Portobello Grupo

4Q21 Results

PBG S.A.

Release of 4Q21 results

December 31st, 2021

Share Price (12/31/2021)

PTBL3 – R$ 9.64

Market Value (12/31/2021)

R$ 1,422.2 million

US$ 254.9 million

Number of shares (12/31/2021)

Common: 147,529,703

Treasury: 6,542,817

Number of shares (03/17/2022)

Common: 140,986,886

Free Float = 39.5%

Investor Relations

Ronei Gomes
Chief Financial and Investor Relations Officer

Roger Nickhorn
Financial Planning and Investor Relations Sr. Manager

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Quantity of shares (Thousand)	Last fiscal year 12/31/2021
Paid-in capital	
Common	147.530
Preferred	-
Total	**147.530**
Treasury	
Common	6.543
Preferred	-
Total	**6.543**

PortobelloGrupo

Portobello Grupo consolidates a new level of operational performance in 2021. Net Revenue of R$ 1.9 billion, EBITDA of R$ 365 million and Net Income of R$ 188 million

Tijucas, March 17th, 2022. PBG S.A. (B3: PTBL3), the largest ceramic tile company in Brazil, announces its results for the fourth quarter of 2021 (4Q21). The financial information reported herein is derived from PBG S.A.'s consolidated Quarterly Financial Information, prepared in accordance with the standards issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

4Q21 and 2021 Highlights

- **Net Revenue of R$ 520.2 million in 4Q21**, with growth of **29.7% over 4Q20** and **R$ 1.9 billion in 2021**, with growth of **43.6% over 2020**, with growth in all Business Units and highlighting **retail operations in Brazil and international market**.

- **Adjusted and Recurring Gross Margin** of **45.1% in 4Q21**, up **5.8 pp over 4Q20**. In 2021, Adjusted and Recurring Gross Margin reached **43.3%, 6.6 pp above 2020**.

- **Adjusted and Recurring EBITDA** of **R$ 96.4 million in 4Q21, R$ 21.8 million or 29.1% over 4Q20.** In 2021, Adjusted and Recurring EBITDA was **R$ 365.4 million, R$ 190.8 million or 109.3% higher than in 2020** and with **EBITDA Margin of 19.1%, an improvement of 6.0 pp over 2020**.

- **Adjusted and Recurring Net Income** of **R$ 49.3 million in 4Q21, R$ 14.4 million or 41.5% higher than in 4Q20**. In the year 2021, Adjusted and Recurring Net Income reached **R$ 188.0 million, an increase of R$ 101.7 million or 117.8% over 2020**.

- **Working Capital Investment** of R$ 270.4 million, with an increase of **R$ 75.1 million over 4Q20**, but with an **improvement in the Cash Conversion Cycle**, reaching 32 days in 4Q21 compared to 42 days in 4Q20 **(a 10-day reduction)**.

- **Net Debt** of R$ 576.9 million in 4Q21, an increase of **R$ 175.6 million over 4Q20**, although **Net Debt/Adjusted and Recurring EBITDA reduced to 1.6 times in 4Q21,** an **improvement of 0.7 times over 4Q20** due to the strong growth in Adjusted and Recurring EBITDA and decrease in the Cash Conversion Cycle.

- **PTBL3 price** ended the year 2021 at **R$ 9.64**, an **appreciation of 40.5% over December 31, 2020**.

		4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Performance	**Net Revenue**	**401.1**	**520.2**	**29.7%**	**119.0**	**1,331.8**	**1,912.1**	**43.6%**	**580.3**
	Adjusted and Recurring Gross Profit	**157.5**	**234.7**	**49.0%**	**77.2**	**488.4**	**827.1**	**69.3%**	**338.7**
	Adjusted and Recurring Gross Margin	39.3%	45.1%	5.8 p.p.		36.7%	43.3%	6.6 p.p.	
	Net Income	**34.8**	**54.9**	**57.8%**	**20.1**	**128.2**	**216.2**	**68.7%**	**88.1**
	Net Margin	8.7%	10.6%	1.9 p.p.		9.6%	11.3%	1.7 p.p.	
	Adjusted and Recurring Net Income	**34.8**	**49.3**	**41.5%**	**14.4**	**86.3**	**188.0**	**117.8%**	**101.7**
	Adjusted and Recurring Net Margin	8.7%	9.5%	0.8 p.p.		6.5%	9.8%	3.4 p.p.	
	EBITDA	**74.7**	**94.5**	**26.5%**	**19.8**	**175.3**	**360.9**	**105.9%**	**185.6**
	EBITDA Margin	18.6%	18.2%	-0.5p.p.		13.2%	18.9%	5.7 p.p.	
	Adjusted and Recurring EBITDA	**74.7**	**96.4**	**29.1%**	**21.8**	**174.5**	**365.4**	**109.3%**	**190.8**
	Adjusted and Recurring EBITDA Margin	18.6%	18.5%	-0.1 p.p.		13.1%	19.1%	6 p.p.	
Indicators	**Working Capital (R$)**	**195.3**	**270.4**	**38.5%**	**75.1**				
	Cash Conversion Cycle (days)	**42**	**32**	**-23.8%**	**(10)**				
	Net Debt	**401.4**	**576.9**	**43.7%**	**175.6**				
	Net debt/EBITDA	2.3	1.6	-30.2%	(0.7)				
	Adjusted and Recurring Net Debt/EBITDA	**2.3**	**1.6**	**-31.4%**	**(0.7)**				
PTBL3	Share Price	6.86	9.64	40.5%	2.78				

Message from Management

In 2021, Portobello Group consolidated the new operational performance level that has been taking place since the second semester of 2020, when all its industrial units started to operate at full capacity - and maintained this level since then - with revenue growth, maintenance of high levels of gross margin and expense dilution, despite strong cost pressure. The positive performance was presented in all Business Units, but mainly in the retail operations in Brazil and international businesses. The year was the best in the history of over 42 years of Portobello Group in terms of revenue, margins, cash generation, distribution of dividends, among several other indicators, and was achieved thanks to the effort and commitment of the more than 3,700 employees who are part of the Group.

The ceramic tile market continues to live a very positive moment, with high demand, and Portobello Group channeled opportunities and boosted its performance by focusing on generating value for the Company and on the service level provided to clients.

The amount of R$ 102.7 million was distributed in dividends to shareholders during the year, equivalent to 50% of net income, net of capital reserves, in addition to R$ 63.0 million regarding fiscal year 2020, corresponding to a dividend yield of 15.3% over the closing price of the year 2020. Furthermore, a total of 13.5 million shares were repurchased in the amount of R$ 153.7 million (average price of R$ 11.38 per share), equivalent to 8.8% of the total shares before these operations, and all repurchased shares were cancelled. Considering the dividends distributed and shares repurchased, a total of R$ 319.4 million was paid to the Company's shareholders in 2021.

Keeping the strategic guideline of international growth, Portobello Group started the works on the new plant in the United States in 4Q21. The project for the new unit, approved by the Board of Directors in 3Q21, should start operating in early 2023 with an investment of US$ 160 million, of which approximately 50% will be financed with BtS *(Built to Suit)* transaction and approximately 50% through own funds for the purchase of equipment with long-term financing from suppliers. The project is in the final phase of the contraction of an international partner for the long term financing in a BtS operation.

Net Revenue in 4Q21 totaled R$ 520.2 million, maintaining the level above R$ 500 million, reached in 3Q21 for the first time in the Group's history, with growth of 29.7% over 4Q20. Moreover, Net Revenue totaled R$ 1,912.1 million in 2021, up 43.6% over 2020

In the domestic market, Net Revenue in 4Q21 grew 28.8% over 4Q20 and, in 2021, there was a growth of 41.9% over 2020. According to ABRAMAT (Brazilian Association of Construction Materials Industries), in 2021, the sales of the construction materials market had a nominal growth of 37.9% over the last year, which demonstrates the strong growth of operations compared to the domestic market and the consistent increase in market share.

In the foreign market, Net Revenue increased 33.2% in 4Q21 over 4Q20 (36.9% in Dollars) and 50.0% growth in 2021 over 2020 (47.0% in Dollars). This growth was due to the expansion of distribution and increase in the average ticket in United States, an increase in the volume sold by Portobello America Business Unit, as well as the greater international presence of Portobello and Pointer Business Units.

The Adjusted and Recurring Gross Margin continued presenting a positive performance, reaching 45.1% in 4Q21, accounting for an increase of 5.8 pp over 4Q20, and 43.3% in 2021, with an improvement of 6.6 pp over 2020, mainly due to price increases, better product mix and productivity/cost efficiency initiatives and gains of scale.

Adjusted and Recurring EBITDA reached R$ 96.4 million in 4Q21, with Adjusted and Recurring EBITDA Margin of 18.5%, in line with 4Q20. In 2021, the Company's Adjusted and Recurring EBITDA reached R$ 365.4 million in 2021, with an Adjusted and Recurring EBITDA Margin of 19.1% and an increase of 6.0 pp over 2020, due to the increase in Adjusted and Recurring Gross Margin of 6.6 pp, and the decrease of Adjusted Operating Expenses of 0.2 pp over 2020 in relation to Net Revenue, due to gains of scale.

Working Capital investment in 4Q21 was R$ 270.4 million, accounting for an increase of R$ 75.1 million over 4Q20, with an increase in business volume being mitigated by the 10-day reduction in the Cash Conversion Cycle, reaching 32 days in 4Q21, compared to 42 days in 4Q20. Said reduction was due to the improvement in the management of the receivables portfolio and the initiatives to extend supplier terms.

The Company ended 4Q21 with a net debt of R$ 576.9 million, with a Net Debt/Adjusted and Recurring EBITDA of 1.6 times. The 0.7 times decrease in leverage compared to 4Q20 was due to the consistent increase in Adjusted and Recurring EBITDA, coupled with an improvement in the Cash Conversion Cycle.

In 3Q21, the Company raised R$ 430 million in the market through the issuance of Debentures and Export Credit Notes (NCEs) with a payment term of 5 years and a 2-year grace period. As part of the strategy to raise funds and lengthen the bank debt profile, the Company settled the shorter-term bank debt in 4Q21, bringing the average bank debt duration to 4.4 years, which represents an extension of 0.8 years over the average term at the end of 2020.

CapEx investments in 4Q21 totaled R$ 47.6 million, of which 38% were allocated to investments in the Portobello America Business Unit and 50% to investments in the Tijucas-SC plant. In 2021, the amount invested was R$ 114.8 million, being 34% allocated to investments in Portobello America and 36% to the Tijucas-SC plant. The other investment amounts were mainly allocated to the commercial projects of the Portobello Shop Unit and the Group's corporate projects.

Business Unit Performance

The Portobello Shop Business Unit ended 4Q21 with Net Revenue of R$ 183.3 million, accounting for an increase of 45.9% over 4Q20. In 2021, it reached R$ 632.6 million, with growth of 60.7%. over 2020, through the management of 138 stores across the country, of which 18 are own units. The ICVA (Cielo Broad Retail Index), which measures the construction materials retail sector in Brazil in value, recorded nominal growth of 4.6% in 2021 over 2020. Net Revenue from own stores grew 78.3% in 2021 over 2020 and increased its share of the Business Unit's total by 3.2 pp, reaching 32.7%. The Business Unit's Adjusted and Recurring Gross Margin also improved and achieved 46.6% in the 4Q21 with an increase of 6.5 p.p. over 4Q20, and in 2021, 45.5% with an improvement of 7.9 p.p. over 2020.

The Portobello Business Unit recorded Net Revenue in 4Q21 of R$ 243.4 million, accounting for an increase of 23.0% over 4Q20, and it reached R$ 904.7 million in 2021, an increase of 32.6% over 2020. The growth achieved in 2021 in all channels (exports, multibrand resale and engineering) was leveraged by the strong advance in the mix qualification, particularly with growth in porcelain tile panels produced in Tijucas-SC plant and channel management, with emphasis on the Foreign Market, with growth of 44.3% (41.1% in Dollars). Throughout 2021, the Business Unit kept operating at full capacity, which, coupled with the efficiency gain program, the improvement in the sales mix and the price increase, enabled the growth of Adjusted and Recurring Gross Margin to 46.6% in 4Q21, advancing 7.3 pp over 4Q20. Moreover, it reached 44.3% in 2021, also showing a positive evolution of 7.3 p.p. over 2020. The Business Unit's focus during 4Q21 was on improving service levels, coupled with the correct balance of inventories and meeting the strong demand, in addition to implementing ESG actions, such as the revitalization of the Tijucas-SC plant and reductions in water consumption.

The Pointer Business Unit, the Group's democratic design brand, reached Net Revenue of R$ 69.1 million in 4Q21, a growth of 6.1% over 4Q20. In 2021, the net revenue amounted to R$ 269.8 million, a 45.2% over 2020, with a positive performance in all channels due to the volume increase, productivity gains, price management and a more qualified mix with "Superceramic" items, highlighting the foreign market that grew 99.4% (95.7% in Dollars). Adjusted and Recurring Gross Margin was 40.3%, an improvement of 1.9 p.p. over 4Q20 and in 2021, was 40.0%, an increase of 9.2 p.p. over 2020 due to the positive effects of the qualification of the product mix, pricing and the brand's positioning in the North and Northeast regions of Brazil. Also due to production at full capacity, the Business Unit continues focused on maintaining the service level in a highly demanded market.

The Portobello America Business Unit reached Net Revenue of R$ 44.6 million in 4Q21, a growth of 43.3% over 4Q20 (51.9% in Dollars). In 2021, it reached R$ 175.4 million, a growth of 49.3% over 2020 (48.3% in Dollars). This growth was mainly due to the local distribution operation, which grew 76.9% (77.7% in Dollars) in 2021 over 2020. The Business Unit presented Adjusted and Recurring Gross Margin of 18.2% in 2021, a one-off reduction of 6.1 pp over 2020, due to the increase in costs in Reais and significant increase in international freights in 2H21. In 4Q21 Portobello America Business Unit made the price adjustments needed, taking into consideration the expected profitability, as well as the need for scale growth, building the demand to occupy the new plant in the United States. This price adjustment will start presenting results within the 1H22, with billings from the portfolio at new price levels.

Outlook for 2022 and 1Q22

- The Company expects the premium market for construction/finishing materials to remain strong throughout 2022, with growth opportunities in relation to 2021 via price increases and product mix qualification, mainly as a result of continued cost pressure and limited installed capacity for significant growth in production volume.

- The Company expects to record growth in Net Revenue of around 20% for 2022 compared to 2021, fully driven by price increases and product mix improvement to cover cost pressure.

    - In 1Q22, the Company expects to grow its Net Revenue by around 25% over 1Q21. In January and February 2022, the Company recorded growth in Net Revenue of 25% over the same period in 2021.

- The Company continues working to improve its service levels, with the purpose of reducing delivery times, minimizing the risk of disruption and increasing the level of satisfaction of its clients. This initiative covers all Business Units and reflects the Group’s effort to seek greater logistics efficiency and optimization of transport costs.

- In 2022, the Company’s focus continues to be the maintenance of the Adjusted and Recurring Gross Margin in a level similar to 2021, around 43% of Net Revenue, despite the greater inflationary pressure on costs (mainly energy) through price increases, qualification of the product mix and factory productivity, in addition to strict management in the choices related to operating costs.

- The Company expects that the Adjusted and Recurring EBITDA Margin in 2022 will remain at the same level as in 2021, around 19% of Net Revenue.

- The 2022 CapEx investment plan is estimated by the Company in R$ 280 million, of which around 40% will be allocated to the acquisition of equipment and infrastructure for the Portobello America Business Unit’s plant, around 25% for strategic projects related to the growth of retail in Brazil and strengthening of the digital initiatives of the Portobello Shop Business Unit, and around 35% for investments in technological updating and expansion of the industrial plants of the Portobello and Pointer Business Units.

- Working Capital management also remains a priority for the Company and the Cash Conversion Cycle at the end of 2022 is expected to remain in line with the performance at the end of 2021, although with possible occasional increases during the quarters of the year, owing to small corrections in the inventory level with the objective of improving the service level to clients, minimized by the continuity in the improvement of the receivables portfolio and by the strategic management of supplier terms.

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

COVID-19

During 4Q21, we had the advancement of the Omicron variant, which made the Company remain cautious regarding COVID-19 security protocols, with the return of a significant portion of the administrative teams from remote work.

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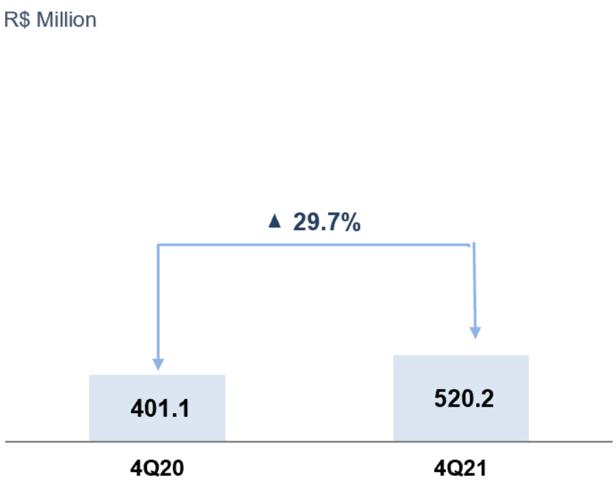
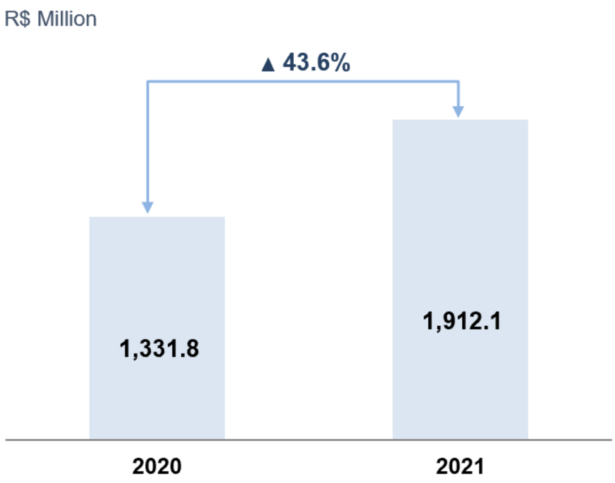
Economic and Financial Performance

		4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Performance	**Net Revenue**	**401.1**	**520.2**	**29.7%**	**119.0**	**1,331.8**	**1,912.1**	**43.6%**	**580.3**
	Gross Profit	**157.5**	**234.7**	**49.0%**	**77.2**	**460.4**	**827.1**	**79.6%**	**366.6**
	Gross Margin	39.3%	45.1%	5.8 p.p.		34.6%	43.3%	8.7 p.p.	
	Adjusted and Recurring Gross Profit	**157.5**	**234.7**	**49.0%**	**77.2**	**488.4**	**827.1**	**69.3%**	**338.7**
	Adjusted and Recurring Gross Margin	39.3%	45.1%	5.8 p.p.		36.7%	43.3%	6.6 p.p.	
	EBIT	**57.5**	**71.6**	**24.5%**	**14.1**	**115.6**	**288.7**	**149.8%**	**173.2**
	EBIT Margin	14.3%	13.8%	-0.6 p.p.		8.7%	15.1%	1.4p.p.	
	Net Income	**34.8**	**54.9**	**57.8%**	**20.1**	**128.2**	**216.2**	**68.7%**	**88.1**
	Net Margin	8.7%	10.6%	1.9 p.p.		9.6%	11.3%	1.7 p.p.	
	Adjusted and Recurring Net Income	**34.8**	**49.3**	**41.5%**	**14.4**	**86.3**	**188.0**	**117.8%**	**101.7**
	Adjusted and Recurring Net Margin	8.7%	9.5%	0.8 p.p.		6.5%	9.8%	3.4 p.p.	
	EBITDA	**74.7**	**94.5**	**26.5%**	**19.8**	**175.3**	**360.9**	**105.9%**	**185.6**
	EBITDA Margin	18.6%	18.2%	-0.5p.p.		13.2%	18.9%	5.7 p.p.	
	Adjusted and Recurring EBITDA	**74.7**	**96.4**	**29.1%**	**21.8**	**174.5**	**365.4**	**109.3%**	**190.8**
	Adjusted and Recurring EBITDA Margin	18.6%	18.5%	-0.1 p.p.		13.1%	19.1%	6 p.p.	
Indicators	**Working Capital (R$)**	**195.3**	**270.4**	**38.5%**	**75.1**				
	Cash Conversion Cycle (days)	**42**	**32**	**-23.8%**	**(10)**				
	Net Debt	**401.4**	**576.9**	**43.7%**	**175.6**				
	Net debt/EBITDA	2.3	1.6	-30.2%	(0.7)				
	Adjusted and Recurring Net Debt/EBITD/	**2.3**	**1.6**	**-31.4%**	**(0.7)**				
PTBL3	Share Price	6.86	9.64	40.5%	2.78				
	Market Value	1,012.1	1,422.2	40.5%	410.1				
	Average Trading Volume (12 Months)	241.4	718.0	197.5%	476.7				
	Average daily trading volume (ADTV)	23.9	11.8	-50.5%	(12.1)				

Net Revenue

Net Revenue totaled R$ 520.2 million in 4Q21, an increase of 29.7% over 4Q20. In 2021, Net Revenue reached R$ 1,912.1 million, an increase of 43.6% over 2020. This growth is mainly due to: (i) higher value-added product mix, with higher prices, (ii) expansion of the share in the retail segment, and (iii) expansion of the share of international business.





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Net Revenue from the domestic market grew 28.8% in 4Q21 over 4Q20 and 41.9% in 2021 over 2020, while the construction materials sector (in value) has a nominal growth by 37.9% in 2021 over 2020, according to data from ABRAMAT (Brazilian Association of Construction Materials Industries). According to ANFACER (Brazilian Association of Ceramic Tiles Manufacturers), the volume of ceramic tiles sales (in square meters) grew by 12.2% in 2021 over 2020.

Net Revenue from the export market grew 33.2% in 4Q21 over 4Q20 (36.9% in Dollars) and 50.0% in 2021 over 2020 (47.0% in Dollars). This increase was influenced by the expansion of the Portobello America Business Unit and the growth in exports by the Portobello and Pointer Business Units.

R$ million	4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Net Revenue	**401.1**	**520.2**	**29.7%**	**119.0**	**1,331.8**	**1,912.1**	**43.6%**	**580.3**
Domestic Market	322.9	415.9	28.8%	93.0	1,063.6	1,510.2	41.9%	446.6
International Market	78.2	104.2	33.2%	26.0	268.1	401.9	50.0%	133.8
US$ milhões	**4Q20**	**4Q21**	**▲ %**	**▲ Abs**	**2020**	**2021**	**▲ %**	**▲ Abs**
International Market	14.5	19.8	36.9%	5.3	51.9	76.4	47.0%	24.4

The Portobello Shop Business Unit reached Net Revenue of R$ 183.3 million in 4Q21, 45.9% higher than in 4Q20, and R$ 632.6 million in 2021, an increase of 60.7%. over 2020. The strong growth in Portobello Shop's revenue was generated mainly by the performance of the Company's own store network, which was mainly influenced by the price and mix in the quarter, while it was also driven by an increase in volume in the year.

The Portobello Business Unit recorded a 23.0% growth in Net Revenue in 4Q21 over 4Q20, reaching R$ 243.4 million, and 32.6% in 2021 over 2020, reaching R$ 904.7 million. The improvement in the Unit's performance was supported by the increase in prices and the mix qualification, especially with the strong growth in porcelain tile panels. It is worth highlighting the foreign market, with growth of 44.3% during the year (41.1% in Dollars).

The Pointer Business Unit, the Group's democratic design brand, reached Net Revenue of R$ 69.1 million in 4Q21, a growth of 6.1% over 4Q20. Net Revenue reached R$ 269.8 million in 2021, an increase of 45.2% over 2020, with positive price management performance and a more qualified portfolio, with significant growth in the foreign market, which grew 99.4% (95.7% in US dollars) over 2020.

The Portobello America Business Unit reached Net Revenue of R$ 44.6 million in 4Q21, a growth of 43.3% over 4Q20 (51.9% in Dollars). Furthermore, in 2021, it reached R$ 175.4 million, a growth of 49.3% over 2020 (48.3% in Dollars).

Said growth was driven by the market share gain in the North American market, through the 28.6% increase in volume sold over 2020.

R$ million	4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Consolidated	**401.1**	**520.2**	**29.7%**	**119.0**	**1,331.8**	**1,912.1**	**43.6%**	**580.3**
UN Portobello	197.8	243.4	23.0%	45.5	682.0	904.7	32.5%	222.6
UN Shop	125.6	183.3	45.9%	57.7	393.7	632.6	60.6%	238.9
UN Pointer	65.2	69.1	6.1%	4.0	185.8	269.8	45.1%	83.9
UN Portobello America	31.2	44.6	43.1%	13.4	117.5	175.4	49.4%	57.9
(-) Eliminations[1]	(18.7)	(20.3)	8.6%	(1.6)	(47.3)	(70.3)	48.7%	(23.0)
US$ million	**4Q20**	**4Q21**	**▲ %**	**▲ Abs**	**2020**	**2021**	**▲ %**	**▲ Abs**
UN Portobello America	5.8	8.8	51.9%	3.0	22.7	33.7	48.3%	11.0

[1] Intercompany Operations

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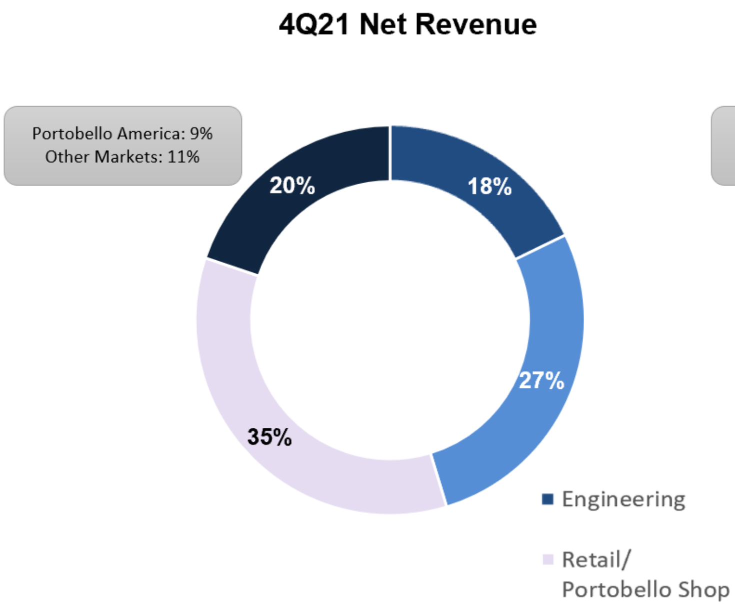
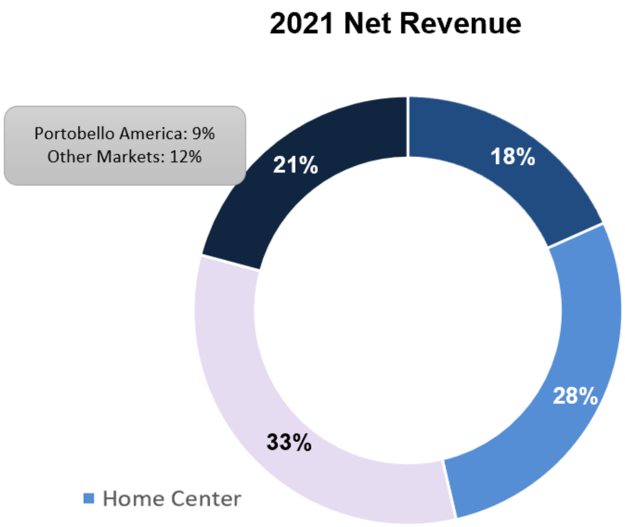
The share of sales channels in 4Q21 remains consistent with the mix for 2021. It is worth highlighting retail sales, which account for 33% of the Group's total Net Revenue in 2021 (35% in 4Q21), and exports, which in the year surpassed the 21% share of the Group's Net Revenue, with 9% for the Portobello America Business Unit in the United States and 12% for the other markets of the Portobello and Pointer Business Units. It is important mentioning that the Engineering channel, which serves the largest national and regional high-end construction companies, accounts for 18% of the Group's Net Revenue.



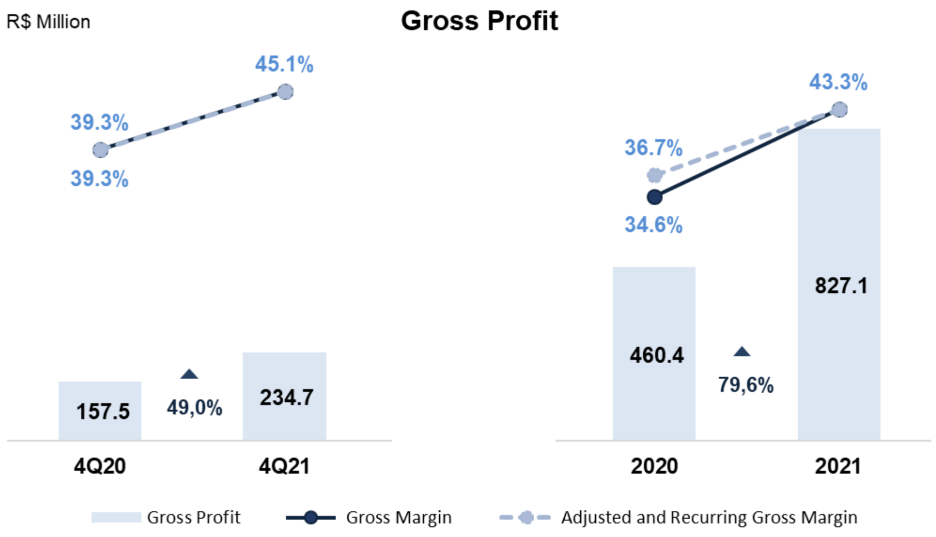


Gross Profit

Adjusted and Recurring Gross Profit in 4Q21 increased 49.0% over 4Q20 and the increase was 69.3% in 2021 over the previous year. In 2020, Gross Profit was negatively impacted by the reduction in revenue arising from idleness (R$ 27.9 million in non-recurring stoppage costs during the pandemic), and the consequent lack of fixed cost dilution.

R$ million	4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Net Operating Revenue	401.1	520.2	29.7%	119.0	1,331.8	1,912.1	43.6%	580.3
Cost of Goods Sold (COGS)	(243.6)	(285.5)	17.2%	41.9	(843.4)	(1,085.0)	28.6%	241.6
Idleness Costs	-	-	0.0%	0.0	(27.9)	-	-	(27.9)
Gross Operating Profit	**157.5**	**234.7**	**49.0%**	**77.2**	**460.4**	**827.1**	**79.6%**	**366.6**
Gross Margin	39.3%	45.1%	5.8 p.p.		34.6%	43.3%	8.7 p.p.	
Adjusted and Recurring Gross Margin	39.3%	45.1%	5.8 p.p.		36.7%	43.3%	6.6 p.p.	
Adjusted and Recurring Gross Profit	**157.5**	**234.7**	**49.0%**	**77.2**	**488.4**	**827.1**	**69.3%**	**338.7**

Adjusted and Recurring Gross Margin reached 45.1% in 4Q21, an increase of 5.8 pp over 4Q20, and 43.3% in 2021, with an improvement of 6.6 pp over 2020. The positive variation in Adjusted and Recurring Gross Margin is mainly due to: (i) prices readjustment, (ii) improvement in the *mix* of products with higher added value and (iii) dilution of fixed production costs.



Operating Expenses

Adjusted and Recurring Operating Expenses, when analyzed as a percentage of Net Revenue, recorded a dilution of 0.2 pp in 2021 over 2020, mainly due to the business scale gain. In 4Q21, Adjusted and Recurring Operating Expenses presented a growth of 6.1 pp over 4Q20, mainly due to investment in logistics restructuring in retail operations, with the purpose of improving service level, investment in consulting (McKinsey) for the preparation of the long-term strategic plan focused on the Portobello Shop and Portobello America Business Units, and investments in the organizational structure to strengthen the Group's Business Units and corporate governance, and updating of civil, labor and tax provisions.

R$ Million	4Q20	%Net Rev	4Q21	%Net Rev	▲ %	▲ Abs	2020	%Net Rev	2021	%Net Rev	▲ %	▲ Abs
Operating Expenses												
Selling	(87.5)	21.8%	(122.4)	23.5%	39.8%	34.8	(319.1)	24.0%	(421.3)	22.0%	32.0%	102.1
General and Administrative	(12.4)	3.1%	(22.1)	4.2%	78.2%	9.7	(44.9)	3.4%	(69.0)	3.6%	53.5%	24.1
Other Revenues (Expenses)	(0.1)	0.0%	(18.7)	3.6%	> 200%	(18.6)	19.2	-1.4%	(48.1)	2.5%	> 200%	(67.3)
Operating Expenses	**(100.1)**	**24.9%**	(163.1)	**31.4%**	**63.1%**	**63.1**	(344.9)	**25.9%**	(538.4)	**28.2%**	**56.1%**	**193.5**
Non-Recurring Revenues	-	-	2.0	-			(29.4)	-	4.5	-		
Adjusted Operating Expenses	**(100.1)**	**24.9%**	**(161.2)**	**31.0%**	**61.1%**	**61.1**	**(374.3)**	**28.1%**	**(533.9)**	**27.9%**	**42.6%**	**159.6**

Sales expenses reached 23.5% of Net Revenue in 4Q21 and 22.0% in 2021, with an increase of 1.7 p.p. over 4Q20 and dilution of 2.0 p.p. over 2020. In absolute terms, Sales Expenses grew 39.8% over 4Q20 and 32.0% over 2020. The increase in the percentage of Net Revenue in 4Q21 was due to a one-off adjustment for logistics restructuring in retail operations with the purpose of improving the service level.

General and Administrative Expenses reached 4.2% of Net Revenue in 4Q21 and 3.6% in 2021, with an increase of 1.1 pp over 4Q20 and 0.2 pp over 2020. In absolute figures, General and Administrative Expenses grew 78.2% over 4Q20 and 53.5% over 2020 due to the implementation of the new organizational structure focused on the Business Units, strengthening of Group's corporate governance and investment in advisory to support the long-term strategic planning process (with an impact on expenses in 3Q21 and 4Q21).

Other Revenues and Expenses in 4Q21 and 2021 refer mostly to the provision for the Profit Sharing Program (PPR) and the Long-Term Incentive Plan (ILP) which total R$ 24.9 million due to the Group's positive evolution of results and R$ 23.2 million mainly from the civil, labor and tax provisions. In 2020, in the Other Revenues and Expenses line, the Company incurred in revenue of R$ 19.2 million, referring to: (i) the recognition of the complementary portion of the

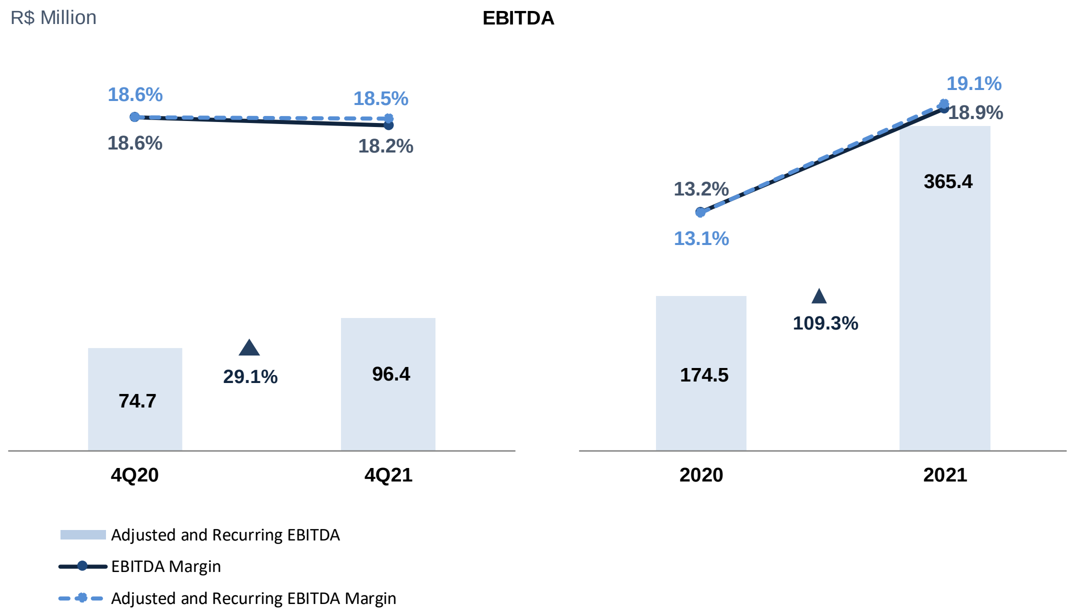
IPI premium credit - Plaintiff and the completion of lawsuits in 1Q20 in the amount of R$ 19.3 million, (ii) the reversal of taxation (PIS/COFINS) of the IPI premium credit proceeding - Plaintiff, due to the decision of the Federal Supreme Court (STF) in 2Q20, in the amount of R$ 16.2 million, and (iii) provisioning for the Profit Sharing Program (PPR) for the year.

The amount of R$ 4.5 million of Non-Recurring Expenses in 2021 is composed of: (i) R$ 2.5 million in 3Q21 and R$ 0.1 million in 4Q21, referring to legal advisory fees related to the income tax and social contribution on amounts related to the Selic correction of Undue Tax and (ii) R$ 1.8 million recorded in 4Q21, also related to legal advisory fees related to lawsuits, including IPI premium credit (phase I and phase II), rural credit notes and Eletrobrás receivables.

The amount of R$ 29.4 million of Non-Recurring Revenues in 2020 is composed of: (i) Favorable Outcomes in Lawsuits from restatement of rural credit bills in the amount of R$ 13.2 million were recognized in the 1Q20 and (ii) Other Favorable Outcomes of R$ 16.2 million recognized in 2Q20 refer to the reversal of taxation (PIS/COFINS) of the IPI premium credit proceeding (Plaintiff), due to a decision by the STF (Federal Supreme Court) with binding effect and general repercussion.

EBITDA

In 4Q21, Adjusted and Recurring EBITDA reached R$ 96.4 million, R$ 21.8 million or 29.1% higher than in 4Q20. In 2021, Adjusted and Recurring EBITDA reached R$ 365.4 million, R$ 190.8 million or 109.3% above 2020. Adjusted and Recurring EBITDA Margin was 18.5% in 4Q21, in line with the 4Q20. In 2021, Adjusted and Recurring EBITDA Margin reached 19.1%, 6.0 p.p. above 2020.



The Company continues to show a constant increase in Adjusted and Recurring EBITDA in absolute figures and in Adjusted and Recurring EBITDA Margin, even with pressure from input and energy costs. The main factors that contributed to the generation of EBITDA and improvement in the EBITDA Margin were as follows: (i) price increases, (ii) mix of more profitable products and channels, and (iii) productivity gains and greater operational efficiency with the dilution of fixed costs.

In 3Q21, a non-recurring effect related to the income tax/social contribution taxation was recorded on amounts related to the restatement of Undue Tax by the Selic rate. The amount of R$ 2.5 million in 3Q21 and R$ 0.1 million in 4Q21 refer to legal advisory fees related to this proceeding. The amount of R$ 1.8 million recorded in 4Q21 is also related to legal advisory fees related to lawsuits, including IPI premium credit (phase I and phase II), rural credit notes and Eletrobrás receivables.

Portobello Grupo

In 2020, the Company recognized R$ 28.0 million in idleness costs due to non-recurring stoppages and R$ 0.6 million in non-recurring expenses during the pandemic. Favorable Outcomes in Lawsuits from restatement of rural credit bills in the amount of R$ 13.2 million were recognized in the 1Q20 and in 2Q20, Other Favorable Outcomes of R$ 16.2 million refer to the reversal of taxation (PIS/COFINS) of the IPI premium credit proceeding (Plaintiff), due to a decision by the STF (Federal Supreme Court) with binding effect and general repercussion.

R$ Million	4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Net Income	34.8	54.9	57.8%	20.1	128.2	216.2	68.7%	88.1
(+) Financial Expenses	17.3	8.6	-50.5%	(8.8)	30.0	59.2	97.4%	29.2
(+) Depreciation and Amortization	17.2	22.9	33.3%	5.7	59.8	72.2	20.8%	12.4
(+) Income Taxes	5.3	8.0	51.6%	2.7	(42.7)	13.3	-131.1%	56.0
EBITDA	**74.7**	**94.5**	**26.5%**	**19.8**	**175.3**	**360.9**	**105.9%**	**185.7**
EBITDA Margin	**18.6%**	**18.2%**	**-0.5 p.p.**		**13.2%**	**18.9%**	**5.7 p.p.**	
Non-Recurring Events:	**-**	**2.0**			**(0.7)**	**4.5**		
1) COVID (Idleness Costs)	-	-			28.6	-		
2) Reversal of Taxation (Plaintiff)	-	-			(16.2)	-		
3) Other Favorable Outcomes in Lawsuits	-	1.8			(13.2)	1.8		
4) Selic on Income Tax/Social Contribution Basis	-	0.1			-	2.6		
Adjusted and Recurring EBITDA	**74.7**	**96.4**	**29.2%**	**21.8**	**174.5**	**365.4**	**109.4%**	**190.9**
Adjusted and Recurring EBITDA Margin	**18.6%**	**18.5%**	**-0.1 p.p.**		**13.1%**	**19.1%**	**6 p.p.**	

Net Profit

Adjusted and Recurring Net Profit in 4Q21 totaled R$ 49.3 million, an increase of 41.5% or R$ 14.4 million over 4Q20. In 2021, Adjusted and Recurring Net Profit reached R$ 188.0 million, an increase of 117.8% or R$ 101.7 million over 2020. The growth in Adjusted and Recurring EBITDA was the main reason for the increase in Adjusted and Recurring Net Income in 4Q21, while in 2021, the higher generation of EBITDA was partially reduced by the increase in the IR/CSLL amount and the increase in financial expense, proportional to the increase in the interest rate in Brazil.

R$ Million	4Q20	4Q21	▲ %	▲ Abs	2020	2021	▲ %	▲ Abs
Net Income	**34.8**	**54.9**	**57.8%**	**20.1**	**128.2**	**216.2**	**68.7%**	**88.1**
Non-Recurring Events	**-**	**(5.7)**			**(41.9)**	**(28.2)**		
(1) Financial Expenses	-	-			7.1	-		
(2) Selic on Income tax/Social Contribution Basis - Effect on IR/CSLL	-	(1.2)			-	(26.3)		
(3) IRPJ/CSLL	-	-			(48.1)	-		
(4) Selic on Income tax/Social Contribution Basis - Effect on other revenues/expenses	-	0.1			-	2.6		
(5) Recognition and Restatements of Lawsuits	-	(8.8)			(29.4)	(8.8)		
(6) Recognition and Restatements of Lawsuits - Other revenues/expenses	-	1.8			-	1.8		
(7) Recognition and Restatements of Lawsuits - IR/CSLL	-	2.4			-	2.4		
(8) COVID Effect	-	-			28.6	-		
Adjusted and Recurring Net Income	**34.8**	**49.3**	**41.5%**	**14.4**	**86.3**	**188.0**	**117.8%**	**101.7**
Adjusted and Recurring Net Margin	**8.7%**	**9.5%**			**6.5%**	**9.8%**	**3.4 p.p.**	

Net Income, which serves as the basis for calculating the distribution of dividends to shareholders, reached R$ 216.2 million in 2021, an increase of 68.7% over 2020. In 4Q21, Net Profit reached R$ 54.9 million, a growth of 57.8% over 4Q20.

In 2021, there was a non-recurring effect related to the taxation of income tax/social contribution on amounts related to the monetary restatement of Undue Taxes by the Selic rate in the net amount of R$ 23.6 million, of which R$ 26.3 million was considered in the IR/CSLL caption and R$ 2.6 million related to attorney's fees recorded in Other Expenses. The revenue amount of R$ 8.8 million refers to the financial updating of the lawsuits, divided between rural credit notes and IPI premium credit (phases I and II). The amount of R$ 1.8 million recorded in 4Q21 is the result of legal fees related to the lawsuits, including IPI premium credit (phase I and phase II), rural credit notes and Eletrobrás receivables, and the amount of R$ 2.4 million is a monetary updating of the income tax and social contribution on these proceedings.

Portobello Grupo

There were also financial and tax effects from tax changes in 2020; on the other hand, in the 2Q20, there was a R$ 48.1 million decrease in income tax, due to the reversal of provisions on the realization of the IPI premium credit (Plaintiff) due to the STF decision with binding effect and general repercussion. Furthermore, the Company recognized idle costs and non-recurring expenses during the pandemic in 2020, which totaled R$ 28.6 million. Favorable Outcomes in Lawsuits from restatement of rural credit bills in the amount of R$ 13.2 million also were recognized in the 1Q20 and in 2Q20, Other Favorable Outcomes of R$ 16.2 million refer to the reversal of taxation (PIS/COFINS) of the IPI premium credit proceeding (Plaintiff), due to a decision by the STF (Federal Supreme Court) with binding effect and general repercussion.

Cash Flow

The Company ended 4Q21 with a cash position of R$ 189.7 million, accounting for a decrease of R$ 136.6 million when compared to 4Q20, mainly due to the payment of dividends, the share buyback program in 1Q21 and 3Q21, and the disbursement of CapEx investments.

The Company's operating activities reached R$ 48.1 million in 4Q21 and R$ 288.1 million in 2021, mainly due to the generation of EBITDA of R$ 365.4 million and the working capital investment of R$ 75.1 million, partially reduced by the improvement in the Cash Conversion Cycle.

The Company's investment activities totaled R$ 37.9 million in 4Q21 and R$ 114.9 million in 2021, mainly allocated to CapEx in the Portobello America Business Unit in Tijucas-SC plant, to update the industrial park for the manufacturing of products with greater added value and larger formats, in the plant in Marechal Deodoro-AL, to update and revitalize the plant, and to expand the sales area of owned stores.

Financing activities resulted in an effect of R$ 153.4 million in 4Q21 and of R$ 309.8 million in 2021, arising from the payment of dividends and share buybacks in the amount of R$ 316.0 million, from borrowings and financing totaling R$ 513.7 million and amortization of loans and financing in the amount of R$ 507.5 million, in line with the strategy of lengthening the debt profile.

R$ Million	4Q20	4Q21	▲ Abs	2020	2021	▲ Abs
Activities						
Operating	80.2	48.1	(32.1)	210.3	288.1	77.8
Investment	(24.9)	(37.9)	(13.0)	(89.0)	(114.9)	(25.9)
Financing	(18.1)	(153.4)	(135.3)	(70.4)	(309.8)	(239.4)
Changes in Cash	37.1	(143.2)	(180.4)	50.9	(136.6)	(187.5)
Opening Balance	**289.2**	**332.9**	**43.8**	**275.4**	**326.3**	**50.9**
Closing Balance	**326.3**	**189.7**	**(136.6)**	**326.3**	**189.7**	**(136.6)**

Working Capital

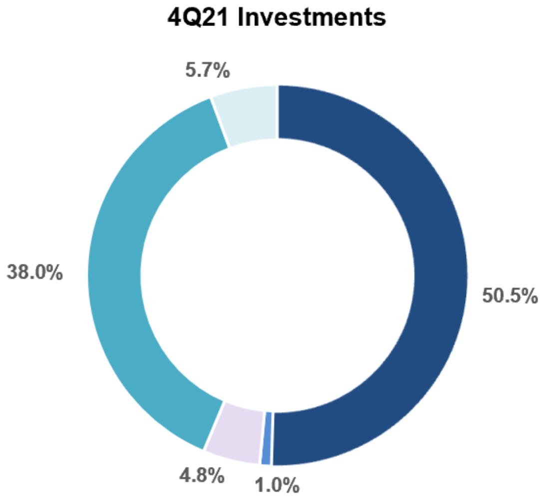
The Company's Working Capital in 4Q21 was R$ 270.4 million, an increase of R$ 75.1 million or 38.5% over 4Q20, while the Company's business grew 43.6 % in 2021 over 2020. This performance improvement results from the 10-day optimization in the Cash Conversion Cycle, reaching 32 days in 4Q21, compared to 42 days in 4Q20, as a result of better management of the client receivables portfolio of the engineering and home centers channels of the Portobello and Pointer Units and of the final consumers of the Portobello Shop Business Unit, as well as the increase in supplier terms, mainly in the Portobello and Pointer Business. Improvements in receivables and suppliers were partially reduced by the growth in inventories at the Portobello Shop Business Unit, due to the qualification of the inventories mix to improve the logistics service level in retail.

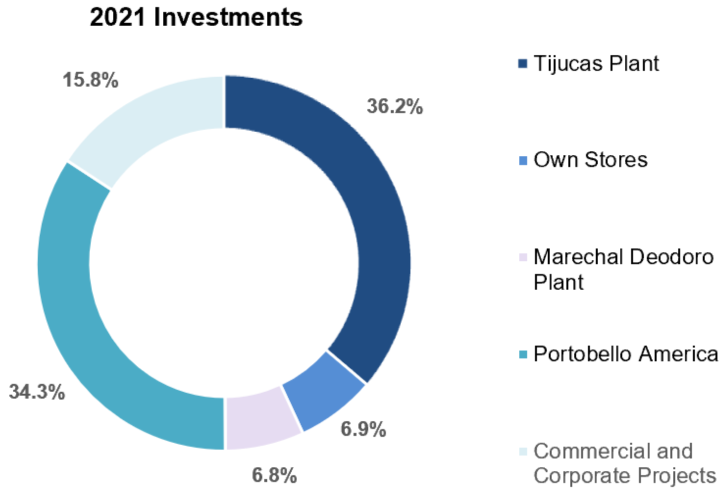
		4Q20	4Q21	▲ %	▲ Abs
In R$ million	Trade Receivables	245.3	306.1	24.8%	60.8
	Inventories	204.6	285.4	39.5%	80.8
	Suppliers	254.6	321.0	26.1%	66.4
	Working Capital	**195.3**	**270.4**	**38.5%**	**75.1**
In days	Trade Receivables	58	49	-15.5%	(9)
	Inventories	84	88	4.8%	4
	Suppliers	101	104	3.0%	3
	Cash Conversion Cycle (CCC)	**42**	**32**	**-23.8%**	**(10)**

Investments

Investments in 4Q21 totaled R$ 47.6 million, accumulating R$ 114.8 million in 2021, of which 34% were allocated to investments in Portobello America, 36% were allocated to the Tijucas-SC plant, 16% to commercial and corporate projects, 7% to Marechal Deodoro-AL plant and 7% to owned stores.

At Portobello America Business Unit, investments were made to start the construction process of the new plant in the United States (architectural project, land leveling and foundation of the plant), while, at the Tijucas-SC plant, investments were aimed at optimizing the industrial park for the production of products with greater added value and larger formats. At the Marechal Deodoro-AL plant, most of the investments were allocated to the structural adjustment of the industrial park. The remaining investments were for the digital transformation of the commercial area, the expansion of its own stores and the updating of points of sale, taking the innovation of large size formats to the front of stores. It is important mentioning that the investments made in the Portobello America Business Unit will be reimbursed after the signing of the BtS contract, totaling approximately US$ 11.9 million invested since 2020.



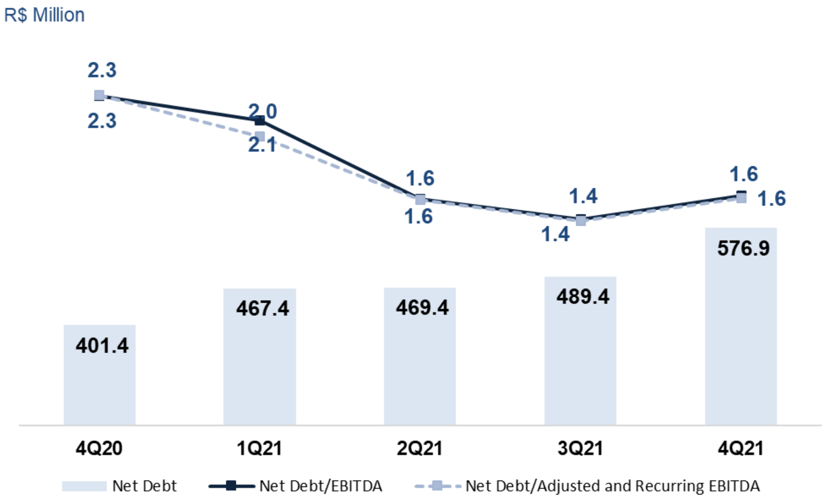


Indebtedness

The Company's Net Debt ended 4Q21 at R$ 576.9 million, an increase of R$ 175.6 million over 4Q20. The increase in Adjusted and Recurring EBITDA in the last 12 months, reaching R$ 365.4 million, and the Company's financial management discipline, whose focus is on optimizing the Cash Conversion Cycle, resulted in the reduction of financial leverage to 1.6 times Adjusted and Recurring EBITDA, an improvement of 0.7 times over 4Q20.

In 4Q21, a total of R$ 111.8 million in Bank Debt was amortized, referring to several operations, such as 3rd Series Debentures, NCE (Export Credit Notes) and Working Capital. Funding totaled R$ 46.9 million. The main impact of the increase in net debt in 4Q21 was the anticipation of dividends in the amount of R$ 80.9 million, deliberated and paid in November 2021. Without said effect, net debt in 4Q21 would be R$ 486.5 million, in line with 3Q21, and financial leverage would be 1.4 times Adjusted and Recurring EBITDA, also in line with 3Q21.

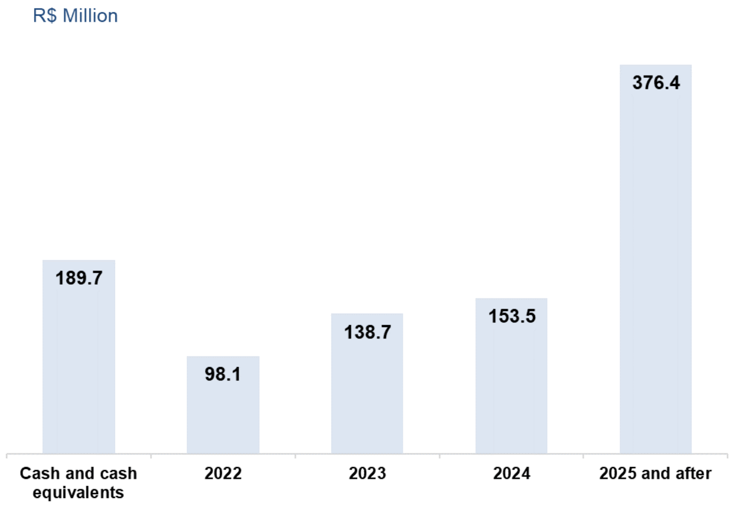
At the end of 4Q21, all covenants related to the leverage ratio, which could lead to the early maturity of financing contracts and Debentures if not complied with, were met.



R$ Million	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Gross Banking Debt[1]	**750.0**	**727.8**	**710.3**	**643.6**	**822.3**	**766.7**
Cash and Cash Equivalents	(289.2)	(326.4)	(242.9)	(174.2)	(332.9)	(189.7)
Net Indebtedness	**460.8**	**401.4**	**467.4**	**469.4**	**489.4**	**576.9**
EBITDA (LTM)	130.9	175.3	220.1	298.1	341.2	360.9
EBITDA Adjusted and Recurring (LTM)	130.0	174.5	232.4	299.4	343.7	365.4
Net Debt / EBITDA	3.5	2.3	2.1	1.6	1.4	1.6
Net Debt / EBITDA Adjusted and Recurring	**3.5**	**2.3**	**2.1**	**1.6**	**1.4**	**1.6**

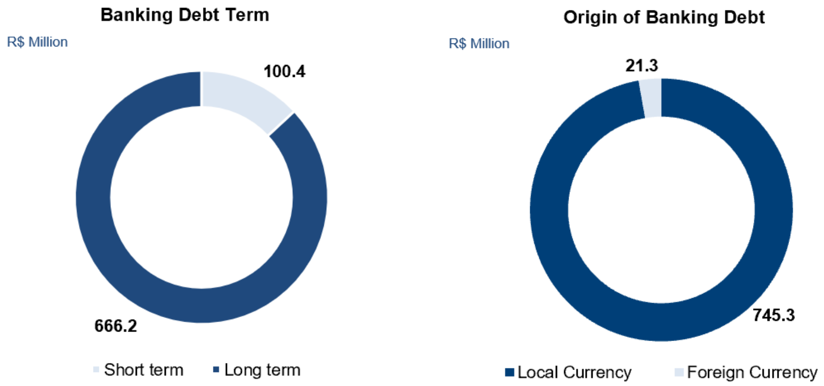
[1] As of 4Q21 includes lease liabilities with call option

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



Gross Banking Debt maturing in the short term represents 12.9% of the total, a reduction of 4.4 pp over 3Q21 due to extension operations carried out in the quarter and the remainder matures in the long term, as shown in the amortization schedule above. The Gross Banking Debt is mostly in domestic currency (97.2%). The average total cost of Banking Debt is 9.6% per annum and the average term is 4.4 years, a growth of 0.8 years over 2020 due to the debt extension strategy carried out in 2021.

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



Acquisition of Franchised Stores

At a meeting held on March 16th, 2022, the Board of Directors approved the acquisition of two franchised stores, Gabriel and Pacaembu stores, both in São Paulo, from a related party, in the amount of R$ 60.0 million. The transaction value was set by an independent third party, Trust & Co. Investimentos, through the Discounted Cash Flow (DCF) method, analyzing each of the stores individually. In addition the transaction amount represents multiples similar to the Company's current market multiples. The payment terms will be as follows: 1/3 (one third) of the total value equivalent to R$ 20.0 million, due on April 10th, 2022; 1/3 (one third) of the total value, equivalent to BRL 20.0 million, will be paid in 08 (eight) consecutive monthly installments in the amount of BRL 2.5 million, the first due on May 10th, 2022, and the others on the same day of subsequent months; and 1/3 (one third) of the amount, equivalent to R$ 20.0 million, will be paid in a single installment on April 10th, 2023. The two stores in question have a differential in terms of location and revenue, above the average presented by the other stores of the Portobello Shop chain.

Fitch National Rating upgrade

As announced to the market on December 3rd, 2021, the credit rating agency Fitch Ratings revised the Company's long-term national rating to "A-(bra)", with a stable outlook, which means an upgrade of two notches at once in relation to the rating assigned in March 2021, which was "BBB(bra)".

According to Fitch's report, "The upgrade reflects PBG's stronger than anticipated operating performance, which has allowed the company to reduce net leverage to below 2.0x. Strong demand and significant price increase bolstered operating cash flow generation during 2021, and Fitch expects EBITDA margin to remain above 17%, as the company should continue to benefit from the strong homebuilders' demand due to high volume of projects launched in the last couple of years. Also factored into the rating is PBG's adequate liquidity and lower refinancing risk, with a more extended debt amortization profile."

Dividends

In 2021, the Company presented R$ 216.2 million in corporate net income Considering the formation of the legal reserve (5%) and the percentage of payout defined by the Shareholders' Agreement of 50%, the total amount to be distributed in dividends is R$ 102.7 million. During 2021, dividends in the amount of R$ 99.2 million were prepaid.

Thus, the Board of Directors approved the distribution of complementary dividends in the amount of R$ 3.5 million, at a meeting held on March 16th, 2022. The base date for calculating said dividends will be March 23rd, 2022, with the shares trading ex-dividend on March 24th, 2022 and payment scheduled for April 5th, 2022.

Treasury shares

In a Board of Directors' meeting held on March 16th, 2022, was approved the cancellation of 6,542,817 shares currently in treasury. As a result, total number of shares issued was changed from 147,529,703 to 140,986,886 shares.

In the year 2021, a total of 13.5 million shares were repurchased, in the amount of R$ 153.7 million (average price of R$ 11.38 per share), equivalent to 8.8% of the total shares before these operations, and all repurchased shares were cancelled.

Sustainability and ESG Report

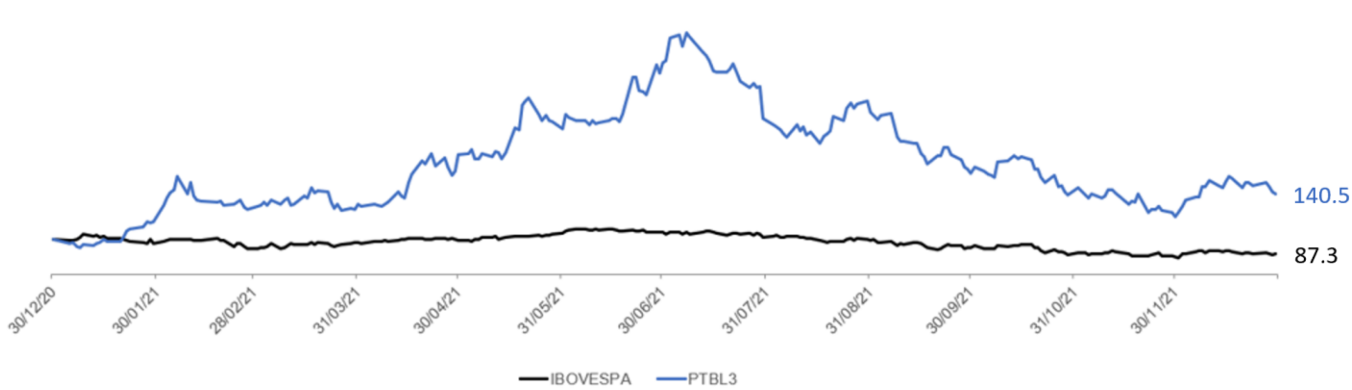
Along with the 4Q21 results, the 2021 Portobello Group Sustainability Report is being released in the year that marks the company's entry as a signatory of the UN Global Compact and the presentation of the ESG planning, with the ambitions and links with the selected SDGs (Sustainable Development Goals). Disclosed in the GRI standard, this is the 7th year in which the report has been produced, being available on the Investor Relations website (ri.portobello.com.br).

PTBL3 Stock Performance

The shares traded under the ticker symbol PTBL3 closed the last trading session of December 2021 quoted at R$ 9.64, with an increase of 40.5% when compared to the closing of December 2020 (R$ 6.86). The PTBL3 stock performed 59.9% above the Bovespa index during this period. The average monthly financial volume traded in 2021 was R$ 718.0 million, an increase of 197.5% compared to the R$ 241.4 million in 2020.

At the end of 4Q21, the Company had a market cap equivalent to R$ 1,422.2 million, considering the final share price of R$ 9.64, an increase of R$ 410.1 million over 4Q20.

PTBL3 x Ibovespa
Base 100 – 12/30/2020 to 12/30/2021



Independent Audit

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

Portobello Grupo

Management

Statutory Executive Board

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

Board of Directors

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

Corporate Governance

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

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

- Shares listed on the Novo Mercado of B3;
- Only outstanding common shares, that is, each share entitles their holders to one vote in General Shareholders' Meetings.;
- Tag-Along to 100% of the shares;
- Four independent members on the Board of Directors;
- Policy on minimum mandatory dividend of 50% of adjusted net profit, as provided in the Shareholders' Agreement;
- Policies in force on the disclosure of significant acts and facts and on the trading of securities.

The Company adapted to the requirements of the Novo Mercado regulation regarding the inspection and control bodies, including the creation of the Audit Committee and the Compliance, Internal Audit and Internal Controls areas.

Conference Call

Friday, Mar 18th, 2022 at 02:00 pm Brazil Time (01:00 PM EDT). The conference call will be held in Portuguese to report the earnings for the 4Q21, with simultaneous translation to English.

Link for connection: Click here

The audio of the teleconference will be transmitted over the Internet, accompanied by the slide show, which will be available at: https://ri.portobello.com.br/

For those not able to accompany teleconferences live, full video record will be made available directly at the Company's IR website (https://ri.portobello.com.br/).

PortobelloGrupo

Financial Statements

Balance Sheet

Assets	4Q20	AV %	4Q21	AV %	Var%
Current assets	**916.7**	**45.1%**	**906.1**	**42.0%**	**-1.2%**
Cash and cash equivalents	326.3	16.0%	189.7	8.8%	-41.9%
Trade Receivables	289.1	14.2%	375.6	17.4%	29.9%
Inventories	204.6	10.1%	285.4	13.2%	39.5%
Other	96.7	4.8%	55.4	2.6%	-42.7%
Non-current assets	**1,117.6**	**54.9%**	**1,251.2**	**58.0%**	**12.0%**
Long-term assets	**464.5**	**22.8%**	**536.1**	**24.8%**	**15.4%**
Judicial deposits	156.3	7.7%	185.4	8.6%	18.6%
Judicial assets	119.7	5.9%	155.2	7.2%	29.7%
Guarantee deposit	87.4	4.3%	89.7	4.2%	2.6%
Receivables - Eletrobrás	12.8	0.6%	12.8	0.6%	0.0%
Restricted financial investments	15.3	0.8%	13.7	0.6%	-10.7%
Recoverable taxes and deferred tax	51.0	2.5%	14.9	0.7%	-70.9%
Other non-current assets	22.0	1.1%	64.5	3.0%	193.1%
Fixed assets	**653.1**	**32.1%**	**715.1**	**33.1%**	**9.5%**
PPE, Intangible Assets and Investments	581.3	28.6%	643.3	29.8%	10.6%
Right of Use of Leased Assets	71.4	3.5%	71.5	3.3%	0.2%
Other investments	0.3	0.0%	0.3	0.0%	0.0%
Total assets	**2,034.3**	**100.0%**	**2,157.3**	**100.0%**	**6.0%**

Liabilities	4T20	AV %	4Q21	AV %	Var%
Current liabilities	**740.6**	**36.4%**	**714.1**	**33.1%**	**-3.6%**
Loans and Debentures	223.9	11.0%	98.1	4.5%	-56.2%
Trade Payables and Credit Assignment	292.7	14.4%	365.7	16.9%	24.9%
Lease obligations	34.8	1.7%	19.5	0.9%	-44.1%
Tax liabilities	33.8	1.7%	39.7	1.8%	17.6%
Payroll and related taxes	46.5	2.3%	59.0	2.7%	26.9%
Advances from Customers	43.8	2.2%	69.6	3.2%	58.7%
Other	65.1	3.2%	62.6	2.9%	-3.9%
Non-current liabilities	**876.5**	**43.1%**	**1,087.1**	**50.4%**	**24.0%**
Loans and Debentures	503.9	24.8%	664.3	30.8%	31.8%
Suppliers	169.7	8.3%	189.9	8.8%	11.9%
Debts with related parties	56.3	2.8%	56.4	2.6%	0.1%
Provisions	63.6	3.1%	89.0	4.1%	40.0%
Lease obligations	38.4	1.9%	45.4	2.1%	18.3%
Other Non Current Liabilites	44.6	2.2%	42.1	2.0%	-5.7%
Equity	**417.2**	**20.5%**	**356.2**	**16.5%**	**-14.6%**
Capital	200.0	9.8%	250.0	11.6%	25.0%
Treasury shares	(14.1)	-0.7%	(91.4)	-4.2%	548.1%
Earnings reserve	250.9	12.3%	240.1	11.1%	-4.3%
Other comprehensive income	(50.1)	-2.5%	(42.6)	-2.0%	-15.0%
Total liabilities	**2,034.3**	**100.0%**	**2,157.3**	**100.0%**	**6.0%**

Income Statement

R$ million	4Q20	4Q21	2020	2021
Net Sales Revenue	401.1	520.2	1,331.8	1,912.1
Gross Operating Profit	157.5	234.7	460.4	827.1
Operating Income (Expenses), Net	**(100.1)**	**(163.1)**	**(344.9)**	**(538.4)**
Selling	(87.5)	(122.4)	(319.2)	(421.3)
General and Administrative	(12.4)	(22.0)	(44.9)	(69.0)
Other Operating Income (Expenses), Net	(0.1)	(18.7)	19.2	(48.1)
Operating Profit before Financial Income	**57.5**	**71.6**	**115.6**	**288.7**
Financial Result	**(17.3)**	**(8.7)**	**(30.0)**	**(59.2)**
Financial Revenues	2.3	17.5	22.8	24.8
Financial Expenses	(18.7)	(28.9)	(78.0)	(90.0)
Net exchange rate change	(0.9)	2.7	25.1	5.9
Income (loss) before income taxes	**40.2**	**62.9**	**85.6**	**229.5**
Income Tax and Social Contribution	(5.4)	(8.0)	42.7	(13.3)
Net income (loss) for the Period	**34.8**	**54.9**	**128.2**	**216.2**

Cash Flow

R$ million	4Q20	4Q21	2020	2021
Net cash from operating activities	**80.2**	**48.1**	**210.3**	**288.1**
Cash from operations	45.6	140.0	122.6	393.6
Changes in assets and liabilities	61.7	(62.9)	145.9	(31.0)
Interest paid and income taxes paid	(27.1)	(29.1)	(58.2)	(74.4)
Net cash used in investment activities	**-24.9**	**(37.9)**	**(89.0)**	**(114.9)**
Acquisition of property, plant and equipment	(21.2)	(42.6)	(109.5)	(96.6)
Acquisition of intangible assets	(3.7)	(5.0)	(10.9)	(18.2)
Other investments		9.7	31.4	(0.2)
Net cash provided by (used in) financing activities	**-18.1**	**(153.4)**	**(70.4)**	**(309.8)**
Funding loans and financing	76.4	46.9	171.0	513.7
Payment of loans and financing	(94.2)	(111.8)	(217.8)	(488.8)
Dividends paid	(6.3)	(83.2)	(6.3)	(162.3)
Lease Amortization	5.9	(5.3)	(17.3)	(18.7)
Treasury acquisitions	-	-	-	(153.7)
Increase/(Decrease) in Cash for the period/year	**37.1**	**(143.2)**	**50.9**	**(136.6)**
Opening Balance	**289.2**	**332.9**	**275.4**	**326.3**
Closing Balance	**326.3**	**189.7**	**326.3**	**189.7**

Please visit the Investor Relations website:
https://ri.portobello.com.br/

(A free translation of the original in Portuguese)

www.pwc.com.br

PBG S.A.

Parent company and consolidated financial statements at December 31, 2021 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of PBG S.A. (the "Company"), which comprise the balance sheet as at December 31, 2021 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of PBG S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PBG S.A. and of PBG S.A. and its subsidiaries as at December 31, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

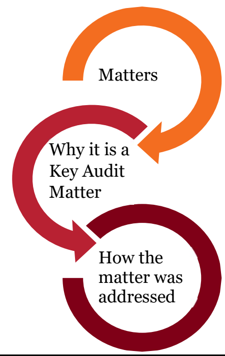
Basis for opinion

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

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, 11,13,15,16,26,27 and 28 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.

PBG S.A.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

PBG S.A.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.[5]

Florianópolis, March 16, 2022

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

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

PBG S.A. and subsidiaries
Balance sheets
Years ended December 31, 2021 and 2020
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

Assets	Note	Parent Company December 31, 2021	Parent Company December 31, 2020	Consolidated December 31, 2021	Consolidated December 31, 2020
Current assets					
Cash and cash equivalents	6	125,516	245,779	189,718	326,325
Trade receivables	8	296,195	261,227	375,624	289,090
Inventories	9	233,108	172,897	285,364	204,562
Advances to suppliers		10,353	4,678	12,624	6,706
Taxes recoverable	10	26,662	76,614	27,454	77,822
Income tax and social contribution recoverable	14a	1,192	3,274	1,864	3,852
Other taxes recoverable	10	25,470	73,340	25,590	73,970
Dividends receivable	40	-	53,023	-	-
Prepaid expenses		267	1,375	5,447	4,164
Derivative financial instruments	7b	2,474	-	2,474	-
Other accounts receivable		5,568	7,522	7,426	8,034
Total current assets		700,143	823,115	906,131	916,703
Non-current assets					
Receivables from subsidiaries	40	119,130	53,768	-	-
Judicial deposits	11	185,332	156,296	185,382	156,324
Escrow deposit	12	89,700	87,402	89,700	87,402
Receivables from Eletrobrás	13	12,821	12,821	12,821	12,821
Taxes recoverable - long term	10	14,765	13,106	14,859	13,276
Deferred income tax and social contribution	14b	27,293	37,807	31,942	37,713
Legal assets	15	136,367	105,305	155,153	119,651
Actuarial assets	30	18,677	8,905	18,677	8,905
Restricted investments - long term	5.3	13,679	13,317	13,679	13,317
Derivative financial instruments	7a	150	1,995	150	1,995
Other accounts receivable		13,804	12,954	13,714	13,093
		631,718	503,676	536,077	464,497
Investments					
Interest in subsidiaries	17	64,147	53,803	-	-
Other investments		348	348	348	348
Property, plant and equipment	18	528,310	522,817	614,458	552,876
Intangible assets	19	22,324	13,057	28,797	28,473
Lease assets	20a	20,603	18,977	71,536	71,391
		635,732	609,002	715,139	653,088
Total non-current assets		1,267,450	1,112,678	1,251,216	1,117,585
Total assets		1,967,593	1,935,793	2,157,347	2,034,288

Liabilities	Note	Parent Company December 31, 2021	Parent Company December 31, 2020	Consolidated December 31, 2021	Consolidated December 31, 2020
Current liabilities					
Suppliers	21	203,962	183,232	229,828	194,929
Supplier credit assignment	21a	97,717	66,418	97,717	66,418
Payables for property, plant and equipment	21b	20,497	31,303	38,107	31,303
Borrowings - short term	22	98,115	223,908	98,115	223,908
Borrowings		90,922	174,842	90,922	174,842
Debentures		7,193	49,066	7,193	49,066
Installment payment of tax obligations	23	11,663	9,290	11,663	9,354
Taxes, fees and contributions	24	21,553	19,492	24,205	21,443
Income tax and social contribution payable	14a	124	-	3,865	2,997
Dividends payable	36	970	31,005	1,043	31,079
Advances from customers		23,444	24,521	69,564	43,825
Social and labor liabilities		49,780	40,078	58,991	46,499
Payables to subsidiaries and related parties	40	8,056	-	6,067	-
Provision for profit sharing		24,250	10,769	24,250	10,769
Lease liabilities	20b	8,036	7,594	19,456	34,803
Derivative financial instruments	7a	-	2,354	-	2,354
Other trade payables	25	17,440	19,029	31,256	20,939
Total current liabilities		585,607	668,993	714,127	740,620
Non-current liabilities					
Trade payables - long term	21	171,195	144,021	171,195	144,021
Payables for property, plant and equipment	21b	18,739	25,700	18,739	25,700
Borrowings - long term	22	664,277	503,858	664,277	503,858
Borrowings		366,872	354,666	366,872	354,666
Debentures		297,405	149,192	297,405	149,192
Provision for civil, labor, social security and tax risks	27	77,506	63,542	89,014	63,573
Tax installment payment - long term	23	21,406	34,416	21,406	34,653
Payables to related parties	15c / 40	56,330	56,330	56,363	56,326
Lease liabilities	20b	15,383	12,879	45,397	38,379
Other trade payables	25	1,014	8,886	20,672	9,974
Total non-current liabilities		1,025,850	849,632	1,087,063	876,484
Equity					
Capital	29.1	250,000	200,000	250,000	200,000
Treasury shares	29.2	(91,351)	(14,095)	(91,351)	(14,095)
Profit reserves	29.3	236,608	250,941	236,608	250,941
Carrying value adjustments	29.4	(42,610)	(50,125)	(42,610)	(50,125)
Additional dividends	36	3,489	30,447	3,489	30,447
		356,136	417,168	356,136	417,168
Non-controlling interest		-	-	21	16
		356,136	417,168	356,157	417,184
Total liabilities and equity		1,967,593	1,935,793	2,157,347	2,034,288

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

PBG S.A. and subsidiaries
Statements of income
Years ended December 31, 2021 and 2020
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net sales revenue	31	1,582,032	1,156,715	1,912,127	1,331,780
Cost of sales	32	(1,018,637)	(845,980)	(1,085,039)	(871,338)
Gross profit		563,395	310,735	827,088	460,442
Operating income (expenses), net					
Selling	32	(275,434)	(223,424)	(421,287)	(319,148)
General and administrative	32	(67,489)	(43,725)	(68,980)	(44,923)
Other operating income (expenses), net	33	(30,425)	4,961	(48,080)	19,208
Equity in the earnings of subsidiaries	17	75,549	46,798	-	-
		(297,799)	(215,390)	(538,347)	(344,863)
Operating profit before finance income (cost)		265,596	95,345	288,741	115,579
Finance income (costs)	34				
Finance income		18,009	18,597	24,832	22,833
Finance costs		(79,857)	(72,581)	(89,967)	(77,962)
Foreign exchange variations, net		5,907	25,138	5,903	25,115
		(55,941)	(28,846)	(59,232)	(30,014)
Profit (loss) before income tax and social contribution		209,655	66,499	229,509	85,565
Income tax and social contribution	14c				
Current		(3,447)	(7,386)	(27,996)	(21,962)
Deferred		9,965	69,087	14,709	64,639
		6,518	61,701	(13,287)	42,677
Profit for the year		**216,173**	**128,200**	**216,222**	**128,242**
Profit (loss) attributable to					
Owners of the Company		216,173	128,200	216,173	128,200
Non-controlling interest		-	-	49	42
Amount per thousand shares outstanding in the year				147,623	154,529
Basic and diluted earnings for the year per share	35			1.46436	0.82962

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

PBG S.A. and subsidiaries
Statements of comprehensive income
Years ended December 31, 2021 and 2020
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

		Parent Company		Consolidated	
	Note	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net income for the year		216,173	128,200	216,222	128,242
Other components of comprehensive income		8,699	(26,718)	8,699	(26,718)
Actuarial gain / (loss)	30	7,883	(237)	7,883	(237)
Deferred income tax and social contribution on actuarial gain (loss)	30	(2,680)	-	(2,680)	-
Exchange variations of subsidiaries located abroad	17	1,863	(26,481)	1,863	(26,481)
Hedge accounting transactions	7	2,474	-	2,474	-
Deferred income tax and social contribution on Hedge accounting	7	(841)	-	(841)	-
Total comprehensive income for the year		224,872	101,482	224,921	101,524
Comprehensive income for the period attributable to					
Owners of the Company		224,872	101,482	224,872	101,482
Non-controlling interest		-	-	49	42

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, 2021 and 2020
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

Parent Company and Consolidated	Note	Capital	Treasury shares	Profit reserves					Carrying value adjustments			Retained earnings	Total equity Parent	Non-controlling interest	Total equity Consolidated
				Legal reserve	Profit retention reserve	Unallocated profits reserve	Tax incentive reserve	Additional dividends proposed	Deemed cost	Cumulative translation adjustment	Other comprehensive income				
At December 31, 2019		**200,000**	**-**	**25,796**	**81,576**	**17,958**	**58,706**	**5,808**	**33,506**	**(41,872)**	**(13,858)**	**-**	**367,620**	**16**	**367,636**
Purchase of treasury shares	29.1 / 29.2	-	(14,095)	-	-	-	-	-	-	-	-	-	**(14,095)**	-	**(14,095)**
Complement to interest on equity - 2019		-	-	-	(1,584)	-	-	-	-	-	-	-	**(1,584)**	-	**(1,584)**
Allocation after AGM 2019 - Additional dividends approved		-	-	-	-	-	-	(5,808)	-	-	-	-	**(5,808)**	-	**(5,808)**
Realization of the revaluation reserve		-	-	-	-	-	-	-	(1,183)	-	-	1,183	**-**	-	**-**
Actuarial gain / (loss)		-	-	-	-	-	-	-	-	-	(237)	-	**(237)**	-	**(237)**
Foreign exchange variation of subsidiary located abroad		-	-	-	-	-	-	-	-	(26,481)	-	-	**(26,481)**	-	**(26,481)**
Profit for the period		-	-	-	-	-	-	-	-	-	-	128,200	**128,200**	-	**128,200**
Legal reserve (5%)		-	-	6,411	-	-	-	-	-		-	(6,411)	**-**	-	**-**
Minimum mandatory dividends (net of advances)	36	-	-	-	-	-	-	-	-	-	-	(30,447)	**(30,447)**	-	**(30,447)**
Tax incentive reserve		-	-	-	-	-	26,445	-	-	-	-	(26,445)	**-**	-	**-**
Proposal for allocation of additional dividends	36	-	-	-	-	-	-	30,447	-	-	-	(30,447)	**-**	-	**-**
Recognition of profit retention reserve		-	-	-	17,958	(17,958)	-	-	-	-	-	-	**-**	-	**-**
Recognition of unallocated earnings reserve		-	-	-	-	35,633	-	-	-	-	-	(35,633)	**-**	-	**-**
At December 31, 2020		**200,000**	**(14,095)**	**32,207**	**97,950**	**35,633**	**85,151**	**30,447**	**32,323**	**(68,353)**	**(14,095)**	**-**	**417,168**	**16**	**417,184**
At December 31, 2020		**200,000**	**(14,095)**	**32,207**	**97,950**	**35,633**	**85,151**	**30,447**	**32,323**	**(68,353)**	**(14,095)**	**-**	**417,168**	**16**	**417,184**
Capital increase approved at the EGM 04/27/2021	29.3	50,000	-	-	-	-	(50,000)	-	-	-	-	-	**-**	-	**-**
Cancellation of shares after RCA 01/20/2021- Repurchase program 2020	29.1/29.2	-	14,095	-	(14,095)	-	-	-	-	-	-	-	**-**	-	**-**
Purchase of treasury shares - 1st Repurchase program 2021	29.1/29.2	-	(62,364)	-	-	-	-	-	-	-	-	-	**(62,364)**	-	**(62,364)**
Cancellation of shares after RCA 05/12/2021- 1st Repurchase program 2021	29.1/29.2	-	62,364	-	(62,364)	-	-	-	-	-	-	-	**-**		
Purchase of treasury shares - 2nd Repurchase program 2021	29.1/29.2	-	(91,351)	-	-	-	-	-	-	-	-	-	**(91,351)**	-	**(91,351)**
Allocation after AGM 04/27/2021 - Additional dividends approved and paid	36	-	-	-	(2,549)	-	-	(30,447)	-	-	-	-	**(32,996)**	-	**(32,996)**
Realization of the revaluation reserve	29.4	-	-	-	-	-	-	-	(1,184)	-	-	1,184	**-**	-	**-**
Actuarial gain / (loss)	29.4	-	-	-	-	-	-	-	-	-	7,883	-	**7,883**	-	**7,883**
Hedge accounting transactions	29.4	-	-	-	-	-	-	-	-	-	(2,680)	-	**(2,680)**	-	**(2,680)**
Deferred income tax and social contribution on actuarial gain (loss)	29.4	-	-	-	-	-	-	-	-	-	2,474	-	**2,474**	-	**2,474**
Deferred income tax and social contribution on Hedge accounting	29.4	-	-	-	-	-	-	-	-	-	(841)	-	**(841)**	-	**(841)**
Foreign exchange variation of subsidiary located abroad	17	-	-	-	-	-	-	-	-	1,863	-	-	**1,863**	-	**1,863**
Profit for the period		-	-	-	-	-	-	-	-	-	-	216,173	**216,173**	49	**216,222**
Legal reserve (5%)	29.3	-	-	10,809	-	-	-	-	-	-	-	(10,809)	**-**	-	**-**
Dividends approved for 2021 Board of Directors Minutes (ATA CA) Nº 11/2021	36	-	-	-	-	-	-	-	-	-	-	(18,323)	**(18,323)**	-	**(18,323)**
Dividends approved for 2021 ATA CA Nº 16/2021	36	-	-	-	-	-	-	-	-	-	-	(80,870)	**(80,870)**	(44)	**(80,914)**
Proposal for allocation of additional dividends	36							3,489				(3,489)			
Tax incentive reserve	29.3	-	-	-	-	-	30,634	-	-	-	-	(30,634)	**-**	-	**-**
Recognition of earnings reserve	29.3	-	-	-	73,232	-	-	-	-	-	-	(73,232)	**-**	-	**-**
At December 31, 2021		**250,000**	**(91,351)**	**43,016**	**92,174**	**35,633**	**65,785**	**3,489**	**31,139**	**(66,490)**	**(7,259)**	**-**	**356,136**	**21**	**356,157**

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

PBG S.A. and subsidiaries
Statements of cash flows
Years ended December 31, 2021 and 2020
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

		Parent Company		Consolidated	
	Note	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net cash from operating activities		**136,453**	**66,559**	**288,101**	**217,424**
Cash from operations		262,232	52,680	393,564	125,573
Profit or loss for the period before taxes		209,655	66,499	229,508	85,565
Depreciation and amortization		53,066	47,895	72,216	62,021
Equity in the earnings of subsidiary	17	(75,549)	(46,798)	-	-
Unrealized foreign exchange variations of borrowings		1,116	7,233	1,116	8,273
Provision for valuation of inventories at market value	9	(267)	(6,227)	2,351	(5,597)
Provision for impairment of trade receivables	8	(1,419)	2,798	(438)	4,039
Provision for civil, labor, social security and tax risks	27	18,920	(56,658)	30,609	(56,659)
Provisions for social and labor obligations		-	(1,294)	-	(1,371)
Provision for profit sharing		13,481	10,769	13,481	10,769
Other provisions		-	(1,591)	-	(1,591)
Provision for long-term incentive		1,015	-	1,015	-
Legal assets		(6,674)	(83,695)	(11,114)	(98,041)
Monetary adjustment of financial charges on taxes in installments		-	343	-	401
Provision for interest on loans and debentures	22	49,432	43,096	49,432	41,753
Interest and exchange rate changes on leases	20	1,360	1,101	3,129	6,849
Debts with related parties – Plaintiff - complementary portion - at market value		-	69,584	-	69,584
Lease terminations	20	-	(596)	947	(643)
Actuarial assets	30	(1,889)	237	(1,889)	237
Adjustment to present value (APV) - Prodec	22	(187)	478	(187)	478
Disposal of property, plant and equipment and intangible assets	18	172	(494)	3,388	(494)
Changes in assets and liabilities		(75,061)	58,579	(31,022)	150,031
Trade receivables		(33,549)	(41,169)	(86,096)	(41,356)
Inventories		(59,944)	61,500	(83,153)	44,448
Judicial deposits		(29,036)	(3,819)	(29,058)	(3,832)
Advance to suppliers		(5,675)	4,916	(5,918)	6,626
Taxes recoverable		45,288	(7,585)	45,698	17,976
Restricted investments		(362)	(5,765)	(362)	(5,765)
Other assets		2,212	5,716	(1,296)	6,462
Trade payables		79,203	75,706	93,372	75,219
Advances from customers		(1,077)	1,310	25,739	19,971
Payments in installments		(10,637)	(11,267)	(10,938)	(11,573)
Taxes, fees and contributions		2,061	-	2,762	-
Tax and labor obligations		9,702	15,619	12,492	16,851
Provision for civil, labor, social security and tax risks		(4,956)	-	(5,168)	-
Financial instruments derivatives		(509)	359	(509)	359
Payables to subsidiaries and related parties		(57,306)	(36,057)	6,104	33,523
Payables to related parties - complementary portion - Plaintiff		-	(4,162)	-	(4,162)
Other trade payables		(10,476)	3,277	5,309	(4,716)
Other		(50,718)	(44,700)	(74,441)	(58,180)
Interest paid	22	(40,672)	(37,079)	(40,672)	(37,079)
Income tax and social contribution paid		(10,046)	(7,621)	(33,769)	(21,101)
Net cash provided by (used in) investing activities		**40,408**	**2,259**	**(114,931)**	**(85,133)**
Acquisition of property, plant and equipment	18	(49,127)	(92,453)	(96,585)	(109,454)
Acquisition of intangible assets	19	(12,789)	(7,189)	(18,189)	(10,937)
Payables for property, plant and equipment	21.b	(17,767)	36,876	(157)	35,258
Dividends paid		134,229	25,405	-	-
Paid-in capital in subsidiaries	17	(14,138)	(2,034)	-	-
Receivables from related parties	17	-	41,654	-	-
Net cash used in financing activities		**(297,124)**	**(72,487)**	**(309,777)**	**(81,344)**
Proceeds from borrowings and debentures	22	513,735	171,021	513,735	171,021
Payments of borrowings	22	(488,798)	(217,769)	(488,798)	(217,769)
Dividends paid	36	(162,224)	(6,305)	(162,269)	(6,305)
Acquisition of treasury shares	29.2	(153,715)	(14,095)	(153,715)	(14,095)
Lease payment	20	(6,122)	(5,339)	(18,730)	(14,196)
Increase/(decrease) in cash and cash equivalents		**(120,263)**	**(3,669)**	**(136,607)**	**50,947**
Opening balance of cash and cash equivalents	6	245,779	249,448	326,325	275,378
Closing balance of cash and cash equivalents	6	125,516	245,779	189,718	326,325

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

PBG S.A. and subsidiaries
Statements of value added
Years ended December 31, 2021 and 2020
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue		1,985,200	1,507,705	2,349,421	1,720,988
Sales of goods, products and services		1,953,577	1,417,500	2,319,184	1,626,084
Other revenues		30,204	93,005	29,799	100,930
Reversal of (allowance for) impairment of trade receivables		1,419	(2,800)	438	(6,026)
Inputs acquired from third parties		(975,145)	(836,922)	(1,090,011)	(882,531)
Cost of products, goods and services sold		(728,647)	(596,867)	(780,629)	(615,655)
Materials, energy, third-party services and other		(252,203)	(242,395)	(313,927)	(268,534)
Impairment/recovery of assets		5,705	2,340	4,545	1,658
Gross value added		1,010,055	670,783	1,259,410	838,457
Retentions		(53,066)	(47,895)	(72,216)	(62,021)
Depreciation and amortization	18b ,19b and 20	(53,066)	(47,895)	(72,216)	(62,021)
Net value added produced		956,989	622,888	1,187,194	776,436
Value added received in transfer		111,634	129,059	36,964	86,516
Equity in the earnings of subsidiaries	17	75,549	46,798	-	-
Finance income		36,085	82,261	32,529	86,516
Other (dividend, rentals, royalties)		-	-	4,435	-
Total value added to distribute		1,068,623	751,947	1,224,158	862,952
Distribution of value added		1,068,623	751,947	1,224,158	862,952
Personnel		319,299	252,797	394,298	305,558
Direct compensation		271,602	210,704	339,860	261,262
Benefits		29,800	24,647	33,542	27,526
Government Severance Indemnity Fund For Employees (FGTS)		17,897	17,446	20,896	16,770
Taxes, fees and contributions		421,446	246,529	488,208	293,452
Federal		160,458	64,731	219,883	107,127
State		260,181	181,103	267,370	185,533
Municipal		807	695	955	792
Remuneration of third party capital		111,705	124,421	125,430	135,700
Interest		90,020	110,775	100,094	115,997
Rentals		21,685	13,646	25,336	19,703
Remuneration of own capital		216,173	128,200	216,222	128,242
Retained earnings		216,173	128,200	216,173	128,200
Non-controlling interest in retained earnings		-	-	49	42

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

1. General information

PBG S.A., hereinafter referred to as “Company” or “Parent Company”, is a publicly-held company and its shares are traded on the Novo Mercado segment of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formalized in the agreement entered into on April 15, 2011, and amended on August 5, 2021, which holds 57.84% of the Company’s shares at December 31, 2021. The remaining balance is composed by 4.43% treasury shares and 37.73% outstanding shares (free float).

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

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop franchising network, specialized in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 19 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 in the Southeast; and (v) Portobello América, which distributes Portobello products in the U.S. market and started to build a plant in the USA through its subsidiary Portobello America Manufacturing LLC, which is expected to be concluded in April 2023.

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

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

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

- the industrial units operated at their normal capacity in 2021;
- there was no need to raise a credit facility to cover the impacts of the pandemic;
- there were no new losses on trade receivables requiring the establishment of impairment;
- there was no extension of term for the customers, suppliers or for the payment of taxes.

The restrictions generated by the pandemic were not sufficient to impact the Company's figures in 2021, maintaining the production, sales and dispatch forecasts of its products.

2. Presentation of financial statements

a) Statement of compliance

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

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

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

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

The presentation of the parent company and consolidated statements of value added (DVA) is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to listed companies. The DVA was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". IFRS does not require the presentation of this statement. Therefore, under IFRS, the presentation of this statement 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 16, 2022.

3. Significant accounting policies

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

3.1 Consolidations

3.1.1 Consolidated financial statements

a) Subsidiaries

Subsidiaries are all entities 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.

All amounts in thousands of reais, unless otherwise stated.

The Company’s ownership interest in subsidiaries at December 31, 2021 is as follows:

	Country of incorporation	Direct ownership	Indirect ownership
Portobello América Inc.	United States	100.00%	0.00%
Portobello America Manufacturing	United States	0.00%	100.00%
PBTech Ltda	Brazil	99.94%	0.06%
Portobello Shop S/A	Brazil	99.90%	0.00%
Mineração Portobello Ltda.	Brazil	99.76%	0.00%
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%

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

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

b) Transactions and non-controlling interests

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

3.1.2 Parent company financial statements

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

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

3.2 Segment reporting

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

3.3 Functional currency and foreign currency translation

a) Transactions and balances

Foreign currency transactions are translated into Brazilian reais using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss as finance income (costs), as presented in Note 34, except when deferred in equity as qualifying cash flow hedge transactions.

b) Foreign subsidiaries

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

3.4 Financial assets

a) Initial recognition and measurement

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

b) Subsequent measurement

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

(iv) Derecognition of financial assets

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

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

(v) Reduction of the recoverable value of financial assets

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

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

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

3.5 Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iv) Derecognition of financial liabilities

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

(iv) Financial instruments – net presentation

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

(v) Derivative financial instruments

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

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

(vi) Cash flow hedge

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

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

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

3.6 Inventories

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

3.7 Taxes recoverable

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

3.8 Prepaid expenses

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

3.9 Judicial deposits

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

3.10 Guarantee deposits

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

3.11 Receivables from Eletrobrás

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

3.12 Legal assets

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

3.13 Investments

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

The provision for losses on investments is constituted when losses in investments in subsidiaries occur and these losses exceed the limit of the investment's book value. The Company classifies the provision in non-current liabilities, under the caption “Provision for losses on investments” and the counterpart of the provision is recorded in the result, under the caption “Equity in earnings of subsidiaries”. Other investments are recognized at historical cost and adjusted by the provision for impairment, if there is any indicator of loss (note 17).

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 18).

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

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

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

3.15 Intangible assets

Intangible assets refer to the registration of rights that have intangible assets as trademarks and patents, management system and software implementation costs, mineral exploration rights, goodwill. They are presented at the cost incurred in the acquisition or formation and, subsequently, deducted from the accumulated amortization or depletion and losses in the recoverable value, when applicable. They are stated at acquisition cost, combined with the annual amortization or depletion rates, mentioned in note 19, calculated by the straight-line method, taking into account the useful life defined for the asset.

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

3.16 Leases (CPC 06 (IFRS 16))

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.18 Suppliers

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

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

3.19 Supplier credit assignment

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

3.20 Borrowings and debentures

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

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

3.21 Advances from customers

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

3.22 Provisions for tax, labor and civil risks

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

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

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

3.23 Current and deferred income tax and social contribution

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

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

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

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

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

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

The Company considers the decision of the panel of the Federal Supreme Court (STF) on the unconstitutionality of the taxation of income tax and social contributions on profits according to the Selic rate received by taxpayers due to the wrongful payment of taxes as a material fact and an impact on the financial statements at December 31, 2021, as described in Note 15(d).

3.25 Employee Benefits

a) Private pension plan

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

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

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

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

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

b) Profit-sharing plan

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

3.26 Share capital

The Company's capital is represented exclusively by common shares and is classified in equity according to note 29.1.

3.27 Distribution of dividends and interest on capital

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

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

3.28 Revenue recognition

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

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

a) Product sales - wholesale

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

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

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

b) Income from franchisees

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

c) Finance income

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

3.29 Finance costs

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

4. Critical accounting estimates and judgments

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

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

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

b) Provisions for inventory losses

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

c) Deferred income tax and social contribution

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

d) Uncertain tax treatment and related contingencies

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

e) Private pension plan

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

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows required to settle the pension plan obligations. In determining the appropriate discount rate, management considers the interest rates of high quality private bonds, which are held in the currency in which the benefits will be paid and which have near-term maturities. Other important assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 30.

5 Financial risk management

5.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

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

	In thousands of Brazilian reais			
	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Trade receivables	60,407	42,935	123,330	60,211
Checking account	4,516	1,502	21,717	21,912
Credits with subsidiaries	111,796	45,308	-	-
Exposed assets	176,719	89,745	145,047	82,123
Suppliers	(16,717)	(15,332)	(34,111)	(37,845)
Suppliers of property, plant and equipment and intangible assets	(23,980)	(45,210)	(41,590)	(45,210)
Lease liabilities	-	-	-	(4,734)
Borrowings	(21,280)	(49,123)	(21,280)	(49,123)
(-) Swap transaction	3,790	14,117	3,790	14,117
Exposed liabilities	(58,187)	(95,548)	(93,191)	(122,795)
Net exposure	118,532	(5,803)	51,856	(40,672)

The foreign exchange exposure is divided into:

1. Euro:

	In thousands of Euro			
	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Trade receivables	264	197	264	197
Suppliers	(1,419)	(1,012)	(1,419)	(1,012)
Suppliers of property, plant and equipment and intangible assets	(3,795)	(7,071)	(3,795)	(7,071)
	(4,949)	(7,886)	(4,949)	(7,886)

2. US dollar:

	In thousands of US Dollar			
	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Trade receivables	10,526	8,020	21,801	11,344
Checking account	809	288	3,892	4,215
Credits with subsidiaries	20,033	8,718	-	-
Suppliers	(1,389)	(1,730)	(4,506)	(6,062)
Suppliers of property, plant and equipment and intangible assets	-	-	(3,156)	-
Lease liabilities	-	-	-	(911)
Borrowings	(3,813)	(9,453)	(3,813)	(9,453)
(-) Swap transactions	679	2,717	679	2,717
	26,845	8,560	14,897	1,850

All amounts in thousands of reais, unless otherwise stated.

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

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

The interest rate risk arises from long-term borrowings obtained at floating rates that expose the Company and its subsidiaries to the interest rate and cash flow risks, as described in note 22. Borrowings that bear fixed interest expose the entities to the fair value risk associated with interest rate.

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

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

b) Credit risk

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

c) Liquidity risk

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

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

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

	Parent Company									
	December 31, 2021					December 31, 2020				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than one year	98,115	8,036	322,176	11,663	439,953	223,908	7,594	280,943	9,290	521,735
From 1 to 2 years	136,218	11,049	188,167	11,590	347,024	210,603	4,763	151,364	9,290	376,020
From 2 to 5 years	431,752	4,334	1,767	9,816	447,669	215,592	8,117	18,357	25,127	267,193
Over 5 years	96,307	-	-	-	96,307	77,663	-	-	-	77,663
	762,392	23,419	512,110	33,069	1,330,953	727,766	20,474	450,664	43,707	1,242,611

	Consolidated									
	December 31, 2021					December 31, 2020				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	98,115	19,456	365,652	11,663	494,849	223,908	34,803	295,244	9,354	563,309
From 1 to 2 years	136,218	28,016	188,167	11,663	364,064	210,603	11,963	151,364	9,354	383,284
From 2 to 5 years	431,752	15,626	1,767	9,743	458,888	215,592	24,878	18,357	25,298	284,125
Over 5 years	96,307	1,755	-	-	98,062	77,663	1,538	-	-	79,200
	762,392	64,853	555,586	33,069	1,415,863	727,766	73,182	464,965	44,006	1,309,919

All amounts in thousands of reais, unless otherwise stated.

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

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

This study is based on the likely scenario of an increase in the CDI rate to 11.32% per year, based on the future interest curve by B3 S.A. - Brasil, Bolsa e Balcão and Selic to 11.32% 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, 2021	Risk	Probable Rate		Possible (25%)*		Remote (50%)*	
			%	R$	%	R$	%	R$
Financial investments	67,141	CDI increase	11.32%	7,600	14.15%	9,500	16.98%	11,401
Borrowings	(130,646)	CDI increase	11.32%	(14,789)	14.15%	(18,486)	16.98%	(22,184)
Debentures	(304,598)	CDI increase	11.32%	(34,480)	14.15%	(43,101)	16.98%	(51,721)
Installment payment of tax obligations	(33,069)	Selic increase	11.32%	(3,743)	14.15%	(4,679)	16.98%	(5,615)
	(401,172)			(45,413)		(56,766)		(68,119)

* Selic and CDI rates obtained from the B3 (Brasil, Bolsa e Balcão) website on February 9, 2022.

ii) Sensitivity analysis of changes in exchange rates

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

All amounts in thousands of reais, unless otherwise stated.

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

	Consolidated						
	December 31, 2021 (Payable) Receivable		Probable scenario	Currency appreciation		Currency depreciation	
				Possible +25%	Remote +50%	Possible - 25%	Remote - 50%
	U.S. dollar	Reais	5.3912	6.7390	8.0869	4.0434	2.6956
Balances in U.S. Dollar							
Trade receivables	21,801	121,660	(4,127)	25,257	54,641	(33,510)	(62,893)
Checking account	3,892	21,717	(737)	4,509	9,754	(5,982)	(11,227)
Suppliers of property, plant and equipment and intangible assets	(3,156)	(17,610)	597	(3,656)	(7,909)	4,850	9,104
Suppliers	(4,506)	(25,147)	853	(5,221)	(11,294)	6,926	13,000
Borrowings	(3,813)	(21,280)	722	(4,418)	(9,557)	5,861	11,001
(-) Swap contract	679	3,790	(129)	787	1,702	(1,044)	(1,959)
Net exposure	14,897	83,130	(2,821)	17,258	37,337	(22,899)	(42,974)
	Euro	Reais	6.1712	7.7140	9.2568	4.6284	3.0856
Balances in Euro							
Trade receivables	264	1,670	(39)	369	777	(447)	(854)
Suppliers	(1,419)	(8,964)	209	(1,979)	(4,168)	2,398	4,587
Suppliers of property, plant and equipment and intangible assets	(3,795)	(23,980)	560	(5,295)	(11,150)	6,415	12,270
Net exposure	(4,950)	(31,274)	730	(6,905)	(14,541)	8,366	16,003

*Possible and remote scenarios calculated based on the probable future rate of the Euro and the US Dollar for 90 days, obtained from the B3 (Brasil, Bolsa e Balcão) website on February 9, 2022.

5.2 Capital management

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

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

At December 31, 2021, the gearing ratios are summarized as follows:

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Gross Banking Debt	766,664	727,766	766,664	727,766
Cash and cash equivalents	(125,516)	(245,779)	(189,718)	(326,325)
Net indebtedness	641,148	481,987	576,946	401,441
Total equity	356,136	417,168	356,157	417,184
Total capital	997,284	899,155	933,103	818,625
Net debt/EBITDA *	2.01	2.75	1.60	2.29
Gearing ratio (%)	64	54	62	49

* Our Covenants are calculated according to the net debt ratio divided by Ebitda, see note 22.

All amounts in thousands of reais, unless otherwise stated.

5.3 Financial instruments by category

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Assets stated at fair value through profit or loss				
Derivatives	3,790	14,117	3,790	14,117
Assets at amortized cost				
Cash and cash equivalents	125,516	245,779	189,718	326,325
Trade receivables	296,195	261,227	375,624	289,090
Dividends receivable	-	53,023	-	-
Credits with subsidiaries	119,130	53,768	-	-
Judicial deposits	185,332	156,296	185,382	156,324
Restricted investments	13,679	13,317	13,679	13,317
Other assets	19,372	20,475	21,140	21,127
	763,014	818,002	789,333	820,300
Liabilities at amortized cost				
Trade payables and assignment	512,073	450,674	555,549	464,975
Borrowings and debentures	762,392	727,766	762,392	727,766
Dividends payable	970	31,005	1,043	31,079
Lease liabilities	23,419	20,473	64,853	73,182
Payables to Related Parties	56,330	56,330	56,363	53,723
Other liabilities	18,454	27,915	51,928	30,911
	1,373,638	1,314,163	1,492,128	1,381,636

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$ 13,679 at December 31, 2021 (R$ 13,317 at December 31, 2020). This financial investment is classified in non-current assets.

6. Cash and cash equivalents

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Checking accounts	**91,370**	**38,052**	**112,861**	**77,124**
Local currency	86,854	36,551	100,860	55,213
Foreign currency	4,516	1,501	12,001	21,911
Financial investments	**34,146**	**207,727**	**76,857**	**249,201**
Local currency	34,146	207,727	67,141	249,201
Foreign currency	-	-	9,716	-
	125,516	245,779	189,718	326,325

All amounts in thousands of reais, unless otherwise stated.

7. Financial instruments

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

a) Swap

In June 2018, the Company entered into an export credit (NCE) agreement together with swap transactions intended to hedge future payments of these borrowings and financing against fluctuations in the US Dollar and interest rate. This operation is classified as borrowings in the balance sheet (non-current assets), with a balance of R$ 150 at December 31, 2021 (R$ 359 at December 31, 2020 (net assets vs. liabilities)). There was a renegotiation in June 2020 for the amount of US$ 2,711, corresponding to R$ 14,430 on that date, bearing interest of 2.95% per year plus LIBOR-03 and foreign exchange variation, with swap for 100% CDI plus 2.95% per year and payment date within 45 months with 12-month grace period. Repayments are made on a quarterly basis. At December 31, 2021, there was a net gain in the amount of R$ 4, in swap transactions, according to note 34.

b) Non-Deliverable Forward (NDF)

In 2021, the Company entered into 21 NDF contracts with Banco Itaú, Santander e XP Investimentos, with a total notional amount of U$$ 87,280, under the following conditions:

Maturity	Quotation set	Notional value (in U.S. dollar)	(Fair value MTM) (NE 29.4)		Operating income or loss (Note 31)		Finance income (costs)	
			December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Transactions settled/realized on 12/31/2021								
July 30, 2021	5.0153 R$/US$	6,000	-	-	(317)	-	-	-
August 31, 2021	5.0260 R$/US$	5,900	-	-	(998)	-	-	-
September 30, 2021	5.0404 R$/US$	6,100	-	-	(2,299)	-	-	-
October 29, 2021	5.0530 R$/US$	3,800	-	-	(2,126)	-	-	-
October 29, 2021	5.2920 R$/US$	2,400	-	-	(769)	-	-	-
November 30, 2021	5.0733 R$/US$	3,800	-	-	(2,046)	-	-	-
November 30, 2021	5.3020 R$/US$	2,400	-	-	(744)	-	-	-
December 31, 2021	5.0824 R$/US$	3,300	-	-	(1,644)	-	-	-
December 31, 2021	5.3220 R$/US$	2,200	-	-	(499)	-	(68)	-
Total		35,900	-	-	(11,442)		(68)	-
Transactions to be settled/realized on 12/31/2021								
January 31, 2022	5.6190 R$/US$	3,594	13	-	-	-	-	-
February 25, 2022	5.6420 R$/US$	3,706	(44)	-	-	-	-	-
March 31, 2022	5.6913 R$/US$	3,879	(48)	-	-	-	-	-
April 29, 2022	5.7230 R$/US$	4,060	(101)	-	-	-	-	-
May 31, 2022	5.7599 R$/US$	4,165	(172)	-	-	-	-	-
June 30, 2022	5.7965 R$/US$	4,229	(248)	-	-	-	-	-
July 29, 2022	6.0183 R$/US$	4,375	490	-	-	-	-	-
August 31, 2022	6.0808 R$/US$	4,482	481	-	-	-	-	-
September 30, 2022	6.1359 R$/US$	4,586	514	-	-	-	-	-
October 31, 2022	6.1850 R$/US$	4,775	527	-	-	-	-	-
November 30, 2022	6.2329 R$/US$	4,842	529	-	-	-	-	-
December 30, 2022	6.2887 R$/US$	4,687	533	-	-	-	-	-
Total		51,380	2,474	-	-	-	-	-

All amounts in thousands of reais, unless otherwise stated.

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

At December 31, 2021, there was an unrealized gain (fair value - mark-to-market at the curve of the U.S. dollar of B3) of R$ 2,474 without considering income tax and social contribution, recorded in other comprehensive income and in liabilities (Note 29.4), for contracts falling due on that date. This amount is shown in the Statement of changes in equity and in the Statement of comprehensive income. There were also accumulated realized losses of R$ (11,442) in the operating result (Note 31) and R$ (68) in finance income (costs).

8. Trade receivables

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Receivables from third parties				
Domestic market	239,247	223,585	258,018	234,650
Foreign market	60,407	42,935	123,330	60,211
	299,654	266,520	381,348	294,861
Receivables from related parties:				
Entities related to management	757	342	757	1,148
	757	342	757	1,148
Total short-term trade receivables	300,411	266,862	382,105	296,009
Total non-current long-term trade receivable in domestic market	3,391	3,391	3,391	3,391
Total trade receivables	303,802	270,253	385,496	299,400
Impairment of trade receivables				
Provision for impairment of trade receivables - short term	(4,216)	(5,635)	(6,481)	(6,919)
Provision for impairment of trade receivables - long current	(3,391)	(3,391)	(3,391)	(3,391)
	(7,607)	(9,026)	(9,872)	(10,310)
Total trade receivables, net of provision for impairment of trade receivables	296,195	261,227	375,624	289,090

All amounts in thousands of reais, unless otherwise stated.

a) Aging list of trade receivables

	Parent Company					
	December 31, 2021	Estimated losses	Coverage %	December 31, 2020	Estimated losses	Coverage %
Falling due	295,689	(2,225)	0.8%	261,967	(2,826)	1.1%
Past due until 30 days	1,763	(103)	5.8%	1,584	(378)	23.9%
Past due from 31 to 60 days	418	(46)	11.0%	641	(182)	28.4%
Past due from 61 to 90 days	279	(32)	11.5%	354	(98)	27.7%
Past due from 91 to 120 days	273	(62)	22.7%	179	(80)	44.7%
Past due from 121 to 180 days	457	(216)	47.3%	402	(336)	83.6%
Past due from 181 to 360 days	1,532	(1,532)	100.0%	1,735	(1,735)	100.0%
Past due over 361 days	3,391	(3,391)	100.0%	3,391	(3,391)	100.0%
	303,802	(7,607)		270,253	(9,026)	

	Consolidated					
	December 31, 2021	Estimated losses	Coverage %	December 31, 2020	Estimated losses	Coverage %
Falling due	365,753	(3,289)	0.9%	288,038	(3,747)	1.3%
Past due until 30 days	7,459	(159)	2.1%	3,940	(415)	10.5%
Past due from 31 to 60 days	3,898	(211)	5.4%	957	(218)	22.8%
Past due from 61 to 90 days	1,056	(107)	10.1%	425	(115)	27.1%
Past due from 91 to 120 days	970	(234)	24.1%	266	(139)	52.3%
Past due from 121 to 180 days	896	(409)	45.6%	529	(434)	82.0%
Past due from 181 to 360 days	2,073	(2,072)	100.0%	1,854	(1,851)	99.8%
Past due over 361 days	3,391	(3,391)	100.0%	3,391	(3,391)	100.0%
	385,496	(9,872)		299,400	(10,310)	

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.

All amounts in thousands of reais, unless otherwise stated.

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

	Parent Company	Consolidated
Balance at December 31, 2019	(6,228)	(6,271)
Net	(13,942)	(16,951)
Reversal of provision	8,590	10,014
Write-off due to effective loss	2,554	2,898
Balance at December 31, 2020	(9,026)	(10,310)
Net	(6,113)	(9,536)
Reversal of provision	5,954	8,396
Write-off due to effective loss	1,578	1,578
Balance at December 31, 2021	(7,607)	(9,872)

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

At December 31, 2021, the total notes receivable pledged as collateral amounts to R$ 100,657 (R$ 105,108 at December 31, 2020). To guarantee the transactions of third parties with franchisees, collateral amounts to R$ 478 (R$ 70 at December 31, 2020).

9. Inventories

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Finished products	165,656	121,468	211,876	153,446
Work in progress	10,455	10,322	10,706	10,626
Raw materials and consumables	57,720	45,916	58,576	45,930
Imports in transit	7,871	4,052	16,048	4,051
Provision for valuation of inventories at realizable value	(8,594)	(8,861)	(11,842)	(9,491)
	233,108	172,897	285,364	204,562

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

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

	Parent Company	Consolidated
Balance at December 31, 2019	(15,088)	(15,088)
Recognition of provision	(9,067)	(9,697)
Reversal of provision due to sale or write-off	15,294	15,294
Balance at December 31, 2020	(8,861)	(9,491)
Recognition of provision	(6,166)	(9,415)
Reversal of provision due to sale or write-off	6,433	7,064
Balance at December 31, 2021	(8,594)	(11,842)

All amounts in thousands of reais, unless otherwise stated.

10. Taxes recoverable

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Current				
PIS/COFINS (a)	19,959	56,098	19,951	56,097
ICMS	218	13,740	270	14,203
IPI (b)	3,841	3,065	3,859	3,072
IRPJ/CSLL	1,192	3,274	1,864	3,852
Special Tax Reintegration Regime for Exporting Companies (REINTEGRA)	720	410	720	410
Other taxes recoverable	732	27	790	188
	26,662	76,614	27,454	77,822
Non-current				
ICMS-ST (c)	9,982	-	9,982	-
ICMS (d)	4,783	5,504	4,877	5,674
PIS/COFINS	-	7,602	-	7,602
	14,765	13,106	14,859	132,76

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

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

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

On July 2, 2018, according to the certificate drawn up by the Office of the Federal Regional Court of the 4th Region, the aforementioned lawsuit received a final and unappealable decision.

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

On December 13, 2018, an administrative decision was rendered approving the request for approval of credit arising from a final and unappealable decision, at the amount of R$ 59,381, recording this amount in the same period. The Company has been offsetting these credits with federal taxes. With the approval by the Brazilian Federal Revenue, this asset was reclassified from tax assets to recoverable taxes.

In addition to the lawsuit recognized above, the Company had another lawsuit with the same content, which became final and unappealable in the second quarter of 2018. As a result, the company recognized the exclusion of ICMS from PIS and COFINS for the period from 2003 to 2009, in the amount of R$ 45,072. As there was approval by the Federal Revenue in the third quarter of 2019, the asset was transferred to the recoverable taxes, in non-current assets.

All amounts in thousands of reais, unless otherwise stated.

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

At December 31, the balance of the exclusion of ICMS from PIS and COFINS is R$ 13,368 (R$ 27,837 at December 31, 2020). Besides the ICMS expurgation balance, the amount of PIS and COFINS on property, plant and equipment totaling R$ 5,799 is also included in this item. The other amounts refer to PIS and COFINS credits arising from the Company's usual transactions and will be fully offset against the next computations.

b) IPI

The balance comprises IPI credits referring to 2021, whose requests for refund have not yet been submitted to the Brazilian Federal Revenue Service.

c) ICMS

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

d) ICMS

This item includes the amounts arising from the purchase of property, plant and equipment.

11. Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see notes 27 and 28) 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Civil (a)	171,195	144,021	171,195	144,021
Other deposits Civil	159	158	159	191
Labor	2,075	3,250	2,083	3,213
Tax	11,903	8,867	11,945	8,899
	185,332	156,296	185,382	156,324

a) The Company, due to an untimely and unilateral decision by the gas supplier to suspend the discount of the monthly value of the contracted gas, a benefit called loyalty plan, filed a lawsuit requesting the maintenance of this benefit, and an injunction was granted so that the amounts referring to the discount were deposited in court. The company has the same amount recorded under the item suppliers, in non-current liabilities (note 21).

12. Guarantee deposits

In September 2020, the Company signed a “Term of Understanding and Settlement of Obligations” with Refinadora Catarinense S.A., referring to the settlement of a debt of the Refinadora with the Company, in the amount of R$ 101,990. In this Term, the Parties agreed that the Refiner will pay 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, because, even though Management expects to receive this amount in the coming months, no date has been set for its realization.

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

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

In January 2022, the Company obtained a favorable decision for the withdrawal of R$ 45,950 deposited in two tax foreclosures, the withdrawal being conditioned to the presentation of a guarantee in substitution. The Company has already presented the insurance policies given as a guarantee and is awaiting the issue of permits to withdraw the amounts.

13. Receivables from Eletrobrás

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

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

Eletrobrás (Centrais Elétricas Brasileiras S.A.) filed an Interlocutory Appeal upon Decision Enforcement and obtained an injunction to suspend the decision that determined the payment on behalf of the Company, as well as the resumption of the court decision settlement procedure. The judgment became final and unappealable in July 2018, favorable to the Company. In February 2019, the Company requested the continuation of the process with the approval of the tax credit calculations, which indicated the amount of R$ 12,821. The lawsuit is currently awaiting judgment by the Court regarding the inaccuracies verified in the calculations presented by the Federal Court accounting department.

All amounts in thousands of reais, unless otherwise stated.

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				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Income tax	1,192	2,662	1,690	3,118	124	-	2,749	2,203
Social contribution	-	612	174	734	-	-	1,116	794
	1,192	3,274	1,864	3,852	124	-	3,865	2,997

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Tax losses	27,702	35,276	36,494	39,630
Temporary differences - assets	63,053	57,222	65,297	57,651
Cash basis foreign exchange variations	16,725	20,317	16,725	20,317
Provision for adjustment to market value	1,753	1,500	1,753	1,500
Provision for civil, labor, social security and tax risks	19,423	15,353	19,423	15,731
Provision for profit sharing and long-term incentive	8,590	3,661	8,590	3,661
Other temporary differences - assets	16,562	16,391	18,806	16,442
Temporary differences - liabilities	(63,462)	(54,691)	(69,849)	(59,569)
Portobello pension plan	(6,350)	(3,028)	(6,350)	(3,028)
Realization of revaluation reserve	(16,041)	(16,651)	(16,041)	(16,651)
Receivables from Eletrobrás	(4,359)	(4,359)	(4,359)	(4,359)
Contingent assets - IPI credit premium - Phase I	(2,988)	(2,645)	(2,988)	(2,645)
Contingent assets - IPI credit premium - Phase II	(8,768)	(7,621)	(8,768)	(7,621)
Contingent assets - adjustment to rural credit notes	-	-	(6,387)	(4,878)
Hedge accounting transactions	(841)	-	(841)	-
Adjustment to present value	(63)	-	(63)	-
Depreciation adjustment (to the useful lives of goods)	(24,052)	(20,387)	(24,052)	(20,387)
Deferred income tax and social contribution - Net	27,293	37,807	31,942	37,713
Non-current assets	90,755	92,498	101,791	97,281
Non-current liabilities	(63,462)	(54,691)	(69,849)	(59,569)

At December 31, 2021, net variations in deferred income tax and social contribution are as follows:

All amounts in thousands of reais, unless otherwise stated.

	Parent Company	Consolidated
	December 31, 2021	December 31, 2021
December 31, 2019	21,839	26,191
Tax losses	(3,286)	(3,286)
Temporary differences - assets	21,767	22,198
Temporary differences - liabilities	(3,123)	(8,000)
Revaluation reserve	610	610
December 31, 2020	37,807	37,713
Tax losses	(7,574)	(3,137)
Temporary differences - assets	4,989	6,804
Temporary differences - liabilities	(8,539)	(10,048)
Revaluation reserve	610	610
December 31, 2021	27,293	31,942

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

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Profit before tax	209,655	66,499	229,508	85,565
Tax calculated based on the nominal rate - 34%	(71,283)	(22,610)	(78,033)	(29,092)
Equity in the earnings of subsidiaries	25,688	15,911	-	-
Tax incentives	8,982	-	8,982	-
Tax incentives Sudene	4,216	-	4,216	-
Non-deductible expenses	9,476	6,448	9,476	6,448
Depreciation of revalued assets	(610)	(661)	(610)	(661)
IRPJ and CSLL on undue tax payments (note 15d)	26,686	-	26,686	-
Other	3,363	(5,382)	15,996	1,343
	6,518	60,205	(13,287)	63,603
Current tax on profit for the year	(3,447)	(7,386)	(27,996)	(21,962)
Deferred income tax and social contribution	9,965	69,087	14,709	64,639
Income tax and social contribution expense (recognized in profit or loss - current and deferred)	6,518	61,701	(13,287)	42,677
Effective tax rate	-3.1%	-92.8%	5.8%	-49.9%

In 2021, tax incentives of the Superintendency for the Development of the Northeast (SUDENE) calculated on calendar year 2020 and 2021 were recorded in the Parent company.

All amounts in thousands of reais, unless otherwise stated.

d) Tax losses in the Parent Company and Consolidated

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Tax losses	81,476	103,754	107,335	127,081
Deferred income tax and social contribution	27,702	35,276	36,494	43,207
Impairment	-	-	-	(3,578)
Recognized deferred income tax/social contribution	27,702	35,276	36,494	39,629

Based on studies and projections of results for the following periods, a recoverability test was conducted for deferred tax assets arising from tax and social contribution losses recorded at December 31, 2021 in the Parent Company and its subsidiary Companhia Brasileira de Cerâmica, where we estimated the following asset recoverability schedule:

Period	Parent Company	Consolidated
2022	14,531	17,776
2023	13,171	18,718
	27,702	36,494

15. Legal assets

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
IPI premium credit (a)				
Lawsuit No. 1987.0000.645- 9	25,787	22,414	25,787	22,414
Lawsuit No. 1984.00.020114-0	8,787	7,784	8,787	7,784
Adjustment to rural credit notes (b)	-	-	18,786	14,346
IPI premium credit - Plaintiff - Complementary Portion (c)	75,107	75,107	75,107	75,107
IRPJ and CSLL on interest on undue tax payments (d)	26,686	-	26,686	-
	136,367	105,305	155,153	119,651

a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called 'IPI premium credit', in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 1, 1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the Federal Court accounting department; the amount recognized in November 2009, adjusted up to December 31, 2021, is R$ 25,787 (R$ 22,414 at December 31, 2020).

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

The Federal Government, represented by the National Treasury's Attorney's Office, did not manifest itself, which led to tacit agreement and, consequently, preclusion. The lawsuit is concluded and there is no further possibility of objection. The Company recognized, in 2015, the amount calculated by the legal expert, in the amount of R$ 4,983, and, as the Company understands that the gain in the mentioned lawsuit is practically certain, it recorded the tax asset in June 2015, and maintains as of December 30, 2021 the balance of R$ 8,787 (R$ 7,784 at December 31, 2020). The Company will ensure that the payment request be dispatched by June 2022, so that the financial realization takes place by December 2023.

b) Adjustment to rural credit notes

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

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

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

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

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

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

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

c) IPI premium credit – Plaintiff

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

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

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

Currently, the Company awaits jurisdictional provision regarding the request filed for the disallowance of the objection filed by the Federal Government and, consequently, the issuance of the payment request (court-ordered debts) of the supplementary amount.

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

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

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

Considering the above and as determined by IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, due to the likelihood of success in the proceeding as a result of the decision in general repercussion of the STF, the Company recorded its best estimate to date in the amount of R$ 26,686, of that amount R$ 9,728 represents current IRPJ and CSLL and R$: 16,958 represents deferred IRPJ and CSLL. A provision for attorney's fees in the amount of R$ 2,669 was made for the credits recorded.

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

All amounts in thousands of reais, unless otherwise stated.

16. Contingent assets

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

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

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

17. Investments

Interest in subsidiaries

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

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Equity	Revenue	Profit or loss
At December 31, 2020								
Portobello América Inc.	United States	100.00%	0.00%	81,310	57,137	24,173	75,377	(8,559)
Portobello America Manufacturing	United States	0.00%	100.00%	16,893	15,417	1,476	-	(12)
PBTech Ltda.	Brazil	99.94%	0.06%	97,508	75,976	21,532	119,319	18,198
Portobello Shop S/A	Brazil	99.90%	0.00%	60,969	60,489	480	71,593	41,192
Mineração Portobello Ltda.	Brazil	99.76%	0.00%	4,552	2,129	2,423	6,831	3
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	2.00%	11,337	3,338	7,999	4,350	4,036
At December 31, 2021								
Portobello América Inc.	United States	100.00%	0.00%	182,125	158,644	23,481	181,690	(2,548)
Portobello America Manufacturing (a)	United States	0.00%	100.00%	57,708	55,558	2,150	-	-
PBTech Ltda.	Brazil	99.94%	0.06%	119,886	109,923	9,963	211,393	18,637
Portobello Shop S/A	Brazil	99.90%	0.00%	37,012	16,317	20,696	107,649	71,216
Mineração Portobello Ltda.	Brazil	99.76%	0.00%	14,957	14,715	242	9,121	(11,181)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	13,516	2,386	11,130	6,093	(2,007)

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

Subsidiaries are closely-held companies, for which variations in the year 2021 and comparative period are presented below:

All amounts in thousands of reais, unless otherwise stated.

Variations at December 31, 2020:

	Percentage of interest	December 31, 2019	Foreign exchange variations	Capital increase	Profit/Loss on inventories	Equity in the earnings of subsidiaries	Dividends	December 31, 2020
Investments								
Portobello América Inc.	100.00%	(61,357)	(26,481)	120,550	(2,794)	(8,559)	-	21,359
PBTech Ltda.	99.94%	9,555	-	-	-	18,198	(6,221)	21,532
Portobello Shop S.A.	99.90%	480	-	-	-	41,192	(41,192)	480
Mineração Portobello Ltda. (a)	99.76%	2,420	-	-	-	3	-	2,423
Companhia Brasileira de Cerâmica S/A	98.00%	8,484	-	3,551	-	(4,036)	-	7,999
Portobello S/A	100.00%	10	-	-	-	-	-	10
Total net investment in subsidiaries		(40,408)	(26,481)	124,101	(2,794)	46,798	(47,413)	53,803
Interest in subsidiaries		20,949						53,803
Provision for subsidiaries' deficiency in net assets		(61,357)						

(a) In August 2020, through the approval of the Board of Directors and an agreement between the parties, the increase in the capital of subsidiary Portobello America Inc. was approved in the amount of R$ 122,784, resulting from amounts receivable between the Parent Company and the Subsidiary, from 2008 to 2011. It is important to point out that, with the capital contribution, the Company no longer presents the provision for loss on investments; these amounts were recorded in Investments, in non-current assets.

Variations at December 31, 2021:

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

(a) In June and September 2021, Mineração Portobello received two Advances for Future Capital Increase (AFAC) of PBG S.A., totaling R$9,000.

(b) In April 2021, PBG S.A increased its capital by R$ 11,240 in Companhia Brasileira de Cerâmica (CBC), paying R$ 6,102 of AFAC previously accounted for.

All amounts in thousands of reais, unless otherwise stated.

18. Property, plant and equipment

a) Composition

		Parent Company				Consolidated			
		December 31, 2021			December 31, 2020	December 31, 2021			December 31, 2020
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Land	-	12,603	-	12,603	12,603	31,633	-	31,633	13,485
Buildings, constructions and improvements	3%	282,276	(75,363)	206,913	148,373	305,557	(79,178)	226,379	163,926
Machinery and equipment	15%	697,913	(414,653)	283,260	284,521	702,077	(416,020)	286057	287,697
Furniture and fixtures	10%	17,374	(9,150)	8,224	789	22,340	(10,070)	12,270	2,462
Computers	20%	31,850	(26,419)	5,431	6,638	32,775	(27,062)	5,713	6,961
Other property, plant and equipment	20%	6,501	(3,509)	2,992	3198	8,061	(3,992)	4,069	3,918
Construction in progress	-	8,887	-	8,887	66,695	48,337	-	48,337	74,427
		1,057,404	(529,094)	528,310	522,817	1,150,780	(536,322)	614,458	552,876

b) Changes in property, plant and equipment

	Parent Company					
	December 31, 2019	Additions	Transfers	Depreciation	Write-offs	December 31, 2020
Land	12,603	-	-	-	-	12,603
Buildings and improvements	155,092	-	604	(7,323)	-	148,373
Machinery and equipment	285,951	661	26,566	(28,248)	(409)	284,521
Furniture and fixtures	883	-	107	(201)	-	789
Computers	8,009	-	1,475	(2,761)	(85)	6,638
Other property, plant and equipment	1,870	81	1,936	(689)	-	3,198
Construction in progress	5,672	91,711	(30,688)	-	-	66,695
	470,080	92,453	-	(39,222)	(494)	522,817

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

	Consolidated					
	December 31, 2019	Additions	Transfers	Depreciation	Write-offs	December 31, 2020
Land	13,485	-	-	-	-	13,485
Buildings and improvements	167,027	5,564	2,377	(11,042)	-	163,926
Machinery and equipment	289,115	1,165	26,566	(28,740)	(409)	287,697
Furniture and fixtures	2,326	431	141	(436)	-	2,462
Computers	8,471	145	1,503	(3,073)	(85)	6,961
Other property, plant and equipment	1,870	81	2,725	(758)	-	3,918
Construction in progress	5,672	102,067	(33,312)	-	-	74,427
	487,966	109,453	-	(44,049)	(494)	552,876

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

* The amount of R$ 17,687 in transfer refers to the entry in transfer of a plot of land of the subsidiary Portobello America Manufacturing of assets and rights in the amount of R$ 18,148 (note 20), and exit in transfer to intangible assets in the amount of R$ (461) (note 19).

All amounts in thousands of reais, unless otherwise stated.

In 2021, additions to property, plant and equipment in the Consolidated amounted to R$ 95,585, of which 51% went to the Tijucas plant, 40% to the construction of the factory in the USA, 4.4% to own stores, and the remainder was divided between commercial and corporate projects.

In 2021, the construction of the factory in the USA had an investment in the amount of R$ 39,098, the investments derive from the architectural project, earthworks of the land and foundation of the factory. The 370,000 m2 (approximately 92 acres) project area is located on the south side of Interstate 40 within the city limits of Baxter, Tennessee. The Company expects to complete construction by the end of 2022, with production starting in April 2023.

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

	Parent Company		Consolidated	
	Accumulated			
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cost of sales	(36,729)	(33,479)	(37,293)	(34,289)
Selling expenses	(5,071)	(3,981)	(11,189)	(7,943)
Administrative expenses	(1,687)	(1,762)	(1,709)	(1,817)
	(43,487)	(39,222)	(50,191)	(44,049)

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, 2021, Management reviewed the cash flows projections of assets and did not identify the need to record a provision for impairment.

19. Intangible assets

a) Breakdown

		Parent Company				Consolidated			
		December 31, 2021			December 31, 2020	December 31, 2021			December 31, 2020
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	-	150	150
Software	20%	49,056	(33,164)	15,892	7,504	56,498	(35,579)	20,919	10,180
Right to explore mineral resources	9%	1,000	(1,000)	-	-	4,073	(3,722)	351	446
Goodwill (a)	7%	-	-	-	-	-	-	-	10,028
Software under development	-	6,282	-	6,282	5,403	7,377	-	7,377	7,669
		56,488	(34,164)	22,324	13,057	68,098	(39,301)	28,797	28,473

(a) The goodwill has been transferred to the right-of-use asset according to IFRS 16 / CPC 06 R(2) (note 20).

All amounts in thousands of reais, unless otherwise stated.

b) Changes in intangible assets

	Parent Company					
	December 31, 2019	Additions	Transfers	Amortizations	Write-offs	December 31, 2020
Trademarks and patents	150	-	-	-	-	150
Software	8,240	-	2,265	(3,001)	-	7,504
Software under development	479	7,189	(2,265)	-	-	5,403
	8,869	7,189	-	(3,001)	-	13,057

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

	Consolidated					
	December 31, 2019	Additions	Transfers	Amortizations	Write-offs	December 31,2020
Trademarks and patents	150	-	-	-	-	150
Software	9,126	2,030	2,665	(3,641)	-	10,180
Right to explore mineral resources	839	-	-	(393)	-	446
Goodwill	10,851	-	-	(823)	-	10,028
Software under development	1,426	8,908	(2,665)	-	-	7,669
	22,392	10,938	-	(4,857)	-	28,473

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

* The amount of R$ (11,004) refers to the entry in transfer of property, plant and equipment in the amount of R$ 461 (note 18 - Property, plant and equipment) and the exit in transfer of goodwill in the amount of R$ (11,465) for the right-of-use assets (note 20).

In 2021, intangible assets in Consolidated added up to R$ 18,189, a significant portion of which was destined for the Transformation project, which aims to optimize and implement digital improvements in the commercial area.

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cost of sales	(126)	(479)	(221)	(871)
Selling expenses	(1,698)	(1,489)	(3,885)	(2,878)
Administrative expenses	(1,673)	(1,033)	(1,866)	(1,108)
	(3,497)	(3,001)	(5,972)	(4,857)

All amounts in thousands of reais, unless otherwise stated.

c) Projected amortization of consolidated intangible assets:

	2022	2023	2024	2025	2026 to 2038	Total
Software	(5,887)	(4,432)	(3,543)	(3,543)	(3,514)	(20,919)
Right to explore mineral resources	(68)	(68)	(68)	(68)	(79)	(351)
	(5,955)	(4,500)	(3,611)	(3,611)	(3,593)	(21,270)

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

d) Impairment of intangible assets

Intangible assets are tested for impairment at least annually, and for the year ended December 31, 2021, Management reviewed the cash flow projections of assets and did not identify the need to record a provision for impairment.

20. Right-of-use assets and lease liabilities

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

At December 31, 2021, the Company had a total of 50 lease agreements (43 at December 31, 2020) 29 of which are classified as leasing agreements and without purchase option for its commercial and logistics units and 21 leasing agreements with purchase option intended for vehicles for the Company's managers, which refer to leases for which there is a purchase option at the end, resembling a financing operation.

The leases without purchase option at the end of the contract, are composed of the 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. The leasing agreements with purchase option at the end of the agreement comprise the 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 5 and 7 years depending on the contract, and there is one contract with a 20-year term.

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

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

During 2021, there was an adjustment of rental contracts for the properties of the own stores and distribution centers. New agreements for distribution centers, cars and a property for warehousing of extracted ores were included.

All amounts in thousands of reais, unless otherwise stated.

a) Breakdown of lease assets

	Parent Company			Consolidated		
Lease	Without purchase option	With purchase option	Total	Without purchase option	With purchase option	Total
December 31, 2019	11,259	1,657	12,916	57,186	1,657	58,843
Remeasurement	-	-	-	(13,085)	-	(13,085)
Foreign exchange variation	-	-	-	1,322	-	1,322
Additions and contractual adjustments	12,096	3,360	15,456	40,241	3,360	43,601
Contract terminations	(3,478)	(245)	(3,723)	(5,930)	(245)	(6,175)
Depreciation	(4,653)	(1,019)	(5,672)	(12,096)	(1,019)	(13,115)
December 31, 2020	15,224	3,753	18,977	67,638	3,753	71,391
Remeasurement	-	-	-	812	-	812
Foreign exchange variation	-	-	-	1,580	-	1,580
Additions and contractual adjustments	7,327	1,603	8,930	25,649	1,603	27,252
Contract terminations	(1,222)	-	(1,222)	(6,763)	-	(6,763)
Depreciation	(4,998)	(1,084)	(6,082)	(14,969)	(1,084)	(16,053)
Reclassification of goodwill (a)	-	-	-	11,465	-	11,465
Reclassification of PBA Land (b)	-	-	-	(18,148)	-	(18,148)
December 31, 2021	16,331	4,272	20,603	67,264	4,272	71,536

(a) The goodwill has been transferred from intangible assets (note 19) to right-of-use assets according to IFRS 16 / CPC 06 R(2).
(b) Refers to the transfer of land from the subsidiary Portobello America Manufacturing of assets and rights in the amount of R$ 18,148 (note 18).

All amounts in thousands of reais, unless otherwise stated.

b) Breakdown of lease liabilities

	Parent Company			Consolidated		
Lease	Without purchase option	With purchase option	Total	Without purchase option	With purchase option	Total
December 31, 2019	11,824	1,926	13,750	37,605	1,926	39,531
Remeasurement	-	-	-	5,567	-	5,567
Foreign exchange variation	-	-	-	1,370	-	1,370
Additions and contractual adjustments	12,096	3,360	15,456	40,241	3,360	43,601
Contract terminations	(4,493)	-	(4,493)	(5,611)	-	(5,612)
Payments	(3,678)	(1,661)	(5,339)	(12,535)	(1,661)	(14,196)
Accrued interest in the period	957	142	1,099	2,778	142	2,921
Transfer between accounts	1,302	(1,302)	-	1,302	(1,302)	-
December 31, 2020	18,008	2,465	20,473	70,717	2,465	73,182
Remeasurement	-	-	-	812	-	812
Foreign exchange variation	-	-	-	1,473	-	1,473
Additions and contractual adjustments	7,327	1,603	8,930	25,650	1,603	27,253
Contract terminations	(1,222)	-	(1,222)	(5,816)	-	(5,816)
Payments	(4,894)	(1,228)	(6,122)	(17,502)	(1,228)	(18,730)
Accrued interest in the period	1,136	224	1,360	3,010	226	3,236
Reclassification of PBA Land	-	-	-	(16,557)	-	(16,557)
December 31, 2021	20,355	3,064	23,419	61,787	3,066	64,853
Current liabilities			8,036			19,456
Non-current liabilities			15,383			45,397

All amounts in thousands of reais, unless otherwise stated.

c) Inflation effects

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

	Parent Company				
	2021	2022	2023	2024	2025
Lease liabilities					
Accounting balances IFRS16 / CPC 06 (R02)	23,419	18,511	13,472	8,316	-
Flow with inflation projection	27,445	20,014	14,017	8,649	-
Variation	17.19%	8.12%	4.05%	4.00%	-
Lease assets, net					
Accounting balances IFRS16 / CPC 06 (R02)	20,603	14,521	8,439	2,357	-
Flow with inflation projection	24,145	15,700	8,781	2,451	-
Variation	17.19%	8.12%	4.05%	4.00%	-
Finance costs					
Accounting balances IFRS16 / CPC 06 (R02)	1,360	1,214	1,083	967	863
Flow with inflation projection	1,594	1,312	1,127	1,005	897
Variation	17.19%	8.12%	4.05%	4.00%	4.00%
Depreciation expenses					
Accounting balances IFRS16 / CPC 06 (R02)	6,082	6,082	6,082	6,082	6,082
Flow with inflation projection	7,127	6,576	6,328	6,325	6,325
Variation	17.19%	8.12%	4.05%	4.00%	4.00%

	Consolidated				
	2021	2022	2023	2024	2025
Lease liabilities					
Accounting balances IFRS16 / CPC 06 (R02)	64,853	49,145	33,237	17,143	-
Flow with inflation projection	76,001	53,136	34,584	17,829	-
Variation	17.19%	8.12%	4.05%	4.00%	-
Lease assets, net					
Accounting balances IFRS16 / CPC 06 (R02)	60,071	44,018	27,965	11,912	-
Flow with inflation projection	70,397	47,592	29,098	12,388	-
Variation	17.19%	8.12%	4.05%	4.00%	-
Finance costs					
Accounting balances IFRS16 / CPC 06 (R02)	3,236	3,022	2,822	2,636	2,462
Flow with inflation projection	3,792	3,268	2,937	2,741	2,560
Variation	17.19%	8.12%	4.05%	4.00%	4.00%
Depreciation expenses					
Accounting balances IFRS16 / CPC 06 (R02)	16,053	16,053	16,053	16,053	16,053
Flow with inflation projection	18,813	17,357	16,703	16,695	16,695
Variation	17.19%	8.12%	4.05%	4.00%	4.00%

All amounts in thousands of reais, unless otherwise stated.

d) 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	14.71%
2 years (a)	0.16%
3 years	11.44%
5 years (a)	0.05%
5 years	6.13%
7 years	6.63%
20 years	7.16%

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

e) Potential right of PIS and COFINS recoverable:

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

	Consolidated	
Cash Flow	Nominal	Adjustment to present value
Lease consideration	73,872	64,852
Potential PIS/COFINS (9.25%)	6,833	5,999

All amounts in thousands of reais, unless otherwise stated.

f) Reconciliation of the amounts recognized in profit or loss:

The following table shows the reconciliation of the amounts recognized in profit or loss:

	Parent Company		Consolidated	
Event	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Depreciation charges on lease assets	**(6,082)**	**(5,672)**	**(16,053)**	**(13,115)**
Lease without purchase option	(4,998)	(4,653)	(14,969)	(12,096)
Lease with purchase option	(1,084)	(1,019)	(1,084)	(1,019)
Interest expenses	**(2,093)**	**(366)**	**(5,788)**	**(368)**
Lease without purchase option	(1,136)	(224)	(3,010)	(226)
Lease with purchase option	(957)	(142)	(2,778)	(142)
Expenses related to short-term leases and low-value assets.	(23,999)	(13,317)	(27,107)	(18,809)
Expenses related to variable lease payments not included in lease liabilities	-	-	(459)	(352)

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Domestic market				
Supplier credit assignment (a)	97,717	66,418	97,717	66,418
Operation suppliers	187,245	183,232	195,717	194,929
Foreign market	16,717	-	34,111	-
Current	301,679	249,650	327,545	261,347
Domestic market (i)	171,195	144,021	171,195	144,021
Non-current	171,195	144,021	171,195	144,021
Total operation suppliers	472,874	393,671	498,740	405,368
Payables for investments (b) (ii)				
Domestic market	15,256	11,792	15,256	11,792
Foreign market	23,980	45,211	41,590	45,211
Total investment suppliers	39,236	57,003	56,846	57,003
	512,110	450,674	555,586	462,371

(i) Provision for payment to gas supplier arising from the matter mentioned in note 11.
(ii) In 2020, as the investment accounts payable balance became representative, it was adjusted to the Note.

a) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R$ 101,358 at December 31, 2021, (R$ 66,418 at December 31, 2020), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction.

b) Payables for investments

The Company has in the current liabilities the amount of R$ 20,497 in the parent company (R$ 31,303 at December 31, 2020) and R$ 38,107 in the consolidated (R$ 31,303 at December 31, 2020) referring to suppliers of property and equipment and intangible assets. Simultaneously, it has a balance of R$ 18,739 in the parent company and consolidated non-current liabilities, maturing between 2022 and 2025, related to property and equipment for modernization of plants (R$ 25,700 in the parent company and in the consolidated at December 31, 2020).

All amounts in thousands of reais, unless otherwise stated.

22. Borrowings and debentures

	Currency	Maturity	Charges		Parent Company and Consolidated December 31, 2021	Parent Company and Consolidated December 31, 2020
Current						
Banco do Nordeste S.A (a)	R$	Jun-27	3.79%	p.a.¹ +IPCA	60,537	32,786
NCE	R$	Apr-24	2.30% to 3.00%	p.a.¹ +CDI	-	84,538
NCE (b)	R$	Aug-27	2.85%	p.a.¹ +CDI	646	-
NCE (b)	US$	Mar-22	3.08%	p.a.¹ +VC	3,790	19,316
PRODEC (c)	R$	Mar-25	3.40%	p.a.¹ +AVP	4,59	5,13
FINEP (d)	R$	Nov-30	8.14%	p.a.¹	3,00	5,83
DEG	US$	Oct-21	4.96%	p.a.¹ +VC	-	15,577
FINAME	R$	Aug-23	3.00%	p.a.¹	-	420
DEBENTURES 3rd series	R$	Jun-23	3.10%	p.a.¹	-	49,066
DEBENTURES 4th series (e)	R$	Sep-26	3.00%	p.a.¹ +CDI	7,193	-
ACC (f)	US$	Oct-22	3.10%	p.a.¹ +VC	17,490	10,709
Total current			**4.74%**	p.a.¹	98,115	223,908
Total domestic currency		R$			76,835	178,306
Total foreign currency		US$			21,280	45,602
Non-current						
Banco do Nordeste S.A (a)	R$	Jun-27	3.79%	p.a.¹ +IPCA	60,069	99,901
NCE	R$	Apr-24	2.30% to 3.00%	p.a.¹ +CDI	-	115,927
NCE	US$	Mar-22	3.08%	p.a.¹ +VC	-	3,523
PRODEC (c)	R$	Mar-25	3.40%	p.a.¹ +AVP	14,87	12,78
FINEP (d)	R$	Nov-30	8.14%	p.a.¹	162,16	122,82
FINAME	R$	Aug-23	3.00%	p.a.¹	-	555
NCE (b)	R$	Aug-27	2.85%	p.a.¹ +CDI	130,000	-
DEBENTURES 4th series (e)	R$	Sep-26	3.00%	p.a.¹ +CDI	297,405	-
DEBENTURES 3rd series	R$	Sep-26			-	149,192
Total non-current			**10.30%**	p.a.¹	664,277	503,858
Total domestic currency		R$			664,277	500,335
Total foreign currency		US$			-	3,523
Total			**9.57%**	p.a.¹	762,392	727,766
Total domestic currency		R$			741,112	678,641
Total foreign currency		US$			21,280	49,125

¹ Weighted average rate (p.a. - per annum)

AVP - Adjustment to present value

Amplified Consumer Prices Index (IPCA)

VC - Foreign exchange variation

CDI - Interbank Deposit Certificate

a) Information on agreements

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$ 16,188	*Total*	
		Sep/19	Aug/22	12	2	*Monthly*	R$ 23,500	R$ 23,500	Sep/19	PBTech and CBC guarantee. Renegotiated in April/2020.
		Jun/20	Jul/23	37	13	*Monthly*	R$ 35,000	R$ 35,000	Jun/20	Mortgage for real estate in 2nd degree. Renegotiated in April/2020.
		Jan/21	Jan/22	12	12	*	R$ 16,000	R$ 16,000	Feb/21	PBTech and CBC guarantee.
b)	Export Credit (NCE)	Jun/18	Mar/22	36	12	Quarterly	R$ 24,000	R$ 24,000	Jun/18	Clean, Renegotiated in April/2020
		Jun/21	Jun/26	60	24	Semiannual	R$ 30,000	R$ 30,000	Jun/21	Receivables from Portobello S.A. of 20% of the outstanding balance of the contract)
		Aug/21	Aug/27	72	24	Semiannual	R$ 100,000	R$ 100,000	Aug/21	Receivables from Portobello S.A. of 30% of the outstanding balance of the contract)
c)	Santa Catarina State Corporation Development Program (PRODEC)	Aug/20	Aug/24	48	*	*	R$ 437	R$ 437	Aug/20	Special Regime obtained in June/2009. Subject to Adjustment to Present Value (AVP). Monetary restatement of 4% p.a. UFIR variation. Rate: average working capital (5.24% p.a.). Deferred amount: 60% of the tax balance generated in the month.
		Sep/20	Sep/24	48	*	*	R$ 1,318	R$ 1,318	Sep/20	
		Oct/20	Oct/24	48	*	*	R$ 1,779	R$ 1,779	Oct/20	
		Nov/20	Nov/24	48	*	*	R$ 1,194	R$ 1,194	Nov/20	
		Dec/20	Dec/24	48	*	*	R$ 1,519	R$ 1,519	Dec/20	
		Jan/21	Jan/25	48	*	*	R$ 401	R$ 401	Jan/21	
		Feb/21	Feb/25	48	*	*	R$ 1	R$ 1	Feb/21	
		Mar/21	Mar/25	48	*	*	R$ 473	R$ 473	Mar/21	
		Apr/21	Apr/25	48	*	*	R$ 654	R$ 654	Apr/21	
		Jun/21	Jun/25	48	*	*	R$ 539	R$ 539	Jun/21	
		Jul/21	Jul/25	48	*	*	R$ 368	R$ 368	Jul/21	
		Aug/21	Aug/25	48	*	*	R$ 99	R$ 99	Aug/21	
		Sep/21	Sep/25	48	*	*	R$ 758	R$ 758	Sep/21	
		Oct/21	Oct/25	48	*	*	R$ 1,098	R$ 1,098	Oct/21	
		Nov/21	Nov/25	48	*	*	R$ 1,894	R$ 1,894	Nov/21	
		Dec/21	Dec/25	48	*	*	R$ 1,247	R$ 1,247	Dec/21	
d)	FINEP	Dec/19	Sep/29	117	32	Monthly	R$ 66,771	R$ 25,008	Dec/19	Bank guarantee.
								R$ 33,000	Mar/20	
								R$ 8,763	Aug/21	
								R$ 66,771	*Total*	
		Nov/20	Nov/30	120	36	Monthly	R$ 98,487	R$ 64,274	Nov/20	
								R$ 34,213	Dec/21	
								R$ 98,487	*Total*	

All amounts in thousands of reais, unless otherwise stated.

e)	Debentures (4th issue/1st series)	Sep/21	Sep/26	60	24	Semiannual	R$ 300,000	R$ 300,000	Sep/21	Proceeds partially allocated to the redemption of 3rd issue (R$ 150 million). Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met.
f)	ACC	Oct/20	Mar/22	12	*	*	US$ 1,663	R$ 9,253	Oct/20	PBShop guarantee agreement extended for 6 months.
		Oct/21	Oct/22	12	*	*	US$ 1,538	R$ 8,461	Oct/21	Clean
*Single settlement at the end of the contract										

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

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

The covenants were complied with at December 31, 2021.

Long-term borrowings mature as follows:

	Parent Company and Consolidated	
	December 31, 2021	December 31, 2020
2021	-	223,908
2022	98,115	210,692
2023	136,218	128,277
2024	153,458	59,496
2025	148,384	27,814
2026 to 2030	226,217	77,579
	762,392	727,766

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

Changes in borrowings and debentures are as follows:

All amounts in thousands of reais, unless otherwise stated.

	Parent Company	Consolidated
Total debt at December 31, 2019	**755,033**	**756,376**
Changes affecting cash flow		
Proceeds from borrowings	171,021	171,021
Payment of principal	(217,769)	(217,769)
Payment of interest	(37,909)	(37,909)
Changes not affecting cash flow		
Unrealized foreign exchange variations	14,294	14,294
Accrued interest	40,041	38,698
Adjustment to present value – Prodec	1,190	1,190
Allocation of debenture costs	1,865	1,865
Total debt at December 31, 2020	**727,766**	**727,766**
Changes affecting cash flow		
Proceeds from borrowings and debentures	513,735	513,735
Payment of principal	(488,798)	(488,798)
Payment of interest	(40,672)	(40,672)
Changes not affecting cash flow		
Unrealized foreign exchange variations	1,116	1,116
Accrued interest	50,520	50,520
Adjustment to present value – Prodec	(187)	(187)
Allocation of debenture costs	(1,088)	(1,088)
Total debt at December 31, 2021	**762,392**	**762,392**

Debentures

The Company approved at the Extraordinary General Meeting held on June 15, 2018, according to the proposal of the Board of Directors, the 3rd issuance of simple, non-convertible debentures, with real guarantee and additional fiduciary guarantee, in two series, for public distribution with restricted placement efforts. The remaining balance of this issuance was settled at September 30, 2021, with funds from the 4th issuance of debentures, released in the same month.

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 2021 were complied with.

All amounts in thousands of reais, unless otherwise stated.

i) Issued in the year:

	December 31, 2021	December 31, 2020
Borrowing amount		
Debentures 3rd series	-	50,033
Debentures 3rd series	-	150,090
Debentures 4th series	306,250	-
Gross Balance	306,250	200,123
Borrowings cost	(1,652)	(1,865)
Net Balance	304,598	198,258
Current	7,193	49,066
Non-current	297,405	149,192

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	September 17, 2021
Maturity date	September 17, 2026
Issue Rating	No
Remuneration	CDI + 3.00 p.a. (252 b.d.)
Trading	CETIP
Serial Number	1
Issue Volume R$	300,000,000.00
Total Debentures	300,000
Par Value R$	1,000.00
Covenants	EBITDA net debt ratio < 3.50 times
Payment Remuneration	Semiannual, with first remuneration date on 03/17/2022

ii) Settled in the year:

Issue	3rd
Fiduciary Agent	PLANNER TRUSTEE DTVM LTDA.
Settling bank	Banco Bradesco S/A
Lead Coordinator	Banco Itaú BBA S/A
Issue Rating	No
Trading	CETIP
Serial Number	1
Issue Volume R$	300,000,000.00
Total Debentures	300,000
Par Value R$	1,000.00

All amounts in thousands of reais, unless otherwise stated.

23. Installment payment of tax obligations

The Company has federal installment plan, the adhesion of which occurred in November 2009 by the enactment of Law 11,941/09, with thirty-four (34) installments remaining to be paid.

Tax installments will be paid as follows:

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
2021	-	11,523	-	11,601
2022	11,663	12,108	11,663	12,186
2023	12,179	12,723	12,179	12,801
2024	9,227	7,352	9,227	7,419
	33,069	43,706	33,069	44,007
Current	11,663	9,290	11,663	9,354
Non-current	21,406	34,416	21,406	34,653

24. Taxes, fees and contributions

At December 31, 2021, taxes, fees and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
ICMS	13,678	14,453	14,096	14,746
IRRF	7,599	3,317	8,385	4,046
PIS/COFINS	-	1,513	1,176	2,308
Other	276	209	548	343
	21,553	19,492	24,205	21,443

25. Other payables – Current liabilities

At December 31, 2021, the Company recorded in Other payables, in the consolidated, the amounts of R$ 31,256 (R$ 20,939 at December 31, 2020) in current liabilities and R$ 20,672 (R$ 9,974 at December 31, 2020) in non-current liabilities. The main accounts that make up this balance are provisions, commissions payable, provision for payment of consigned suppliers, pension plan, and provision for freight and transportation expenses, and long-term incentive.

All amounts in thousands of reais, unless otherwise stated.

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

In November 2009, the Company adhered to the installment plan provided for by MP 470/ 09 (improper use of IPI premium credit), with Federal Revenue Secretary (SRF) and General Attorneys' Office of the National Treasury (PGFN). In this adhesion, in addition to the installment plan, reduction of charges and the possibility for the Company to use tax credits arising from tax losses until 2008, for payment of debts.

Upon the conversion of this Provisional Measure (Law 12,249/2010) in June 2010, it was authorized to use tax credits arising from tax losses existing at December 31, 2009. The Company made use of this benefit and recorded in the second quarter of 2010 the amount of R$ 3,252 considering the installment paid.

PGFN partially rejected the request in June 2010 alleging the need to withdraw from the lawsuits challenging the credit, and recorded the non-fulfillment of the requirement of "undue use". In view of the deny of the decision, the Company filed a Writ of Mandamus in order to obtain the judicial approval of the installment plan. After the favorable decision in the Writ of Mandamus, the Company was successful in order to fully approve the installment payments governed by MP 470. On January 18, 2021, a certificate was drawn up stating that on December 21, 2020 a final and unappealable decision was rendered for the approval of the installment plan intended by the Company.

The PGFN, due to the granting of the Writ of mandamus, established the partial extinguishment of the tax credits subject to the extraordinary installment payment governed by MP 470. The Company challenged PGFN with the argument of the non-compliance with the final and unappealable decision and awaits a legal statement.

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

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

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

The balance of provisions is broken down as follows:

	Parent Company		Consolidated	
Amount accrued	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Civil	27,477	25,072	38,379	25,072
Labor	15,166	9,013	15,741	9,013
Social security	4,550	4,511	4,550	4,511
Tax	30,313	24,946	30,344	24,977
	77,506	63,542	89,014	63,573

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

All amounts in thousands of reais, unless otherwise stated.

	Parent Company				
	Civil	Labor	Social Security	Tax	Total
At December 31, 2019	17,126	11,891	6,615	84,568	120,200
Charged (credited) to the statement of income:	10,757	(1,126)	-	(56,142)	(48,358)
Additional provisions	18,335	3,794	-	3,031	14,410
Reversal - not used	(10,449)	(4,560)	-	17,134	12,886
Monetary adjustment (Reversal)	2871	(360)	-	(76,307)	(75,654)
Reversal due to realization	(2,811)	(1,752)	(2,104)	(3,480)	(8,300)
At December 31, 2020	25,072	9,013	4,511	24,946	63,542
Charged (credited) to the statement of income:	3,352	9,441	39	6,088	18,920
Additional provisions	9,590	11,787	18	3,882	25,277
Reversal - not used	(2,444)	(2,003)	-	(535)	(4,982)
Transfers (a)	(9,673)	(957)	-	-	(10,630)
Monetary adjustment (Reversal)	5,879	614	21	2,741	9,255
Reversal due to realization	(947)	(3,288)	-	(721)	(4,956)
At December 31, 2021	27,477	15,166	4,550	30,313	77,506

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

	Consolidated				
	Civil	Labor	Social Security	Tax	Total
At December 31, 2019	17,126	11,891	6,615	84,600	120,232
Charged (credited) to the statement of income:	10757	(1,126)	-	(56,142)	(48,358)
Additional provisions	18,335	3,794	-	3,031	14,410
Reversal - not used	(10,449)	(4,560)	-	17,134	12,886
Monetary adjustment (Reversal)	2,871	(360)	-	(76,307)	(75,654)
Reversal due to realization	(2,811)	(1,752)	(2,104)	(3,480)	(8,300)
At December 31, 2020	25,072	9,013	4,511	24,977	63,573
Charged (credited) to the statement of income:	14,379	10,103	39	6,088	30,609
Additional provisions	10,158	11,515	18	3,882	25,573
Reversal - not used	(2,542)	(2,074)	-	(535)	(5,151)
Monetary adjustment (Reversal)	6,763	662	21	2,741	10,187
Reversal due to realization	(1,072)	(3,375)	-	(721)	(5,168)
			-		-
At December 31, 2021	38,379	15,741	4,550	30,344	89,014

Civil

The Company and its subsidiaries are defendants in 393 civil lawsuits (555 lawsuits at December 31, 2020), before the Common Courts and Special Civil Courts.

The amounts provisioned is composed of indemnity actions filed by Final Consumers, Clients of the Company, in which they claim for products purchased, in addition to public civil actions filed by the Attorney General's Office (AGU) against Mineração Portobello Ltda. (subsidiary) in which it aims to compensate for the alleged illegal extraction of ores, and actions related to the Portobello Shop Franchise network. When applicable, escrow deposits were made (Note 11).

Labor

The Company and its subsidiaries are defendants in 458 labor claims (249 claims at December 31, 2020), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

Social security

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized in the first quarter of 2018 the provision for these debts, in the total amount of R$ 4,550, which still depend on a court decision, in the Fiscal Execution phase, or in some cases, an administrative decision with the Brazilian Federal Revenue Service.

Tax

a) Tax on legal asset - Plaintiff

In the second quarter of 2018, the Company recognized under “tax contingencies” the amount relating to PIS, COFINS, IRPJ and CSLL on legal asset – IPI Premium Credit Tax– Polo Ativo.

As a result of the decision of the STF in June 2020, and through external opinions, , the Company reversed the provisions related to the values of the IPI Premium Credit Tax - Polo Ativo, totaling R$ 70,187 related to PIS, COFINS, IRPJ and CSLL.

b) Tax assessment notice No 10340.720236/2021-00

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

For the aforementioned tax assessment notice, the Company set up a provision of R$ 620 in March 2021, the remainder being considered as a remote loss.

All amounts in thousands of reais, unless otherwise stated.

28. Lawsuits assessed as possible and remote losses

a) Possible loss

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Civil	5,510	3,786	5,570	3,786
Labor	11,576	11,956	11,753	11,956
Social security	10,985	10,985	10,985	10,985
Tax	10,141	10,141	13,850	13,850
	38,212	36,868	42,158	40,577

b) Remote loss - Lawsuit relating to Administrative Proceedings No. 10983-721.445/2014-78, No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91

On December 8, 2014, the Company was informed of the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: i) unduly excluded taxable income deriving from tax benefits; ii) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years' profit or loss; and iii) excluded non-deductible amounts related to the principal of IRPJ and CSLL. On January 6, 2015, the Company filed an objection against the above-mentioned assessments, challenging all infractions attributable to it. In a judgment by the Federal Revenue of Brazil, the assessment was fully upheld. In the context of a Voluntary Appeal filed by the Company, the Administrative Board of CARF partially granted it to repeal the disallowing of exclusions related to the revenues earned by converting income tax and CSLL losses. After the decision of the voluntary appeal, both the Company and the National Treasury handled Special Appeals to the Administrative Board of Tax Appeals (CARF). The Special Appeal of the National Treasury was admitted in judgment of admissibility, while the Special Appeal of the Company was partially admitted. In view of the Special Appeal partial admissibility court order, the Company filed an interlocutory appeal, which was not accepted, thus prevailing the decision of partial admissibility of the Special Appeal. Currently, the administrative proceeding is awaiting judgment of the Special Appeals managed by the Company and the National Treasury. The Company, according to its legal advisors, considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice, the Company understands that the likelihood of loss is remote, and elected not to record the amount of R$ 73,000 as potential liabilities.

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

c) Remote loss - ICMS Infraction Notice - I) DIFAL Constructors and II) Acquisition of goods from companies opting for the Simples Nacional (Simplified Taxation System)

On April 14, 2021, PBG S/A was notified of the Tax Assessment Notice issued by the Finance Department of the State of Santa Catarina, in the total amount of R$ 22,000, including late charges (fine and interest), as provided for in the tax legislation.

According to the tax authorities, the Company: i) appropriated a tax credit not allowed by the tax legislation, related to the reversal of the DIFAL collected in accordance with Constitutional Amendment No. 87/2015 in interstate exit operations of goods destined to civil construction companies, in the amount of R$16,000 and ii) appropriated a tax credit not allowed by the tax legislation, related to acquisition transactions of goods from companies opting for the Simples Nacional, whose destination is not the industrialization or commercialization, in the amount of R$ 6,000.

The Company filed an Opposition against the assessments in question, rejecting all the infractions that were imputed to it, which were rejected by the Administrative Tax Court of the State of Santa Catarina. As a result of the administrative decision, the Company filed ordinary appeals and is awaiting judgment by the Administrative Tax Court of the State of Santa Catarina.

The Company reiterates, through its legal advisors, that the understanding for the risk classification of this assessment is remote.

29. Equity

29.1 Capital

At December 31, 2021, the Company has a subscribed and paid-up capital in the total amount of R$ 250,000 (R$ 200,000 at December 31, 2020), divided into 147,529,703 common, registered and book-entry shares, with no par value.

At December 31, 2021, there were 55,664,577 outstanding shares, corresponding to 37.73% of the total shares issued (72,576,171 at December 31, 2020, corresponding to 45.8% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors, Supervisory Board, Managers and treasury shares.

All amounts in thousands of reais, unless otherwise stated.

During the period, the Company had variations in its shares due to purchase of shares to be held in treasury and cancellation of shares referring to the buyback plan of 2020 and 2021. Share variations are shown below:

	Treasury share movement	Shares	Treasury shares	Shares held by shareholders
December 31, 2020	Opening balance	158,488,517	3,959,156	154,529,361
January 2021	Purchase	-	14,800	154,514,561
February 2021	Purchase	-	2,081,900	152,432,661
March 2021	Cancellation	(3,959,156)	(3,959,156)	152,432,661
March 2021	Purchase	-	4,902,958	147,529,703
June 2021	Cancellation	(6,999,658)	(6,999,658)	147,529,703
June 2021	Purchase	-	71,200	147,458,503
August 2021	Purchase	-	4,643,000	142,815,503
September 2021	Purchase	-	1 828 617	140,986,886
December 31, 2021	Closing Balance	147,529,703	6,542,817	140,986,886

29.2 Treasury shares

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

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

29.3 Earnings reserve

At December 31, 2021, the balance of the legal reserve amounts to R$ 43,016 (R$ 32,207 at December 31, 2020) as provided for in Article 193 of the Brazilian Corporation Law (Law 6,404/76).

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

At December 31, 2021, the balance of the unrealized profit retention reserve totals R$ 92,174 (R$ 97,950 at December 31, 2020).

At December 31, 2021, the balance of the tax incentive reserve amounts to R$ 65,785 (R$ 85,151 at December 31, 2020). The Company recorded tax incentive reserves in 2021 in the amount of R$ 30,634 (R$ 26,445 at December 31, 2020), in 2021 there was the capital stock was paid with a tax incentive reserve in the amount of R$ 50,000. Referring to government grants for ICMS tax incentives related to Prodesin (Integrated Development Program of the State of Alagoas), to the Differentiated Tax Treatment of Santa Catarina (TTD) and to Simples Nacional.

All amounts in thousands of reais, unless otherwise stated.

29.4 Carrying valuation adjustments

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

a) Deemed cost

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

b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. At December 31, 2021, the foreign exchange variation amounted to R$ 1,863, according to note 17.

c) Other comprehensive income

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

i) Fair value of private pension plans (actuarial) of R$ (8,892);

ii) Hedge accounting fair value of R$ 2,474, due to the negative result of the operations with derivative financial instruments classified as hedge accounting not yet realized in the quarter, with an effect of R$ (841) related to the deferred income tax and social contribution on this balance, net of hedge accounting fair value of R$ 1,633. 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.

30. Employee benefits

30.1 Private pension plan

Since 1997, the Company and its subsidiaries sponsor a pension plan called Portobello Prev, managed by Bradesco, which has 4,449 active participants (3,638 at December 31, 2020) and 23 retirees and pensioners (25 at December 31, 2020). The plan is a defined contribution plan in the fund contribution stage. During the benefit granting stage, the plan shows defined benefit features, ensuring life retirement and pension benefits to its members. Moreover, it offers a minimum retirement benefit based on the length of service or age, which is exclusively financed by the sponsors.

All amounts in thousands of reais, unless otherwise stated.

Parent Company and Consolidated			Parent Company and Consolidated		
Fair value of the plan assets			**Defined benefit liability**		
At December 31, 2020	86,892	81,320	At December 31, 2020	77,987	74,981
Benefits paid in the year	(4,642)	(3,005)	Gross cost of current service (with interest)	1,052	1,186
Participant contributions in the year	1,437	1,202	Interest on actuarial obligation	6,951	4,135
Sponsor contributions in the year	2,697	1,552	Benefits paid in the year	(4,642)	(3,005)
Expected return on assets in the year	5,758	5,370	Liabilities - (gain) or loss	(5,430)	690
Financial (gains) losses	2,453	453			
At December 31, 2021	94,595	86,892	At December 31, 2021	75,918	77,987

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					
	2021	2020		2021	2020
Fair value of the plan assets	94,595	86,892	Gain (loss) on actuarial obligations	5,430	(690)
Present value of the obligations financed	(75,918)	(77,987)	Gain (loss) on plan assets	2,453	453
Net actuarial assets (liabilities)	18,677	8,905	Actuarial gain / (loss)	7,883	(237)

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

	Parent Company and Consolidated	
	December 31, 2021	December 31, 2020
Current service cost (with interest)	(1,052)	(1,186)
Interest on actuarial obligations	(6,951)	(4,135)
Expected return on plan assets	5,758	5,371
Participants contributions in the year	1,437	1,202
Employer contributions in the year	2,697	1,552
Recognized in income - costs and expense	1,889	2,804

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

All amounts in thousands of reais, unless otherwise stated.

	Parent Company and Consolidated	
Economic and financial	December 31, 2021	December 31, 2020
Annual interest rate	8.91 % p.a. nominal (inflation + 5.23 % p.a. real)	7.08 % p.a. nominal (inflation + 3.46 % p.a. real)
Long-term return on assets	8.91% p.a. nominal (inflation + 5.23% p.a. real)	7.08% p.a. nominal (inflation + 3.46% 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	AT-2000
Mortality table of individuals with permanent disability	EXP. IAPC	EXP. IAPC
Table of new disability benefit vested	TASA 1927	TASA 1927
Retirement	100% first-time eligible	100% first-time eligible
Family composition before retirement	Not applicable	Not applicable
Family composition after retirement	Real family	Real family

The Company also recognized, at December 31, 2021, an actuarial gain of R$ 7,883 (R$ (237) at December 31, 2020) in equity, as other comprehensive income, relating to payments made by the sponsor in the year, with an asset effect for employee benefit plan purposes and actuarial adjustment, with effect on other operating income, in the amount of R$ 1,889 (R$ 2,804 at December 31, 2020)

31. Revenue

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Gross sales revenue	2,032,037	1,470,595	2,410,628	1,675,221
Result from hedge accounting transactions	(11,442)	-	(11,442)	-
Deductions from gross revenue	(438,563)	(313,880)	(487,059)	(343,441)
Taxes on sales	(371,545)	(260,785)	(407,057)	(282,180)
Returns and rebates	(67,018)	(53,095)	(80,002)	(61,261)
Net sales revenue	1,582,032	1,156,715	1,912,127	1,331,780

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

All amounts in thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Sale of own products	1,490,974	1,120,751	1,652,004	1,189,772
Sale of third-party products	91,058	35,964	152,366	70,343
Royalties	-	-	107,757	71,665
Net operating revenue	1,582,032	1,156,715	1,912,127	1,331,780

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

32. Expenses by nature

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Costs and expenses				
Cost of sales and/or services	(1,018,637)	(817,981)	(1,085,039)	(843,339)
Other costs (b)	-	(27,999)	-	(27,999)
Selling expenses	(275,434)	(223,424)	(421,287)	(319,148)
General and administrative	(67,489)	(43,725)	(68,980)	(44,923)
	(1,361,560)	(1,113,129)	(1,575,306)	(1,235,409)
Breakdown of expenses by nature				
Direct production cost (raw materials and inputs)	(660,618)	(438,217)	(651,702)	(341,309)
Salaries, charges and employee benefits	(311,229)	(251,522)	(366,850)	(299,516)
Third-party labor and services	(90,464)	(53,776)	(102,385)	(58,577)
General production expenses (including maintenance)	(65,274)	(56,277)	(67,230)	(56,893)
Cost of goods resold	(68,670)	(51,497)	(127,382)	(161,670)
Amortization and depreciation	(53,066)	(47,217)	(72,216)	(59,777)
Other selling expenses	(14,714)	(17,555)	(49,174)	(41,333)
Sales commissions	(37,560)	(33,942)	(50,662)	(39,936)
Marketing and publicity	(36,921)	(34,163)	(48,183)	(40,985)
Transportation of goods sold	(32,638)	(14,444)	(32,638)	(14,444)
Lease expenses - not applicable to IFRS 16	(23,062)	(13,317)	(27,709)	(19,161)
Other administrative expenses	(5,354)	(5,499)	(5,804)	(5,857)
Changes in inventories of finished products and work in progress (a)	38,010	(95,703)	26,629	(95,951)
Total	(1,361,560)	(1,113,129)	(1,575,306)	(1,235,409)

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

All amounts in thousands of reais, unless otherwise stated.

33. Other operating income and expenses, net

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

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Other operating income				
Revenue from services	691	634	691	634
Actuarial adjustment (note 30)	1,889	2,804	1,889	2,804
Legal asset - rural credit notes	-	-	-	13,160
Reversal of provision for PIS and COFINS contingencies	-	16,188	-	16,188
IPI premium credit - Complementary Portion	-	83,695	-	83,695
Reversals of provision for civil, labor, social security and tax issues (a)	9,831	-	9,831	-
Tax credits	3,697	-	3,697	-
Other revenues	10,104	5,090	12,172	7,859
	26,212	108,411	28,280	124,340
Other operating expenses				
Provisions for civil, labor, social security and tax issues	(20,791)	(8,751)	(22,854)	(8,751)
provisions for civil, labor, social security and tax issues (a)	-	-	(9,831)	-
Taxes on tax assets	-	-	-	(1,322)
IPI premium credit - Complemental Portion - Plaintiff	-	(69,584)	-	(69,584)
Attorney’s fees (b)	(2,669)	(8,836)	(2,669)	(8,836)
Taxes on other revenues	(453)	(215)	(520)	(246)
Contract terminations of own stores	-	-	(2,046)	-
Provision for profit sharing	(23,495)	(10,769)	(24,166)	(10,769)
Other expenses	(9,229)	(5,295)	(14,274)	(5,624)
Total	(56,637)	(103,450)	(76,360)	(105,132)
Total - net	(30,425)	4,961	(48,080)	19,208

(a) Revenue in the quarter in the parent company corresponds to the reclassification of processes to investees.
(b) Refers to the provision for attorney’s fees, arising from a tax claim (note 15.d).

All amounts in thousands of reais, unless otherwise stated.

34. Finance income (costs)

Finance income (costs) is as follows:

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Finance income				
Interest	4,526	6,773	6,586	7,094
Asset adjustment	10,897	2,835	15,337	4,263
Gain on swap transactions (a)	2,406	8,682	2,406	8,682
Other	180	307	503	2,794
Total	18,009	18,597	24,832	22,833
Finance costs				
Interest	(36,123)	(23,080)	(38,378)	(25,360)
Finance charges on taxes	(1,399)	(343)	(1,425)	(401)
Adjustment of provision for contingencies	(7,460)	(3,956)	(9,088)	(3,957)
Commissions and service fees	(8,640)	(10,494)	(14,675)	(13,352)
Negative goodwill (b)	(218)	(8,679)	(225)	(8,690)
Gain (loss) on swap transactions (a)	(2,402)	(5,026)	(2,402)	(5,026)
Interest on debentures	(20,049)	(18,036)	(20,049)	(18,036)
Other	(3,566)	(2,967)	(3,725)	(3,140)
Total	(79,857)	(72,581)	(89,967)	(77,962)
Foreign exchange variations, net				
Trade receivables and trade payables	7,402	46,964	7,398	46,958
Borrowings	(1,495)	(21,826)	(1,495)	(21,843)
Total	5,907	25,138	5,903	25,115
Total - net	(55,941)	(28,846)	(59,232)	(30,014)

(a) Explanatory Note No. 7
(b) Discount for the year 2020, referring to the receipt of the court order (Polo Ativo) by BTGPactual - NE No. 15.c

35. Earnings (loss) per share

a) Basic

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

The table below establishes the calculation of earnings (loss) per share at December 31, 2021 and 2020:

	Parent Company and Consolidated	
	December 31, 2021	December 31, 2020
Profit (loss) attributable to the owners of the Company	216,173	128,200
Weighted average number of common shares (a)	147,623	155,312
Basic earnings (loss) per share	1.46436	0.82544

a) At December 31, 2021, the Company had 6,542,817 treasury shares, which were purchased in 2021.

All amounts in thousands of reais, unless otherwise stated.

b) Diluted

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

36. Dividends

In January 2021, dividends of 2020 were prepaid in the amount of R$ 0.1118 per share, totaling R$ 17,279, as approved by the Board of Directors' Meeting held on January 20, 2021.

On April 27, 2021, the Ordinary General Meeting approved the payment of mandatory and additional dividends of 2020 in the total amount of R$ 43,616, of which R$ 26,620 was dividends and R$ 19,545 was interest on equity, R$ (2,549) of which was withholding income tax, totaling R$ 16,996 net of income tax. The amounts per share are R$ 0.1804 and R$ 0.1152 of dividends and interest on equity, respectively. The earnings were paid on May 13, 2021.

The total amount of earnings paid was R$ 60,895 in 2020.

The mandatory minimum dividends for 2021, which represent 25% of the Company's profit less the Legal Reserve recognized in 2021, amount to R$ 51,341.

Dividends 2021	December 31, 2021
Profit for the period	216,173
Transfer to legal reserve (5%)	10,809
Profit for the year adjusted for dividend purposes	205,364
Dividends	
Mandatory minimum dividends (25% of net income)	(51,341)
Additional dividends proposed	(47,852)
Total annual dividends	(99,193)

On August 12, 2021, at the Board of Directors' Meeting, the prepayment of dividends related to the first half of 2021 was approved. The amount approved corresponds to R$ 18,323, representing R$ 0.1298 per share. Dividends were prepaid in September 2021.

On November 10, 2021, at the Board of Directors' Meeting, the payment of dividends related to 2021 was approved. The amount approved corresponds to R$ 80,870, representing R$ 0.5736 per share. Dividends were paid in November 2021.

The total amount of earnings paid in advance for the year 2021 was R$99,193. The Company will post additional dividend payments at the Annual Shareholders' Meeting in the amount of R$3,489. The Company will distribute dividends to shareholders in the amount of R$102,682, referring to the year 2021.

All amounts in thousands of reais, unless otherwise stated.

37. Segment reporting

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

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

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

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

The Executive Board assesses the performance of the operating segments based on the measurement of the gross operating income or loss.

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

a) Segment reporting in 2021:

	At December 31, 2021			At December 31, 2020		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	1,510,218	401,909	1,912,127	1,054,714	277,066	1,331,780
Cost of sales	(811,996)	(273,043)	(1,085,039)	(706,422)	(164,917)	(871,339)
Gross profit	698,222	128,866	827,088	348,292	112,149	460,441

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

b) Segment reporting in 2021:

	At December 31, 2020					
Continuing operations	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	1,331,780	(47,328)	682,049	185,850	393,724	117,485
Cost of sales	(871,338)	21,375	(429,292)	(128,610)	(245,885)	(88,926)
Gross profit	460,442	(25,953)	252,757	57,240	147,839	28,559

*Eliminations between transactions

All amounts in thousands of reais, unless otherwise stated.

	At December 31, 2021					
Continuing operations	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	1,912,127	(70,333)	904,665	269,776	632,585	175,434
Cost of sales	(1,085,039)	68,555	(503,685)	(161,792)	(344,669)	(143,448)
Gross profit	827,088	(1,778)	400,980	107,984	287,916	31,986

*Eliminations between transactions

38. Commitments for acquisition of assets

At December 31, 2021, expenses recorded but not yet incurred relating to property, plant and equipment total R$ 9,270 (at December 31, 2020 totaled R$ 18,742). Such expenses correspond to the modernization of manufacturing equipment, according to the Company's investment plan.

39. Insurance coverage

The insurance coverage at December 31, 2021 is considered sufficient to cover any claims and is summarized as follows:

Insurance Policy	Maximum Indemnity Limit	Maturity
International transport - Portobello imports	USD 9,000	12/31/2022
International transport - Pointer imports	USD 12,000	09/30/2022
Property Insurance - Own Stores	8,400	05/25/2022
Property Insurance - Pointer (Alagoas Building)	61,000	06/13/2022
Directors and Officers Liability Insurance (D&O)	40,000	08/27/2022
General civil liability insurance (Tijucas/Pointer)	6,520	04/14/2022
PBG Property Insurance (Tijucas/Pointer/DCs) - single maximum indemnity limit	305,000	06/13/2022
Group life insurance and funeral assistance	450,538	03/01/2022
Cyber insurance	7,000	07/01/2022
Vehicle fleet	73 (vehicles)	11/15/2022
Guarantee Bond Contract Engie EBC-18. 1710-CVE-CL	2,613	12/31/2022
Guarantee Bond Contract Engie	5,709	03/01/2023
Legal Protection Insurance (a)	28,000	06/18/2025
Legal Protection Insurance	1,408	04/24/2023
Legal Protection Insurance	417	04/26/2023
Legal Protection Insurance	3,899	04/26/2024
Legal Protection Insurance	315	05/10/2022
Legal Protection Insurance	10,603	05/10/2022
Legal Protection Insurance	1,534	05/13/2024
Legal Protection Insurance	132	03/03/2023
Legal Protection Insurance	261	01/26/2026
Legal Protection Insurance	129	04/26/2023
Legal Protection Insurance (b)	53,070	05/03/2026
Legal Protection Insurance	1,366	05/03/2026
Legal Protection Insurance	734	05/03/2026

(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 value of the guarantee expressed in this Policy covers the total amount of the debt under discussion, including the principal, fine, legal fees, interest of 1% per month and monetary restatement by the TR.

(b) The guarantee insurance policy in the amount of R$ 53,070 was presented in the records of the injunction proposed by the Company, against the Federal Government - National Treasury for the purpose of obtaining the tax regularity certificate. After being cited in an eventual tax execution, the Company will request the conversion of this guarantee into a pledge. The guaranteed tax credit originates from the break-up of Tax Assessment Notice No. 10983-721.445/2014-78, pursuant to NE 28 (b).

All amounts in thousands of reais, unless otherwise stated.

40. Related entities and parties

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

		Consolidated	
Nature - Assets and liabilities balance	Company	December 31, 2021	December 31, 2020
Subsidiaries			
Dividends			
Dividends receivable	Portobello Shop S.A.	-	53,023
Assets net of liabilities with subsidiaries		-	53,023
Commercial transactions			
Trade receivables, net of advances	Portobello Shop S.A.	1	805
Trade receivables, net of advances	Portobello America, Inc.	111,796	45,309
Trade receivables	Cia Brasileira de Cerâmica	402	227
Trade receivables	PBTech Com. Sern. Cer. Ltda.	6,913	8,232
Advances from customers	PBTech Com. Sern. Cer. Ltda.	(199)	(2,581)
Trade payables, net of advances	Cia Brasileira de Cerâmica	(170)	(19)
Trade payables, net of advances	Mineração Portobello Ltda.	(1,819)	(1,467)
Assets net of liabilities with subsidiaries		116,924	50,506
Related parties			
Payables to related parties	Refinadora Catarinense S.A.	(56,330)	(56,330)
Trade receivables, net of advances	Solução Cerâmica Com. Ltda.	5	378
Trade receivables, net of advances	Riveste Comercio Ltda.	559	
Trade receivables, net of advances	Flooring Revest. Cer. Ltda.	193	-
Trade receivables, net of advances	Multilog Sul Armazéns S/A	-	6
Trade payables	Flooring Revest. Cer. Ltda.	(6,058)	(6,575)
Trade payables	AB Parking	(9)	(13)
Assets net of liabilities with other related parties		(61,640)	(62,534)

All amounts in thousands of reais, unless otherwise stated.

		Consolidated	
Nature - profit or loss	Company	December 31, 2021	December 31, 2020
Revenue			
Subsidiaries			
Sale of products	PBTech Com. Sern. Cer. Ltda.	105,543	60,236
Sale of products	Cia Brasileira de Cerâmica	1,519	618
Sale of products	Portobello America, Inc.	87,946	40,370
Related parties			
Sale of products	Solução Cerâmica Com. Ltda.	29,512	22,767
Sale of products	Flooring Revest. Cer. Ltda.	18,114	10,296
Expenses			
Subsidiaries			
Acquisition of inputs	Mineração Portobello Ltda.	(10,828)	(7,972)
Related parties			
Rental	Gomes Part Societárias Ltda.	(685)	(457)
Freight service	Multilog Sul Armazéns S/A	(3,607)	(6,134)
Cutting service	Flooring Revest. Cer. Ltda.	(11,711)	(14,664)
Parking service	AB Parking	(280)	(282)
		215,523	104,778

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

<u>Related-party transactions</u>

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

		Consolidated	
Transactions with subsidiaries and related entities	Nature - Property	December 31, 2021	December 31, 2020
Solução Cerâmica Com. Ltda.	Trade receivables, net of advances	61	690
Riveste Comercio Ltda.	Trade receivables, net of advances	968	-
PBTech Com. Sern. Cer. Ltda.	Trade receivables, net of advances	1,095	-
Flooring Revest. Cer. Ltda.	Trade receivables, net of advances	515	351
		2,639	1,041

		Consolidated	
Transactions with subsidiaries and related entities	Nature - Property	December 31, 2021	December 31, 2020
Solução Cerâmica Com. Ltda.	Royalties	8,983	6,694
Riveste Comercio Ltda.	Royalties	2,552	-
PBTech Com. Sern. Cer. Ltda.	Royalties	30,865	-
Flooring Revest. Cer. Ltda.	Royalties	5,740	2,573
		48,140	9,267

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, 2021, are as follows:

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Fixed compensation				
Salaries	16,817	13,213	18,548	14,893
Fees	7,973	6,571	7,973	6,571
Variable compensation	5,768	1,869	6,302	2,197
Pension Plan	1,109	838	1,161	872
Severance benefits	482	115	527	154
Other	2,415	1,807	2,624	1,998
	34,564	24,413	37,135	26,683

41. Events after the reporting period

The Company identified the period from the end of the 2021 fiscal year to the date of publication of the Financial Statements, the following subsequent event:

(a) On March 16, 2021, the payment of additional dividends in the amount of R$3,489.

PortobelloGrupo

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, 2021, 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 202 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 16, 2022.

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Jorge Muller

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Maro Marcos Hadlich Filho

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Carlos Eduardo Zoppello Brennand

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

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

(i) reviewed, discussed and agreed with the Company's Quarterly Information for the quarter ended December 31, 2021; 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, 2021.

Tijucas, March 16, 2022.

Board Composition

Mauro do Valle Pereira - Chief Executive Officer

Ronei Gomes – VP of Finance and Investor Relations

Edson Luiz Mees Stringari – VP of Legal and Compliance