)	-	-	-	(563)
Additions	-	6,039	5,181	1,721	23,576	87	36,604
Contract terminations and reclassification	(4,635)	-	-	(833)	-	-	(5,468)
Payments	(6,281)	(10,237)	(5,693)	(2,412)	(1,142)	(109)	(25,874)
Accrued interest in the period	1,191	2,251	111	922	366	68	4,909
December 31, 2022	12,091	29,621	9,129	2,999	22,800	1,076	77,716
Without purchase option	12,091	29,621	9,129	-	22,800	1,076	74,717
With purchase option	-	-	-	2,999	-	-	2,999
Remeasurement	1,940	185	-	-	-	-	2,125
Foreign exchange variations	-	-	(24,345)	-	-	-	(24,345)
Additions	-	16,020	431,794	1,493	15,193	-	464,500
Contract terminations and reclassification	-	(6,319)	-	-	-	-	(6,319)
Payments	(6,544)	(12,195)	(52,653)	(3,512)	(14,379)	(152)	(89,435)
Accrued interest in the period	568	2,665	11,806	1,421	3,781	72	20,313
December 31, 2023	8,055	29,977	375,731	2,401	27,395	996	444,555
Without purchase option	8,055	29,977	375,731	-	27,395	996	442,154
With purchase option	-	-	-	2,401	-	-	2,401
Current liabilities							40,276
Non-current liabilities							404,279

c) Maturity schedule of lease liabilities

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
2023	-	16,299	-	26,361
2024	18,842	10,016	40,276	20,328
2025	16,849	10,094	35,261	21,089
2026	3,874	1,482	20,871	8,186
2027	735	-	15,416	1,751
2028	-	-	11,306	-
2029 to 2043	-	-	321,425	-
	40,300	37,891	444,555	77,715

All amounts in thousands of reais, unless otherwise stated.

d) Potential right of PIS and COFINS recoverable

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

	Consolidated (companies located in Brazil)	
Cash Flow	Nominal	Adjustment to present value
Lease consideration	92,023	78,292
Potential PIS/COFINS (9.25%)	8,512	7,242

e) Inflation effects

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

	Parent company		Consolidated	
	2023	2022	2023	2022
Lease assets - actual flow (a)				
Right-of-use assets	67,058	46,043	543,037	118,909
Depreciation	(29,762)	(10,598)	(81,669)	(45,928)
	37,296	35,445	461,368	72,981
Lease assets - flow considering inflation (a)				
Right-of-use assets	70,411	49,319	514,459	127,368
Depreciation	(31,250)	(11,352)	(85,752)	(49,195)
	39,161	37,967	428,707	78,173
Lease liabilities - actual flow				
Lease liabilities	45,172	43,768	678,372	90,155
Interest on leases	(4,872)	(5,877)	(233,817)	(12,440)
	40,300	37,891	444,555	77,715
Lease liabilities - flow considering inflation				
Lease liabilities	47,431	46,882	712,291	96,569
Interest on leases	(5,116)	(11,352)	(245,508)	(13,325)
	42,315	35,530	466,783	83,244

(a) Except for goodwill, which is not updated.

f) Term contracts and discount rates

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

Terms	**Rates % p.a.**
2 years	13.89%
2 years (b)	0.16%
3 years	13.33%
5 years (b)	0.05%
5 years	6.26%
5 years	12.35%
10 years	6.80%
20 years	7.16%

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

All amounts in thousands of reais, unless otherwise stated.

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Domestic market				
Supplier credit assignment (confirming) (a)	132,859	126,393	132,859	126,393
Operation suppliers	265,361	220,325	288,699	234,320
Foreign market	674	5,059	38,152	18,098
Current	398,894	351,777	459,710	378,811
Domestic market (i)	-	94,426	-	94,426
Non-current	-	94,426	-	94,426
Total operation suppliers	398,894	446,203	459,710	473,237
Payables for investments (b)				
Domestic market	7,019	16,069	9,957	16,700
Foreign market	10,918	19,511	186,417	93,416
Total investment suppliers	17,937	35,580	196,374	110,116
	416,831	481,783	656,084	583,353

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

a) Supplier credit assignment– confirming

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R$ 132,859 at December 31, 2023 (R$ 126,393 at December 31, 2022), in order to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the financial institution, which in turn, becomes creditor of the transaction, without changing the due date.

b) Payables for investments

The Company has the amount of R$ 15,123 recorded in current liabilities in the Parent Company (R$ 26,390 at December 31, 2022) and R$ 89,372 in the Consolidated (R$ 82,021 at December 31, 2022) referring to suppliers of property and equipment and intangible assets. In non-current liabilities, the balances amount to R$ 2,814 in the Parent Company (R$ 9,190 at December 31, 2022) and R$ 107,002 in the Consolidated (R$ 28,095 at December 31, 2022). In the Parent Company, the balances mainly refer to the acquisition of industrial furnaces from supplier SACMI, for the Tijucas plant. In the Consolidated, most balances refer to the new plant in the US.

All amounts in thousands of reais, unless otherwise stated.

21. Borrowings, financing and debentures

a) Breakdown

	Currency	Maturity	Charges		Parent Company and Consolidated December 31, 2023	Parent Company and Consolidated December 31, 2022
Current						
Banco do Nordeste S.A (a)	R$	Jun/27	2.93%	p.a.[1] +IPCA	19,180	31,018
NCE (b)	R$	Dec/27	2.89%	p.a.[1] +CDI	194,719	21,886
NCE (b)	US$	Mar/27		99% CDI	13,159	-
NCE (b)	US$	Feb/24	9.19%	p.a.[1]	30,476	-
PRODEC (c)	R$	Dec/27	3.00%	p.a.[1]	7,599	2,931
FINEP (d)	R$	Nov/30	1.31%	p.a.[1] +TJLP	26,202	12,834
Debentures 4th series (e)	R$	Sept/26	3.00%	p.a.[1] +CDI	83,749	87,930
Debentures 4th series (h)	R$	Dec/28	3.65%	p.a.[1] +CDI	41,080	-
ACC	US$	Jan/23	2.50%	p.a.[1] +VC	-	8,122
BNDES (f)	R$	Jun/26	1.80%	p.a.[1] + SELIC	2,068	845
Working capital (g)	R$	Mar/24	3.00%	p.a.[1] +CDI	9,776	-
Working capital with swap (i)	US$	Mar/24	3.00%	p.a.[1] +CDI	23,625	-
PPE with swap (b)	US$	Nov/27		95% CDI	6,030	337
PPE (b)	US$	Nov/27	9.19%	p.a.[1]	5,973	-
Total current			**13.37%**	p.a.[1]	**463,636**	**165,903**
Total local currency		R$			384,373	157,444
Total foreign currency		US$			79,263	8,459
Non-current						
Banco do Nordeste S.A (a)	R$	Jun/27	2.93%	p.a.[1] +IPCA	19,832	36,555
NCE (b)	R$	Dec/27	2.89%	p.a.[1] +CDI	164,964	197,234
NCE with swap (b)	US$	Mar/27		99% CDI	33,980	-
PRODEC (c)	R$	Dec/27	3.00%	p.a.[1]	30,694	20,524
FINEP (d)	R$	Nov/30	1.31%	p.a.[1] +TJLP	124,517	151,769
Debentures 4th series (e)	R$	Sep/26	3.00%	p.a.[1] +CDI	148,880	223,198
Debentures 5th series (h)	R$	Dec/27	3.65%	p.a.[1] +CDI	323,541	-
BNDES (f)	R$	Jun/26	1.80%	p.a.[1] + SELIC	2,018	3,363
PPE (b)	US$	Nov/27		95% CDI	33,216	42,330
PPE with swap (b)	US$	Nov/27	9.19%	p.a.[1]	33,956	42,695
Total non-current			**13.35%**	**p.a.[1]**	**915,598**	**717,668**
Total local currency		R$			814,446	632,643
Total foreign currency		US$			101,152	85,025
Total			**13.35%**	**p.a.[1]**	**1,379,234**	**883,571**
Total local currency		R$			1,198,819	790,087
Total foreign currency		US$			180,415	93,484

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

b) Information on agreements

Note	Institution/ Modality	Date of contract	Maturity	Term (months)	Grace period (months)	Amortization	Amount raised	Releases (in thousands of R$)		Guarantees/Notes
								Amount	Date	
a)	Banco do Nordeste	Jun/13	Jun/25	133	24	Monthly	R$ 105,646	R$ 29,223	Aug/14	Mortgage for real estate and machinery and equipment. Renegotiated in April/2020.
								R$ 45,765	Jan/15	
								R$ 14,700	Sep/15	
								R$ 4,713	Mar/16	
								R$ 2,418	Dec/16	
								R$ 8,827	Feb/19	
								R$ 105,646	Total	
		Jul/19	Jun/27	95	24	Monthly	R$ 31,147	R$ 7,246	Jul/19	Mortgage for real estate and machinery and equipment in 2nd degree. Renegotiated in April/2020.
								R$ 4,681	Feb/20	
								R$ 4,261	Sep/20	
								R$ 7,000	Jun/22	
								R$ 23,188	Total	
b)	Export Credit (NCE)	Jun/21	Jun/26	51	24	Semiannual	R$ 30,000	R$ 30,000	Jun/21	Receivables from Portobello S.A. of 20% of the outstanding balance of the contract)
		Aug/21	Aug/27	36	24	Semiannual	R$ 100,000	R$ 100,000	Aug/21	Receivables from Portobello S.A. of 30% of the outstanding balance of the contract)
		Dec/22	Dec/27	60	24	Semiannual	R$ 48,000	R$ 48,000	Dec/22	Receivables from Portobello S.A. of 10% of the outstanding balance of the contract)
		Dec/22	Dec/27	60	24	Semiannual	R$ 40,000	R$ 40,000	Dec/22	No guarantees
		Feb/23	Feb/24	12	12	Semiannual	R$ 27,000	R$ 27,000	Feb/23	No guarantees
		Feb/23	Feb/24	12	12	*	R$ 30,000	R$ 30,000	Feb/23	No guarantees
		Feb/23	Mar/27	48	12	Monthly	R$ 50,000	R$ 50,000	Feb/23	No guarantees
		Mar/23	Mar/24	12	12	*	R$ 70,000	R$ 70,000	Mar/23	No guarantees
		Mar/23	Mar/24	12	12	*	R$ 50,000	R$ 50,000	Mar/23	No guarantees
	PPE – Export Prepayment	Nov/22	Nov/27	60	24	Semiannual	R$ 43,000	R$ 43,000	Nov/22	No guarantees
		Nov/22	Nov/27	60	24	Semiannual	R$ 43,000	R$ 43,000	Nov/22	No guarantees
c)	Santa Catarina State Corporation Development Program (PRODEC)	2020	2024	48	*	*	R$ 6,246	R$ 6,246	2020	Special Regime obtained in June/2009. Update 3% p.a. + UFIR. Rate: average working capital (5.24% p.a.). Deferred amount: 60% of the tax balance generated in the month.
		2021	2025	48	*	*	R$ 7,493	R$ 7,493	2021	
		2022	2026	48	*	*	R$ 7,979	R$ 7,979	2022	
		2023	2027	48	*	*	R$ 15,222	R$ 15,222	2023	
d)	Finep	Dec/19	Sep/29	117	32	Monthly	R$ 66,771	R$ 25,008	Dec/19	Surety bond / Guarantee insurance
								R$ 33,000	Mar/20	
								R$ 8,763	Aug/21	
								R$ 66,771	Total	
		Nov/20	Nov/30	120	36	Monthly	R$ 98,487	R$ 64,274	Nov/20	
								R$ 34,213	Dec/21	
								R$ 98,487	Total	
e)	Debentures (4th issue/1st series)	Sep/21	Sep/26	60	24	Semiannual	R$ 300,000	R$ 300,000	Sep/21	Issue approved on September 16, 2021 by the Board of Directors. Proceeds to redeem the 3rd issue. Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met.
f)	BNDES	Jun/22	Jun/26	48	12	Quarterly	R$ 10,000	R$ 3,923	Jun/22	BNDES Cadeias Produtivas Program. 100% of the amount transferred to Portobello Shop franchisees.
	Commercial notes (1st issue)	Apr/23	Apr/25 (Settled in Dec/2023)	24	24	Semiannual	R$ 150,000	R$ 150,000	Apr/23	Issue approved on April 13, 2023 by the Board of Directors. Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met. Settled with the 5th issue of Debentures.
g)	Working Capital	Mar/23	Mar/24	12	12	*	R$ 25,000	R$ 25,000	Mar/23	No guarantees.
		Mar/23	Mar/24	12	12	*	R$ 9,700	R$ 9,700	Mar/23	No guarantees.
h)	Debentures (5th issue/1st series)	Dec/23	Dec/28	60	12 (principal) and 6 (interest)	Semiannual	R$ 367,000	R$ 367,000	Dec/2023	Issue approved on December 08, 2023 by the Board of Directors. Proceeds to redeem the 3rd issues of Commercial Notes. Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met.

*Single settlement at the end of the contract.

All amounts in thousands of reais, unless otherwise stated.

b.1) Debentures

i) 4th issue

The Company approved at the Extraordinary General Meeting held on September 16, 2021, according to the proposal of the Board of Directors, the 4th issuance of simple, non-convertible debentures, with real guarantee and additional fiduciary guarantee, in two series, for public distribution with restricted placement efforts. The covenants for December 2023 were complied with.

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

ii) 5th issue

The Company approved at the Extraordinary General Meeting held on December 8, 2023, according to the proposal of the Board of Directors, the 5th issuance of simple, non-convertible debentures, with real guarantee and additional fiduciary guarantee, in two series, for public distribution with restricted placement efforts. The covenants for December 2023 were complied with.

Issue	5ª
Fiduciary Agent	PENTÁGONO S.A.
ISIN Code	BRPTBLDBS075
Settling bank	Banco Bradesco S/A
Lead Coordinator	Banco Itaú BBA S/A
Issue Date	12/20/2023
Maturity Date	12/20/2028
Issue Rating	Yes
Remuneration	CDI + 3.65% p.a. (252 b.d.)
Trading	CETIP
Series Number	1
Issue Volume R$	367,000,000.00
Total Debentures	367,000
Par Value R$	1,000.00
Covenants	EBITDA net debt ratio < 3.50 times
Payment Remuneration	Semiannual, with first remuneration date on 06/20/2024.

All amounts in thousands of reais, unless otherwise stated.

c) Covenants and guarantees

Restricted investments, real estate mortgages, equipment, Parent Company's and subsidiary's receivables (Note 8) were pledged as collateral for other borrowings, according to surety from controlling stockholders and the Subsidiary.

For the debentures (4th and 5th issue), the Company has covenants, one of which is the ratio obtained by dividing Net Debt by consolidated EBITDA (Note 5), which cannot exceed 3.50x. All the covenants of these operations have been complied with for the date of December 31, 2023.

For the PPE contract with Banco Itaú, the Company started having financial covenants through an amendment to the contract in December 2023. Among the clauses is the ratio obtained by dividing Net Debt (see Note 5, plus confirming, payables for investments and liabilities and assets of financial instruments) by consolidated EBITDA, the indicator of which may not exceed 5.0 x for 2023, 4.0 x for 2024 and 3.75 x for 2025. All the covenants of this operation were complied with at December 31, 2023.

d) Payment schedule

	Parent Company and Consolidated	
	December 31, 2023	December 31, 2022
2023	-	165,903
2024	463,636	168,895
2025	301,472	205,033
2026	288,966	194,694
2027	188,535	92,481
2028	103,811	56,565
2029 to 2030	32,814	-
	1,379,234	883,571

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

e) Changes in borrowings and debentures are as follows:

	Parent Company and Consolidated
Total debt at December 31, 2021	762,392
Changes affecting cash flow	
Proceeds from borrowings and debentures	192,903
Payment of principal	(74,816)
Payment of interest	(79,661)
Changes not affecting cash flow	
Unrealized foreign exchange variations	(2,980)
Accrued interest	83,118
Adjustment to present value – Prodec	1,857
Allocation of debenture costs	758
Total debt at December 31, 2022	883,571
Changes affecting cash flow	
Proceeds from borrowings and debentures	644,822
Payment of principal	(148,890)
Payment of interest	(118,906)
Changes not affecting cash flow	
Unrealized foreign exchange variations	(12,886)
Accrued interest	134,628

All amounts in thousands of reais, unless otherwise stated.

	Parent Company and Consolidated
Adjustment to present value – Prodec	(382)
Allocation of debenture costs	(2,723)
Total debt at December 31, 2023	1,379,234

22. Installment payment of tax obligations

The Company has a federal installment plan, the adhesion of which occurred in November 2009 by the enactment of Law 11,941/09, with 10 installments remaining to be paid.

The installments fall due as follows:

	Parent Company and Consolidated	
	December 31, 2023	December 31, 2022
2023	-	12,313
2024	10,724	10,217
	10,724	22,530
Current	10,724	12,313
Non-current	-	10,217

23. Taxes, fees and contributions

At December 31, 2023, taxes, fees and contributions recorded in current liabilities were classified as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
ICMS	14,379	15,844	15,070	16,578
IRRF	6,291	6,187	8,797	8,281
PIS/COFINS	2,905	-	5,387	2,055
Other	438	-	1,052	963
	24,013	22,031	30,306	27,877

All amounts in thousands of reais, unless otherwise stated.

24. Other payables

At December 31, 2023, other payables are classified as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Current				
Provision for asset decommissioning	-	-	176	451
Consigned suppliers	2,838	1,746	2,838	1,746
Commissions	11,736	10,762	11,736	15,297
Advertising fund	-	-	381	3,689
Provision for freight	522	381	522	3,048
Provision for guarantees	1,770	-	1,770	-
Provision for expenses	4,327	8,599	7,445	2,704
Other payables	1,040	1,527	6,263	12,071
	22,233	23,015	31,131	39,006
Non-current				
Provision for asset decommissioning	-	-	1,091	1,287
Long-term incentives	5,525	3,490	5,525	3,490
Government grant (a)	-	-	12,671	15,480
Other payables	-	-	-	703
	5,525	3,490	19,287	20,960

(a) On July 26, 2019, the Company entered into an agreement with the Tennessee Department of Economic and Community Development and the Industrial Development Board of the City of Cookeville, Tennessee, to receive a grant based on the state's program to stimulate long-term job growth by providing financial assistance to eligible applicants for the purpose of encouraging and assisting companies to relocate, expand or construct projects in Tennessee. As consideration for the concession, and as part of the project, the Company will create, fill and maintain 220 new jobs between July 2019 and July 2028 (end).

The Company will be considered in compliance with the performance requirement if the performance percentage at the end date is equal to or greater than 80%. Failure to meet the performance requirements by the due date will result in the State being reimbursed for all or part of the amount awarded.

The Company recorded the transaction as deferred revenue, since the performance requirements were not met between December 31, 2019 and 2022, in the amount of R$15,480 (US$2,967). At December 31, 2023, the balance recorded as deferred revenue was R$12,671, having started to be used after the start of operations of the plant.

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

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

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

All amounts in thousands of reais, unless otherwise stated.

The balance of provisions is broken down as follows:

Amount accrued	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Civil	13,885	31,930	50,179	44,848
Labor	4,748	10,074	5,132	10,321
Social security	4,550	4,550	4,550	4,550
Tax	20,045	28,519	20,110	28,650
	43,228	75,073	79,971	88,369

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

	Parent company				
	Civil	Labor	Social security	Tax	Total
At December 31, 2021	27,477	15,166	4,550	30,313	77,506
Charged (credited) to the statement of operations:	7,396	160	-	2,323	9,879
Additional provisions	5,855	6,656	-	2,416	14,927
Reversal - not used	(1,908)	(6,886)	-	(481)	(9,275)
Monetary adjustment (reversal)	3,449	390	-	388	4,227
Reversal due to realization	(2,943)	(5,252)	-	(632)	(8,827)
Provisions (reversals) due to realization - non-cash effect	-	-	-	(3,485)	(3,485)
At December 31, 2022	31,930	10,074	4,550	28,519	75,073
Charged (credited) to the statement of operations:	(14,553)	(3,856)	-	(2,676)	(21,085)
Additional provisions	4,160	2,122	-	965	7.247
Reversal - not used (a)	(13,669)	(4,754)	-	(3,711)	(22,134)
Monetary adjustment (reversal)	(5,044)	(1,224)	-	70	(6,198)
Reversal due to realization	(3,492)	(1,470)	-	(8)	(4,970)
Provisions (reversals) due to realization - non-cash effect	-	-	-	(5,790)	(5,790)
At December 31, 2023	13,885	4,748	4,550	20,045	43,228

	Consolidated				
	Civil	Labor	Social security	Tax	Total
At December 31, 2021	38,379	15,741	4,550	30,344	89,014
Charged (credited) to the statement of operations:	9,566	(55)	-	2,423	11,934
Additional provisions	6,400	6,783	-	2,506	15,689
Reversal - not used	(2,278)	(7,090)	-	(481)	(9,849)
Monetary adjustment (reversal)	5,444	252	-	398	6,094
Reversal due to realization	(3,097)	(5,365)	-	(632)	(9,094)
Provisions (reversals) due to realization - non-cash effect	-	-	-	(3,485)	(3,485)
At December 31, 2022	44,848	10,321	4,550	28,650	88,369
Charged (credited) to the statement of operations:	8,916	(3,714)	-	(2,695)	2,507
Additional provisions	10,845	2,446	-	1,032	14,323
Reversal - not used (a)	(17,439)	(4,938)	-	(3,797)	(26,174)
Monetary adjustment (reversal)	15,510	(1,222)	-	70	14,358
Reversal due to realization	(3,585)	(1,475)	-	(8)	(5,068)
Provisions (reversals) due to realization - non-cash effect	-	-	-	(5,837)	(5,837)
			-		-
At December 31, 2023	50,179	5,132	4,550	20,110	79,971

(a) In the 2023 movement, the line of reversal for non-use refers to the review of the probability of loss of some civil lawsuits filed by construction companies, which claimed a problem with product detachment after laying. In such cases, the Company was able to technically prove that the defect resulted from installation (laying) performed contrary to the express recommendation and not from the product, as evidenced by expert reports and favorable decisions. Because of this and the fact that, in these lawsuits, the main and necessary evidence to be produced is expert evidence, after this alignment between technical and legal advice, the possibility of loss was considered remote, which resulted in a reversal of provisions.

Civil

The Company and its subsidiaries are defendants in 424 civil lawsuits (454 lawsuits at December 31, 2022), before the Common Courts and Special Civil Courts.

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

a) Public Civil Action No. 5003588-47.2012.4.04.7214

The Federal Government filed a Public Civil Action against Mineração Portobello, seeking compensation for property damages arising from the alleged illegal extraction of materials, referring to the period from 2002 to 2010. The requests were partially granted in relation to the condemnation of Mineração Portobello to pay compensation, to be calculated when the decision is handed down, considering the five-year statute of limitations. Appeals on the merits of the case were filed by the Parties; the one filed by Mineração Portobello was denied and that filed by the Federal Government was partially granted for the increase of the extracted ore value. The special appeals of the Parties were denied. The extraordinary appeals filed were also denied. The Federal Government's internal appeal was granted by an unanimous decision of the panel of the Federal Supreme Court recognizing that the compensation is not subject to the statute of limitations. The Company filed an appeal against this decision, which, after decision of a single judge of the court of appeals, was rejected. Subsequently, the Company filed an interlocutory appeal against the decision.

Since there is a decision of a higher court and due to the current phase of the proceeding, the Company increased the provision for the estimated amount, according to the criteria defined in prior decisions, totaling the updated amount of R$ 35,372 at December 31, 2023 (R$ 11,710 at December 31, 2022).

b) Investigative processes

In November 2022, the Company was notified of the initiation, by the Ministry of Economy, of an Administrative Accountability Process - PAR/ME No. 14044.720171/2022-71, to investigate evidence of non-compliance with the provisions of Law 12,846/13, consisting of an alleged irregularity dating back to 2015. The process was classified as probable risk in June 2023, with a provision of R$1,912.

Following the conclusion of the internal investigation, it was found that this was a one-off act carried out by a third party with which the company no longer has any kind of relationship. Considering the company's commitment to ethics and transparency, its cooperation with the authorities and the strict liability provided for in the law, the Comptroller General's Office proposed proceeding through the Early Trial procedure, which was the option adopted by the Company.

On November 30, 2023, considering the CGU's recognition of the Company's collaboration and commitments, the request for Early Judgment was granted, setting the amount of the penalty at R$ 2,003, which was paid in full in December 2023, with the other sanctions provided for in Law 12,846/13 being waived, in particular the sanction of extraordinary publication of the conviction decision provided for in item II of article 6 of Law 12,846/13, as set out in Conjur Opinion 414/2023.

Labor

The Company and its subsidiaries are defendants in 454 labor claims (359 claims at December 31, 2022), filed by former employees and third parties. The lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

Social security

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized a provision for these debts in the total amount of R$ 4,550, which still depend on a court decision in the Tax Execution phase, or in some cases, an administrative decision before the Brazilian Federal Revenue Service.

Tax

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

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

Under tax provisions, the Company has a consolidated balance of R$ 19,540 at December 31, 2023 (R$ 21,614 in 2022), referring to a provision for success fees, substantially on tax assets.

26. Lawsuits assessed as possible losses

a) Possible loss

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

All amounts in thousands of reais, unless otherwise stated.

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Civil	5,426	5,508	12,453	5,593
Labor	5,477	6,259	5,585	6,378
Social security	10,985	10,985	10,985	10,985
Tax	21,380	15,128	21,380	15,128
	43,268	37,880	50,403	38,084

Civil

In the Parent Company, the amount of R$ 5,426 is divided into 37 lawsuits, among which the main opposing parties are construction companies claiming problems with Portobello products.

In Consolidated, the amount of R$ 6,967 is added to the Parent Company's amount, referring to 3 lawsuits of Mineração Portobello whose opposing party is the Attorney General's Office (AGU), which are awaiting judgment on appeal.

Labor

In Consolidated, the amount of R$ 5,585 refers to 116 labor lawsuits, with dispersed amounts.

Social security

This refers to proceeding No. 11516.721.813/2019.61 concerning the employer's contribution to the special retirement for unhealthy conditions, whose opposing party is the Brazilian Federal Revenue Service, which summoned the Company in 2019 in the amount of R$10,500.

Tax

The amount in Consolidated refers to 6 processes, the largest of which are processes 10340.720921/2022-17, in the amount of R$ 16,173, related to ICMS in the State of Rio de Janeiro, and 072.11.005264-3 - TJ/SC, in the amount of R$ 3,689, related to non-approval of offset declared.

27. Equity

27.1 Share capital

At December 31, 2023 and December 31, 2022, the Company has a subscribed and paid-up capital in the total amount of R$ 250,000, divided into 140,986,886 common, registered and book-entry shares, with no par value.

At December 31, 2023, there were 54,696,247 outstanding shares, corresponding to 38.82% of the total shares issued (54,759,327 at December 31, 2022, corresponding to 38.84% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling stockholders, members of the Board of Directors, Supervisory Board, Managers and treasury shares.

All amounts in thousands of reais, unless otherwise stated.

During 2023, there was no movement in the total number of shares. During the comparative period, the Company had variations in its shares due to purchase of shares to be held in treasury and cancellation of shares referring to the buyback plan of 2021 and 2022. Share variations are shown below:

	Treasury share movement	Shares	Treasury shares	Shares held by stockholders
December 31, 2021	Closing balance	147,529,703	6,542,817	140,986,886
March 2022	Cancellation	(6,542,817)	(6,542,817)	140,986,886
December 31, 2022 and 2023	Closing balance	140,986,886	-	140,986,886

27.2 Treasury shares

On June 14, 2021, the Board of Directors approved a new Buyback program of up to 6,542,817 shares, which corresponds to 4.4% of the shares issued and 10% of the outstanding shares (“free float”), effective until June 14, 2022.

Up to December 31, 2021, the Company purchased 6,542,817 common shares, for the total amount of R$ 91,351.

Up to March 28, 2022, the Company canceled 6,542,817 common shares, which remain in treasury.

27.3 Earnings reserve

At December 31, 2023 and December 31, 2022, the balance of the legal reserve amounts to R$ 50,000, reaching 20% of the paid-up capital, as provided for in Article 193 of the Brazilian Corporation Law (Law 6,404/76).

At December 31, 2023, the earnings retention reserve amounts to R$16,164 (R$36,869 in 2022), and in 2023 the Company recorded tax incentive reserves in the amount of R$20,705. They refer to government grants for ICMS tax incentives related to Prodesin (Integrated Development Program of the State of Alagoas), the Differentiated Tax Treatment of Santa Catarina (TTD) and to Simples Nacional.

At December 31, 2023 and December 31, 2022, the unrealized profits reserve has a balance of R$ 35,633 and its purpose is to show the portion of profits whose allocation will be decided at the Annual General Meeting.

At December 31, 2023, the balance of the tax incentive reserve amounts to R$ 123,899 (R$ 103,194 at December 31, 2022).

All amounts in thousands of reais, unless otherwise stated.

27.4 Carrying value adjustments

Parent Company and Consolidated	Carrying value adjustments			
	Deemed cost (a)	Cumulative translation adjustments (b)	Other comprehensive income (c)	Total
At December 31, 2021	31,139	(66,490)	(7,259)	(42,610)
Realization of the revaluation reserve	129	-	-	129
Foreign exchange variation of subsidiary located abroad	-	(3,071)	-	(3,071)
Actuarial gain / (loss)	-	-	7,364	7,364
Deferred income tax and social contribution on actuarial gain (loss)	-	-	(2,504)	(2,504)
Hedge accounting transactions	-	-	3,935	3,935
Deferred income tax and social contribution on hedge accounting	-	-	(1,338)	(1,338)
At December 31, 2022	31,268	(69,561)	198	(38,095)
Realization of the revaluation reserve	(1,219)	-	-	(1,219)
Foreign exchange variation of subsidiary located abroad	-	(14,475)	-	(14,475)
Actuarial gain / (loss)	-	-	(11,337)	(11,337)
Deferred income tax and social contribution on actuarial gain (loss)	-	-	3,854	3,854
Hedge accounting transactions	-	-	8,212	8,212
Deferred income tax and social contribution on hedge accounting	-	-	(2,791)	(2,791)
At December 31, 2023	30,049	(84,036)	(1,864)	(55,851)

a) Deemed cost

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

b) Cumulative translation adjustments

The changes in assets and liabilities in foreign currency (U.S. Dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. At December 31, 2023, the foreign exchange variation amounted to R$ (14,475) (R$ (3,071) at December 31, 2022), as mentioned in Note 16.

c) Other comprehensive income

At December 31, 2023, the balance of R$ (5,719) (R$ 198 at December 31, 2022) arises from:

i) Fair value of private pension plans (actuarial) of R$ (11,337) (R$ (7,364) at December 31, 2022);

ii) Hedge accounting fair value of R$ 14,620 (R$ 6,410 at December 31, 2022), due to the positive mark-to-market operations with derivative financial instruments classified as hedge accounting not yet realized up to December 2023, with an effect of R$ (4,971) (R$ (2,180) at December 31, 2022) related to the deferred income tax and social contribution, with a remaining balance net of hedge accounting fair value of R$ 9,649 (R$ 4,230 at December 31, 2022). These amounts are transferred from equity to profit or loss to the extent that the NDF contracts mature and sales in U.S. Dollars are shipped in the respective month of maturity of the contracts.

All amounts in thousands of reais, unless otherwise stated.

28. Employee benefits

Since 1997, the Company and its subsidiaries sponsor a pension plan called Portobello Prev, managed by Bradesco, which has 3,602 active participants (3,647 at December 31, 2022) and 28 retirees and pensioners (23 at December 31, 2022). 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, 2021	94,595	At December 31, 2021	75,918
Benefits paid in the year	(4,046)	Gross cost of current service (with interest)	1,803
Participant contributions in the year	2,282	Interest on actuarial obligation	10,695
Sponsor contributions in the year	4,246	Benefits paid in the year	(4,046)
Expected return on assets in the year	7,248	Liabilities - (gain) or loss	(3,102)
Financial (gains) losses	4,262		
At December 31, 2022	108,587	At December 31, 2022	81,268
Benefits paid in the year	(4,292)	Gross cost of current service (with interest)	2,475
Participant contributions in the year	2,282	Interest on actuarial obligation	8,101
Sponsor contributions in the year	2,842	Benefits paid in the year	(4,292)
Expected return on assets in the year	11,044	Liabilities - (gain) or loss	8,065
Financial (gains) losses	(3,271)		
At December 31, 2023	117,192	At December 31, 2023	95,617

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

Parent Company and Consolidated			Parent Company and Consolidated		
	December 31, 2023	December 31, 2022		December 31, 2023	December 31, 2022
Fair value of the plan assets	117,192	108,587	Gain (loss) on actuarial obligations	(8,066)	3,102
Present value of the obligations financed	(95,617)	(81,267)	Gain (loss) on plan assets	(3,271)	4,262
Net actuarial assets (liabilities)	21,575	27,320	Actuarial gain / (loss)	(11,337)	7,364

All amounts in thousands of reais, unless otherwise stated.

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

	Parent Company and Consolidated	
	December 31, 2023	December 31, 2022
Current service cost (with interest)	(2,475)	(1,802)
Interest on actuarial obligations	(8,101)	(10,695)
Expected return on plan assets	11,044	7,248
Participants contributions in the year	2,282	2,282
Employer contributions in the year	2,842	4,246
Recognized in the statement of operations	5,592	1,279

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

	Parent Company and Consolidated	
Economic and financial	December 31, 2023	December 31, 2022
Annual interest rate	9.13 % p.a. nominal (inflation + 5.44 % p.a. real)	8.91 % p.a. nominal (inflation + 5.23 % p.a. real)
Long-term return on assets	9.13 % p.a. nominal (inflation + 5.44 % p.a. real)	8.91% p.a. nominal (inflation + 5.23% p.a. real)
Long-term inflation	3.50%	3.50%
Projected salary increases	3.5 % p.a. nominal (0.00% p.a. real)	3.5 % p.a. nominal (0.00% p.a. real)
Projected growth of the plan benefits	0.,00% p.a.	0.,00% p.a.
Factor for determining the real value over time (wages)	98%	98%
Factor for determining real value over time (benefits)	98%	98%
Biometrics and demographics		
Turnover assumption	1.10%	1.10%
General mortality table	AT 2000 BASIC (segregated by gender)	AT-2000
Mortality table of individuals with permanent disability	EXP. IAPC	EXP. IAPC
Table of new disability benefit vested	TASA 1927	TASA 1927
Turnover	1.10% p.a.	1.10% p.a.
Retirement	100% first-time eligible	100% first-time eligible
Family composition before retirement	Not applicable	Not applicable
Family composition after retirement	Real family	Real family

All amounts in thousands of reais, unless otherwise stated.

The Company also recognized, at December 31, 2023, an actuarial loss of R$ (11,337) (gain of R$ 7,364 at December 31, 2022) in equity, as other comprehensive income, relating to payments made by the sponsor in the year, with an asset effect for employee benefit plan purposes and actuarial adjustment, with effect on other operating income, in the amount of R$ 5,592 (R$ 1,279 at December 31, 2022).

29. Revenues

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Gross sales	2,198,663	2,190,522	2,762,629	2,706,332
Result from hedge accounting transactions	30,344	41,896	30,344	41,896
Deductions from gross revenue	(505,273)	(472,067)	(602,139)	(551,547)
Taxes on sales	(427,394)	(416,698)	(502,062)	(476,854)
Returns and rebates	(77,879)	(55,369)	(100,077)	(74,693)
Net sales revenue	1,723,734	1,760,351	2,190,834	2,196,681

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Sale of own products	1,596,415	1,642,079	1,863,747	1,883,927
Sale of third-party products	127,319	118,272	208,158	196,246
Royalties	-	-	118,929	116,508
Net operating revenue	1,723,734	1,760,351	2,190,834	2,196,681

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

All amounts in thousands of reais, unless otherwise stated.

30. Expenses by nature

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

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Costs and expenses				
Cost of sales and/or services	(1,215,686)	(1,147,595)	(1,335,416)	(1,251,067)
Selling	(321,728)	(311,691)	(627,779)	(533,989)
General and administrative	(89,611)	(86,097)	(118,843)	(90,165)
	(1,627,025)	(1,545,383)	(2,082,038)	(1,875,221)
Breakdown of expenses by nature				
Direct production cost (raw materials and inputs)	(761,885)	(834,990)	(784,928)	(824,848)
Salaries, charges and employee benefits	(356,093)	(357,686)	(521,739)	(449,806)
Third-party labor and services	(71,746)	(99,722)	(135,724)	(127,861)
General production expenses (including maintenance)	(52,256)	(73,467)	(57,489)	(76,509)
Cost of goods resold	(105,685)	(94,580)	(181,031)	(191,122)
Depreciation and amortization	(78,742)	(61,113)	(138,120)	(91,969)
Sales commissions	(43,583)	(42,110)	(90,825)	(80,244)
Marketing and publicity	(39,033)	(42,315)	(60,703)	(59,881)
Transportation of goods sold	(57,259)	(39,328)	(63,816)	(39,328)
Lease expenses - not applicable to IFRS 16	(12,570)	(27,881)	(21,449)	(32,566)
Idleness cost	(17,084)	(10,994)	(20,520)	(10,994)
Other expenses	(12,893)	(959)	(30,906)	(23,906)
Changes in inventories (a)	3,329	155,363	63,328	153,624
Travel and lodging	(19,208)	(13,472)	(34,859)	(17,681)
Losses with customers	(2,317)	(2,129)	(3,257)	(2,130)
Total	(1,627,025)	(1,545,383)	(2,082,038)	(1,875,221)

(a) The change in inventories of finished products and work in progress is the difference between the cost of the product manufactured and the cost of the product sold, representing the sales of items manufactured in previous years.

All amounts in thousands of reais, unless otherwise stated.

31. Other operating income and expenses, net

The amounts of other net operating income and expenses are as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue from services	37	1,712	37	1,712
Actuarial adjustment	5,592	1,279	5,592	1,279
Sale of property, plant and equipment (a)	-	-	-	14,773
Reversal of the unconstitutionality of ICMS tax rate difference	2,802	19,621	2,802	19,621
Tax credits	7,232	2,975	7,232	2,975
Reversal/provisions for civil, labor, social security and tax issues, net	10,773	(5,652)	10,810	(5,840)
Attorney's fees	(622)	(2,853)	(622)	(2,853)
Taxes on other revenues	(902)	(711)	(1,202)	(764)
Bonus for achievement of goals	2,035	(2,955)	2,132	(4,912)
Provision/reversal for profit sharing	(1,651)	(4,833)	(343)	(7,758)
Provision for guarantees	(2,389)	-	(2,389)	-
Provision/reversal for inventory losses	-	-	5,162	(4,728)
Disposal of property, plant and equipment (a)	-	-	-	(14,905)
Other income/expenses	3,319	(2,296)	(2,390)	(5,815)
Other operating income (expenses), net	26,226	6,287	26,821	(7,215)

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

32. Finance income (costs)

Finance income (costs) are as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Finance income				
Interest	20,004	6,488	27,198	10,158
Asset adjustment	8,564	7,267	8,564	7,267
Gain from hedge accounting transactions	1,431	-	1,431	-
Other	138	526	263	730
Total	30,137	14,281	37,456	18,155
Finance costs				
Interest	(128,050)	(86,455)	(145,501)	(93,223)
Finance charges on taxes	(2,915)	(3,509)	(7,228)	(3,704)
Adjustment of provision for contingencies	6,198	(3,831)	(14,358)	(5,864)
Commissions and service fees	(12,026)	(6,736)	(23,967)	(12,335)
Bank expenses	(70)	(104)	(260)	(6,738)
Gain (loss) on *swap* transactions	(2,675)	(411)	(2,675)	(411)
Other	925	(6)	(2,047)	(163)
Total	(138,613)	(101,052)	(196,036)	(122,438)
Foreign exchange variations, net				
Trade receivables and trade payables	950	(5,387)	953	(5,375)
Borrowings and financing	(1,554)	(3)	(1,554)	(3)
Total	(604)	(5,390)	(601)	(5,378)
Total - net	(109,080)	(92,161)	(159,181)	(109,661)

All amounts in thousands of reais, unless otherwise stated.

33. Earnings (loss) per share

a) Basic

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

The table below establishes the calculation of earnings (loss) per share at December 31, 2023 and 2022:

	Parent Company and Consolidated	
	December 31, 2023	December 31, 2022
Profit (loss) attributable to the owners of the Company	(35,130)	153,098
Weighted average number of common shares	140,987	140,987
Basic earnings (loss) per share	(0.24917)	1.08590

b) Diluted

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

34. Dividends

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

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

Also, on March 27, 2023, the Board of Directors approved the distribution of additional dividends in the amount of R$ 29,615.

Accordingly, considering the advance payments made in 2022, in the amount of R$ 43,442, and the additional dividends approved in 2023, amounting to R$ 29,615, the Company distributed to the stockholders R$ 73,057 referring to 2022, as dividends and interest on capital.

On July 6, 2023, the Company paid additional dividends (R$ 29,615), of which R$ 18,337 as dividends and R$ 11,278 (R$ 9,635 net of income tax) as interest on capital, generating a total net disbursement of R$ 27,792 on that date.

All amounts in thousands of reais, unless otherwise stated.

35. Segment reporting

Management has defined the reportable segments, in accordance with CPC 22, into two operating segments, represented by Domestic Market (Brazil) and External Market. This segregation is based on the reports used for strategic decision-making, reviewed by the Statutory Board and presented to the Board of Directors, where a business analysis is conducted, segmenting it from the perspective of the markets in which it operates.

The operating segments comprise the commercial operations across all channels in which it operates and are subdivided according to their nature.

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

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

The revenues provided by business units are derived exclusively from the manufacturing and sale of ceramic tiles used in the civil construction industry in Brazil and the international market.

The Statutory Board evaluates the performance of the reportable operating segments, Domestic Market and External Market, based on the measurement of the EBITDA and assesses the Business Units according to gross margin profitability. In pursuit of continuous improvement in its disclosures, the Company has decided to include some additional information in its disclosure. The segment reporting, reviewed by the Executive Board, is as follows:

a) Information by disclosure segment between domestic and foreign markets for the years 2023 and 2022:

The gross profit and profit (loss) before financial results (EBIT) for each of the disclosure segments are presented below:

	At December 31, 2023			
Continued operations	Consolidated	Eliminations	Domestic Market	External market
Net Revenue	2,190,834	(104,512)	1,844,666	450,680
Cost of products sold	(1,335,416)	88,469	(1,110,210)	(313,674)
Gross operating profit	855,418	(16,043)	734,456	137,005
% Gross Margin	39,0%	15,4%	39,8%	30,4%
(-) Expenses	(719,818)	2,930	(530,610)	(192,138)
EBIT	135,600	(13,113)	203,846	(55,133)
Recurring EBITDA	284,334	(2,494)	307,656	(20,828)
Comparable EBITDA*	364,831	(2,494)	338,591	28,735

* Without considering the strategic projects that were planned for the year 2023,

All amounts in thousands of reais, unless otherwise stated.

	At December 31, 2022			
Continued operations	Consolidated	Eliminations	Domestic Market	External market
Net Revenue	2,196,681	(98,335)	1,781,645	513,371
Cost of products sold	(1,251,067)	94,402	(1,007,434)	(338,034)
Gross operating profit	945,615	(3,933)	774,211	175,336
% Gross Margin	43,0%	4,0%	43,5%	34,2%
(-) Expenses	(631,376)	(20,289)	(516,205)	(135,460)
EBIT	314,239	16,357	258,006	39,877
Continued operations	386,256	16,357	336,970	53,838
Comparable EBITDA*	404,194	(4,555)	340,876	67,873

* Without considering the strategic projects that were planned for the year 2022.

b) Information by business units for the years 2023 and 2022:

The gross operating profit and gross margins, by business unit, are presented below:

	At December 31, 2023					
Continuing operations	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	2,190,834	(105,204)	956,561	193,601	917,161	228,715
Cost of goods sold	(1,335,416)	103,329	(598,292)	(169,471)	(480,563)	(190,419)
Gross operating profit	855,418	(1,875)	358,269	24,130	436,598	38,296
Gross Margin	39%	2%	37%	12%	48%	17%

*Eliminations between transactions

	At December 31, 2022					
Continuing operations	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	2,196,681	(94,955)	1,024,156	225,444	809,011	233,025
Cost of goods sold	(1,251,067)	90,271	(577,114)	(153,265)	(433,412)	(177,547)
Gross operating profit	945,614	(4,684)	447,042	72,179	375,599	55,478
Gross Margin	43%	5%	44%	32%	46%	24%

*Eliminations between transactions

The information regarding assets and liabilities by segments is not presented, as it does not constitute the set of information analyzed by Management, which in turn makes decisions on investments and resource allocation considering the information from consolidated assets and liabilities.

36. Commitments for acquisition of assets

Purchases of property, plant and equipment

At December 31, 2023, expenses recorded but not yet incurred relating to property, plant and equipment amount to R$ 3,012 (R$ 1,588 at December 31, 2022). Such expenses correspond to the modernization of manufacturing equipment at the Tijucas/SC plant, according to the Company's investment plan.

Plant Construction Operation of the Subsidiary Portobello Manufacturing LLC:

By the end of the first six-month period of 2023, Portobello America completed the construction of the new plant in Baxter, Tennessee. In March 2022, the Company announced to the market the signing of the Built-to-Suit (BtS) contract, in the amount of US$ 90,000, which aimed to build the new plant, also informing the long-term commercial conditions for using the space in the form of leasing without purchase option.

In addition, in March 2022, Portobello America started to acquire equipment for phase 1 of the project for the installation of a continuous line. The installation of equipment and production tests were completed in June 2023 and production operations began in July 2023, with the portfolio starting in October 2023. The total investment in this first phase was R$ 324,811 (USD 55 million).

37. Non-cash items

In 2023, the Company made an advanced for future capital with the investee Portobello America in the amount of R$ 409,875 (Note 16), of which R$ 170,580 refers to the balance of trade receivables, not affecting cash (Note 16).

In June 2023, Mineração Portobello began to have net capital deficiency due to the registration of updated legal proceedings (Note 25.a.). In December 2023, PBG signed a debt assumption agreement with Mineração Portobello relating to these lawsuits, recording it under investments against a reimbursement liability in the amount of R$34,849. This amount did not affect cash (Note 16).

In 2023, SCGás and PIS and COFINS judicial deposits on finance income amounting to R$96,512 and R$5,837 in the consolidated accounts, respectively, were withdrawn by the opposing party, which did not affect the Company's cash position this year. Also, in 2023, prior to the survey by SCGás, there was an update of these judicial deposits against suppliers in current liabilities in the amount of R$2,142, an update that also did not affect cash (Note 11).

In 2023, there was interest capitalization on loans, financings, and debentures in the amount to R $27,815 (according to explanatory notes numbers 16 and 17), which are related to the acquisition, construction, or production of fixed assets by its subsidiaries in the United States. This amount was not included in the lines of accrued interest (Parent company's cash flow statement) and acquisition of fixed assets (Consolidated cash flow statement).

All amounts in thousands of reais, unless otherwise stated.

38. Related entities and parties

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

		Parent company	
Nature - Assets and liabilities balance	Company	December 31, 2023	December 31, 2022
Subsidiaries			
Commercial transactions			
Trade receivables	Portobello Shop S.A.	29	5
Trade receivables	Portobello America, Inc.	80,433	150,220
Trade receivables	Cia Brasileira de Cerâmica	574	253
Trade receivables	PBTech Com. Sern. Cer. Ltda.	7,408	11,287
Receivables from related parties	Portobello Shop S.A.	558	-
Trade payables	Cia Brasileira de Cerâmica	(2,950)	(3,578)
Trade payables	Mineração Portobello Ltda.	(5,697)	(4,122)
Trade payables	Portobello America, Inc.	(4,850)	-
Assets net of liabilities with subsidiaries		75,505	154,065
Related parties			
Payables to related parties	Refinadora Catarinense S.A.	(56,330)	(56,330)
Payables to related parties	Mineração Portobello Ltda.	(46,792)	(10,354)
Payables to related parties	PBTech Com. Sern. Cer. Ltda.	(618)	(16)
Payables to related parties	Portobello Shop S.A.	(66)	-
Trade receivables	Flooring Revest. Cer. Ltda.	1	24
Trade payables	Riveste Comercio Ltda.	-	(3)
Trade payables	Solução Cerâmica Com. Ltda.	-	(1)
Trade payables	Gomes Part Societárias Ltda.	(87)	-
Trade payables	AB Parking	(8)	(10)
Assets net of liabilities with other related parties		(103,900)	(66,690)

All amounts in thousands of reais, unless otherwise stated.

		Parent company	
Nature - profit or loss	Company	December 31, 2023	December 31, 2022
Revenues			
Subsidiaries			
Sales of goods	PBTech Com. Sern. Cer. Ltda.	180,461	138,530
Sales of goods	Cia Brasileira de Cerâmica	1,536	1,583
Sales of goods	Portobello America, Inc.	97,714	92,178
Related parties			
Sales of goods	Solução Cerâmica Com. Ltda.	1	35
Sales of goods	Riveste Comercio Ltda.	163	18,094
Sales of goods	Flooring Revest. Cer. Ltda.	544	13,694
Sales of goods	Gomes Part Societárias Ltda.	9	-
Expenses			
Subsidiaries			
Acquisition of inputs	Mineração Portobello Ltda.	(15,970)	(13,069)
Cutting service	Cia Brasileira de Cerâmica	(7,773)	(4,421)
Related parties			
Rental	Gomes Part Societárias Ltda.	(880)	(587)
Freight service	Multilog Sul Armazéns S/A	(1)	(73)
Cutting service	Flooring Revest. Cer. Ltda.	(2)	(7,364)
Parking service	AB Parking	(105)	(354)
Third-party services	Rádio Clube Tijucas Ltda.	(122)	-
		255,575	238,246

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

All amounts in thousands of reais, unless otherwise stated.

Related-party transactions

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

		Subsidiaries	
Transactions with subsidiaries and related entities	Nature - Property	December 31, 2023	December 31, 2022
Cia Brasileira de Cerâmica	Trade receivables, net of advances	1,816	-
Riveste Comercio Ltda.	Trade receivables, net of advances	(1)	261
Flooring Revest. Cer. Ltda.	Trade receivables, net of advances	-	465
PBTech Com. Sern. Cer. Ltda.	Trade payables	(1,816)	-
Flooring Revest. Cer. Ltda.	Payables to subsidiaries and related parties	-	(35,290)
		(1)	(34,564)

		Subsidiaries	
Transactions with subsidiaries and related entities	Nature - profit or loss	December 31, 2023	December 31, 2022
Solução Cerâmica Com. Ltda.	Revenue - royalties	-	3
Riveste Comercio Ltda.	Revenue - royalties	55	4,977
Flooring Revest. Cer. Ltda.	Revenue - royalties	188	3,853
PBTech Com. Sern. Cer. Ltda.	Revenue - sales of goods	5,206	3,048
AB Parking	Parking service	(393)	-
Gomes Part Societárias Ltda.	Expense - rental	(1,334)	(918)
Solução Cerâmica Com. Ltda.	Interest - store acquisition	(950)	-
Riveste Comercio Ltda.	Interest - store acquisition	(388)	-
Flooring Revest. Cer. Ltda.	Interest - store acquisition and Officina	2,596	-
		4,980	10,963

		Subsidiaries	
Transactions with subsidiaries and related entities	Nature – acquisition of operations	December 31, 2023	December 31, 2022
Riveste Comercio Ltda.	Store acquisition	-	13,200
Solução Cerâmica Com. Ltda.	Store acquisition	-	46,800
Flooring Revest. Cer. Ltda.	Store acquisition and Officina	-	54,722
		-	114,722

All amounts in thousands of reais, unless otherwise stated.

Key management personnel compensation

Expenses on compensation paid to key management personnel, which comprise the members of the Executive Board, Board of Directors, Supervisory Board and Management, recorded at December 31, 2023, are as follows:

	Parent company		Consolidated	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Fixed compensation				
Salaries	6,793	13,910	9,726	15,154
Fees	8,611	9,227	8,611	9,227
Variable compensation	1,347	2,993	1,455	3,438
Pension Plan	773	1,041	874	1,056
Severance benefits	1,298	966	1,298	966
Other	1,933	4,538	2,376	4,687
	20,755	32,675	24,340	34,528

39. Insurance coverage (unreviewed)

The insurance coverage, at December 31, 2023, is considered sufficient to cover any claims, however the risk assumptions adopted, given their nature, are not part of the scope of an audit, consequently, they were not audited by the independent auditors. The indemnity amounts and coverage are summarized as follows:

Insurance Policy	Maximum Indemnity Limit	Maturity
General civil liability insurance (Tijucas/Pointer)	6520	04/14/2024
Directors & Officers Liability Insurance (D&O)	43,000	08/26/2024
International transport insurance - Portobello imports	189,433	12/31/2023
International transport insurance - Pointer imports	4,808	12/31/2023
Property Insurance - Pointer (Alagoas Building)	61,000	06/13/2024
Legal Protection Insurance	1,691	04/24/2026
Legal Protection Insurance	4,945	04/26/2024
Legal Protection Insurance	179	07/28/2024
Legal Protection Insurance	869	01/29/2025
Legal Protection Insurance	340	05/10/2025
Legal Protection Insurance (a)	28,000	06/18/2025
Legal Protection Insurance	303	01/26/2026
Legal Protection Insurance (b)	28,777	03/07/2027
Legal Protection Insurance	171	03/21/2027
Legal Protection Insurance	21	03/21/2027
Legal Protection Insurance	6,943	12/14/2027
Legal Protection Insurance	16,242	12/16/2027
Legal Protection Insurance	834	02/28/2028
Legal Protection Insurance	189	03/29/2028
Legal Protection Insurance	16,455	06/09/2028
Group life insurance and funeral assistance	1,857	02/28/2024
Guarantee Bond Contract Engie EBC-18. 1710-CVE-CL	4,047	12/31/2023
Guarantee Bond Contract Engie EBC-18. 1710-CVE-CL	2,657	03/01/2024

All amounts in thousands of reais, unless otherwise stated.

Insurance Policy	Maximum Indemnity Limit	Maturity
PBG Property Insurance (Tijucas/Pointer/DCs) - single maximum indemnity limit	305,000	06/13/2024
Vehicle fleet (PBG)	16 (vehicles)	11/15/2024
Cyber insurance	10,000	07/01/2024
Property Insurance (Administrative Building)	11,000	04/14/2024
Legal Protection Insurance	485	10/02/2026
Legal Protection Insurance	47	10/03/2026
Legal Protection Insurance	28	10/17/2026
Legal Protection Insurance	16	10/24/2026
Legal Protection Insurance	7	10/27/2026
Legal Protection Insurance	8	10/30/2026
Legal Protection Insurance	84	10/31/2026
Legal Protection Insurance	33	11/23/2026
Legal Protection Insurance	16	12/05/2026
Legal Protection Insurance	20	12/07/2026
Legal Protection Insurance	132	12/08/2026
Legal Protection Insurance	33	12/21/2026
Legal Protection Insurance	33	12/27/2026
Legal Protection Insurance	131	10/10/2028
Legal Protection Insurance	108,981	11/29/2028
Legal Protection Insurance	383	11/30/2028
Legal Protection Insurance	1,148	12/14/2028

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

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

40. Amendments to standards that are not yet effective

i) Amendments to IAS 1 - Presentation of Financial Statements

According to IAS 1 - "Presentation of financial statements", for an entity to classify liabilities as non-current in its financial statements, it must have the right to avoid settlement of the liabilities for at least twelve months from the reporting date. In January 2020, the IASB issued an amendment to IAS 1 "Classification of liabilities as current or non-current", whose date of application was for fiscal years beginning on or after January 1, 2023, which determined that the entity would not have the right to avoid the settlement of a liability for at least twelve months if, at the reporting date, it had not complied with the indexes provided for in restrictive clauses (e.g. covenants), even if the contractual measurement of the covenant was only required after the reporting date by up to twelve months.

Subsequently, in October 2022, a new amendment was issued to clarify that liabilities that contain restrictive clauses requiring the achievement of ratios under covenants only after the reporting date, do not affect the classification as current or non-current. Only covenants with which the entity is required to comply by the reporting date affect the classification of the liability, even if the measurement only takes place after that date.

The 2022 amendment introduces additional disclosure requirements that allow users of the financial statements to understand the risk of the liability being settled within twelve months of the reporting date. The 2022 amendment changed the date of application of the 2020 amendment. Thus, both changes apply for fiscal years beginning on or after January 1, 2024.

ii) Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosure

The amendment issued by the IASB in May 2023 brings new disclosure requirements on supplier finance arrangements (SFAs) with the aim of enabling investors to assess the effects on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are described in this amendment as arrangements in which one or more financing providers offer to pay amounts that an entity owes to its suppliers, and the entity agrees to pay in accordance with the terms and conditions of the arrangement on the same date, or at a later date, that the suppliers are paid. The agreements usually provide the entity with extended payment terms, or the entity's suppliers with early receipt terms, compared to the original due date of the related invoice.

The new disclosures include the following main information:
(a) The terms and conditions of the SFA agreements.
(b) For the beginning and end of the reporting period:
(i) The carrying amount and the line items of the financial statements associated with financial liabilities that are part of SFA agreements.
(ii) The carrying amount and the line items associated with the financial liabilities in (i) for which the suppliers have already received payment from the financing providers.
(iii) Range of payment due dates for financial liabilities in (i) and comparable payables that are not part of the aforementioned SFA agreements.
(c) Non-cash changes in the carrying amounts of financial liabilities in b(i)
(d) Concentration of liquidity risk with financial providers.

The IASB has provided a temporary exemption for the disclosure of comparative information in the first year of adoption of this amendment. This exemption also includes some specific opening balances. In addition, the required disclosures are only applicable for annual periods during the first year of application. This amendment is effective as of January 1, 2024.

These amendments are not expected to have a significant impact on these financial statements. There are no other IFRS accounting standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on these financial statements.

41. Subsequent Events

Loan and Financing Acquisitions

On February 27, 2024, the Company acquired R$ 70.000 million in NCE (External Commercial Notes) from Banco Alfa, with a term of 24 months.

On March 8, 2024, there was an acquisition of R$ 70.000 million under the PPE (Pre-Export Payment) modality from Banco Santander, also with a term of 24 months.

Lawsuits with provision for possible loss

Tax Execution no. 5043288-86.2023.4.04.7200 (PAF Origin no. 10983.721445/2014-78)

In January 2024, the tax execution related to remaining debts (monthly CSLL estimates for the period from 01/2010 to 11/2012 and CSLL for the years 2010 to 2013) was classified as a possible loss probability, which were definitively constituted and registered in active debt, under no. 91.6.23.038297-91, object of EF no. 5043288-86.2023.4.04.7200, in the amount of R$ 21,827,168.32. The object of tax enforcement collection is the disallowance of expenses related to tax subsidies included in the installment plan established by MP 470/2009.

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

Tijucas, March 13, 2024.

Jorge Muller

Mario Augusto de Freitas Baptista

Carlos Eduardo Zoppello Brennand

PortobelloGrupo

<u>Directors' Statement on Financial Statements and Review Report</u>
<u>Special of Independent Auditors</u>

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, 2023; and

(ii) reviewed, discussed and agreed with the opinions expressed in the special review report of PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES, regarding the Company's Quarterly Information for the quarter ended on December 31, 2023.

Tijucas, March 13, 2024.

<u>Board Composition</u>

John Suzuki - Chief Executive Officer

Rosangela Sutil - VP of Finance and Investor Relations

Luciano Alves Abrantes - Chief Transformation Officer

Portobello Grupo

OPINION OF THE AUDIT COMMITTEE

The members of the Audit Committee of PBG S.A., in the exercise of their legal attributions and responsibilities, as provided in the Internal Rules of Procedure of the Audit Committee, have examined and analyzed the financial statements, together with the opinion of the independent auditors and the annual management report for the fiscal year ended December 31, 2023 ("Annual Financial Statements 2023") and, considering the information provided by the Company's Management and by PwC Auditores Independentes, unanimously opine that they adequately reflect, in all relevant aspects, the equity and financial positions of the Company and its subsidiaries, and recommend the approval of the documents by the Company's Board of Directors for their forwarding to the Annual General Meeting of Shareholders, under the terms of the Corporation Law.

Florianópolis, March 13, 2024.

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Cláudio Ávila da Silva

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Geraldo L. M. Filho

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Gladimir Brzezinski