



# 2Q23 Earnings Release

Portobello Grupo

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**Company Information / Breakdown of Capital**

<b>Quantity of shares (Thousand)</b>	<b>Current Period 06/30/2023</b>
<b>Paid-in capital</b>	
<b>Common</b>	140,987
<b>Preferred</b>	0
<b>Total</b>	140,987
<b>Treasury</b>	
<b>Common</b>	0
<b>Preferred</b>	0
<b>Total</b>	0

## Individual financial statements / Balance sheet - Assets (Thousand)

Account Code	Account Description	Current Period 06/30/2023	Previous Period 12/31/2022
1	Total Assets	2,394,317	2,167,342
1.01	Current Assets	1,028,688	895,649
1.01.01	Cash and Cash Equivalents	285,459	176,995
1.01.03	Accounts Receivable	270,880	282,273
1.01.03.01	Trade Receivables	270,880	282,273
1.01.04	Inventory	403,999	377,211
1.01.06	Taxes to recover	41,213	35,786
1.01.06.01	Current taxes recoverable	41,213	35,786
1.01.06.01.01	Recoverable Income Tax and CS	18,714	11,210
1.01.06.01.02	Other Recoverable Taxes	22,499	24,576
1.01.07	Prepaid Expenses	5,234	5,526
1.01.08	Others Current Assets	21,903	17,858
1.01.08.03	Other	21,903	17,858
1.01.08.03.01	Advance to Suppliers	3,684	4,947
1.01.08.03.03	Derivative financial instruments	13,813	6,410
1.01.08.03.04	Other Accounts Receivable	4,406	6,501
1.02	Non-Current Assets	1,365,629	1,271,693
1.02.01	Long-Term Assets	302,882	526,172
1.02.01.07	Deferred Taxes	16,542	16,109
1.02.01.07.01	Deferred Income and Social Contribution Taxes	16,542	16,109
1.02.01.09	Receivables from related parties	41,082	161,765
1.02.01.09.02	Subsidiaries Credits	41,082	161,765
1.02.01.10	Other Non-Current Assets	245,258	348,298
1.02.01.10.03	Judicial Deposits	12,872	106,509
1.02.01.10.04	Escrow deposit	18,862	19,365
1.02.01.10.05	Receivables - Eletrobras	0	12,821
1.02.01.10.06	Taxes to recover	21,143	19,384
1.02.01.10.07	Legal assets	142,549	140,333
1.02.01.10.08	Restricted investments	27,320	27,320
1.02.01.10.09	Lease Assets	9,797	9,291
1.02.01.10.11	Other Accounts Receivable	12,715	13,275
1.02.02	Investments	410,170	116,938
1.02.02.01	Ownership Interest	410,170	116,938
1.02.02.01.02	Interest in Subsidiaries	409,822	116,590
1.02.02.01.04	Other investments	348	348
1.02.03	Property, Plant and Equipment	612,224	597,536
1.02.03.01	Property, Plant and Equipment	512,173	525,521
1.02.03.02	Right to Use in Rent	42,740	35,445
1.02.03.03	Construction in Progress	57,311	36,570
1.02.04	Intangibles Assets	40,353	31,047
1.02.04.01	Intangibles Assets	40,353	31,047

## Individual financial statements / Balance sheet Liabilities (Thousand)

Account Code	Account Description	Current Period 06/30/2023	Previous Period 12/31/2022
2	Total Liabilities	2,394,317	2,167,342
2.01	Current Liabilities	959,865	701,770
2.01.01	Social and labor obligations	61,776	51,074
2.01.02	Suppliers	363,624	378,167
2.01.02.01	National suppliers	330,672	353,597
2.01.02.01.01	Suppliers	200,696	200,814
2.01.02.01.02	Credit granting from suppliers	112,257	126,393
2.01.02.01.03	Asset Accounts Payable	17,719	26,390
2.01.02.02	Foreign suppliers	32,952	24,570
2.01.03	Tax Obligations	29,862	22,031
2.01.03.01	Federal tax obligations	6,304	6,187
2.01.03.01.02	PIS AND COFINS	1,819	0
2.01.03.01.03	IRRF	4,485	6,187
2.01.03.02	State Taxes	23,558	15,844
2.01.03.02.01	ICMS	23,558	15,844
2.01.04	Loans and Financing	393,480	165,903
2.01.04.01	Loans and Financing	305,550	77,973
2.01.04.01.01	In National Currency	247,446	69,514
2.01.04.01.02	Foreign Currency	58,104	8,459
2.01.04.02	Debentures	87,930	87,930
2.01.05	Other Obligations	111,123	74,104
2.01.05.01	Liabilities Related Party	8,203	7,714
2.01.05.01.02	Debts with Subsidiaries	8,050	7,700
2.01.05.01.04	Other Payables to Related Parties	153	14
2.01.05.02	Other	102,920	66,390
2.01.05.02.01	Dividends and interest on equity	30,178	563
2.01.05.02.04	Lease Obligations	21,912	16,299
2.01.05.02.05	Derivative financial instruments	5,461	0
2.01.05.02.06	Other bills to pay	19,979	23,015
2.01.05.02.07	Taxes payable in installments	12,676	12,313
2.01.05.02.08	Advances from clients	12,714	14,200
2.01.06	Provisions	0	10,491
2.01.06.02	Other provisions	0	10,491
2.01.06.02.04	Provision for profit sharing	0	10,491
2.02	Non-current Liabilities	1,060,556	998,356
2.02.01	Loans and Financing	871,317	717,668
2.02.01.01	Loans and Financing	647,792	494,470
2.02.01.01.01	In National Currency	523,456	409,445
2.02.01.01.02	Foreign Currency	124,336	85,025
2.02.01.02	Debentures	223,525	223,198
2.02.02	Other Obligations	109,156	205,615
2.02.02.01	Liabilities Related Party	69,593	66,700
2.02.02.01.02	Debts with Subsidiaries	11,154	10,370
2.02.02.01.04	Other Payables to Related Parties	58,439	56,330
2.02.02.02	Other	39,563	138,915
2.02.02.02.03	Suppliers	0	94,426

## Individual financial statements / Balance sheet Liabilities (Thousand)

Account Code	Account Description	Current Period 06/30/2023	Previous Period 12/31/2022
2.02.02.02.04	Asset Accounts Payable	6,150	9,190
2.02.02.02.05	Taxes payable in installments	4,140	10,217
2.02.02.02.06	Lease Obligations	23,827	21,592
2.02.02.02.07	Other bills to pay	5,446	3,490
2.02.04	Provisions	80,083	75,073
2.02.04.01	Provision for profit sharing	59,518	75,073
2.02.04.01.01	Tax provisions	27,081	28,519
2.02.04.01.02	Social Security and Labor Provisions	8,933	14,624
2.02.04.01.04	Civil provisions	23,504	31,930
2.02.04.02	Other provisions	20,565	0
2.02.04.02.04	Provision for uncovered liabilities in subsidiaries	20,565	0
2.03	Shareholders' Equity	373,896	467,216
2.03.01	Capital	250,000	250,000
2.03.04	Profit Reserves	172,924	255,311
2.03.04.01	Revenue reserves	50,000	50,000
2.03.04.05	Retained Earnings Reserve	-24,359	36,869
2.03.04.06	Special Reserve for Undistributed Dividends	35,633	35,633
2.03.04.07	Tax Incentive Reserve	111,650	103,194
2.03.04.08	Additional dividends	0	29,615
2.03.06	Equity valuation adjustments	30,658	31,268
2.03.07	Cumulative translation adjustments	-84,770	-69,561
2.03.08	Other Comprehensive Income	5,084	198
2.03.08.02	Other Comprehensive Income	5,084	198

## Individual financial statements / Statement of income (Thousand)

Account Code	Account Description	Current Period 04/01/2023 à 06/30/2023	Accumulated of the Current 01/01/2023 to 06/30/2023	Same Quarter of the Previous Year 04/01/2023 to 06/30/2023	Accumulated of the Previous Period 01/01/2022 to 06/30/2022
3.01	Sales revenue of Goods and / or Services	427,748	811,511	464,113	892,146
3.02	Cost of Goods and / or Services Sold	-304,750	-578,738	-293,440	-554,732
3.03	Raw score	122,998	232,773	170,673	337,414
3.04	Operating Income / Expenses	-132,682	-235,338	-93,345	-174,838
3.04.01	Selling Expenses	-84,959	-161,198	-78,926	-154,196
3.04.02	General and Administrative Expenses	-27,630	-50,211	-23,104	-40,601
3.04.04	Other Operating Income	12,185	15,596	390	5,686
3.04.05	Other Operating Expenses	2,111	-4,720	-3,996	-11,551
3.04.06	Equity income	-34,389	-34,805	12,291	25,824
3.05	Income before financial result and taxes	-9,684	-2,565	77,328	162,576
3.06	Financial result	-32,677	-65,739	-6,799	-46,205
3.06.01	Financial income	9,375	15,902	4,218	7,598
3.06.02	Financial expenses	-42,052	-81,641	-11,017	-53,803
3.06.02.01	Financial expenses	-41,765	-77,682	-25,817	-49,538
3.06.02.02	Foreign exchange variations, net	-287	-3,959	14,800	-4,265
3.07	Income before Income Taxes	-42,361	-68,304	70,529	116,371
3.08	Income Tax and Social Contribution on Net Income	4,060	14,922	-16,715	-24,914
3.08.01	Current	11,660	11,972	-2,537	-12,089
3.08.02	Deferred	-7,600	2,950	-14,178	-12,825
3.09	Net Income from Continuing Operations	-38,301	-53,382	53,814	91,457
3.11	Profit / Loss for the Period	-38,301	-53,382	53,814	91,457

## Individual financial statements / Statement of comprehensive income (Thousand)

Account Code	Account Description	Current Period 04/01/2023 à 06/30/2023	Accumulated of the Current 01/01/2023 to 06/30/2023	Same Quarter of the Previous Year 04/01/2023 to 06/30/2023	Accumulated of the Previous Period 01/01/2022 to 06/30/2022
4.01	Net income for the period	-38,301	-53,382	53,814	91,457
4.02	Other Comprehensive Income	-10,323	-10,323	-9,072	9,203
4.02.01	Exchange Variation of Subsidiaries Abroad	-15,209	-15,209	4,316	-2,931
4.02.02	Hedge Accounting Operations	7,403	7,403	-20,285	18,385
4.02.03	Deferred income tax and social contribution on hedge accounting	-2,517	-2,517	6,897	-6,251
4.03	Results Comprehensive Period	-48,624	-63,705	44,742	100,660



## Individual financial statements / Statement of cash flows - Indirect method (Thousand)

Account Code	Account Description	Current Quarter	Accumulated of the
		Period 01/01/2023 to 06/30/2023	Previous Period 01/01/2022 to 06/30/2022
6.01	Net cash from operating activities	-50,035	63,751
6.01.01	Cash provided by operating activities	79,155	150,316
6.01.01.01	Income (loss) before income tax	-68,304	116,371
6.01.01.02	Depreciation and amortization	39,133	29,591
6.01.01.03	Equity income or loss	34,805	-25,824
6.01.01.04	Unrealized exchange variation	3,237	-1,404
6.01.01.05	Provision for valuation of inventories at market value	2,708	2,851
6.01.01.06	Provision for impairment of trade receivables	449	-1,397
6.01.01.07	Civil, Labor, Social Security and Tax Provisions	-14,036	6,596
6.01.01.08	Provision for PPR	-1,833	-13,893
6.01.01.09	Provision for guarantees	2,319	0
6.01.01.10	Provision for Long-Term Incentives	1,898	1,089
6.01.01.11	Restatement of tax assets	-2,813	-4,936
6.01.01.14	Provision for interest on loans and debentures	73,870	39,788
6.01.01.15	Interest and exchange variation on leases	2,483	591
6.01.01.16	Lease Rescission	0	326
6.01.01.18	ADV Prodec (loans)	-222	567
6.01.01.19	Derivative financial instruments	5,461	0
6.01.02	Changes in assets and liabilities	-70,614	-40,067
6.01.02.01	Accounts Receivable	10,944	-13,821
6.01.02.02	Inventory	-29,496	-77,567
6.01.02.03	Judicial Deposits	-789	-8,079
6.01.02.04	Recoverable Taxes	4,474	16,957
6.01.02.05	Restricted investments	-506	-680
6.01.02.06	Other assets	-11,950	-3,776
6.01.02.07	Accounts Payable	-5,872	43,077
6.01.02.08	Advance to Suppliers	1,263	7,101
6.01.02.09	Civil, Labor, Social Security and Tax Provisions	-1,519	-5,179
6.01.02.10	Installments	-1,486	-7,092
6.01.02.11	Installment payment of tax liabilities	-5,714	-5,191
6.01.02.12	Taxes, fees and contributions	7,831	-468
6.01.02.13	Judicial assets	1,100	14,647
6.01.02.14	Receivables from Eletrobrás	12,821	0
6.01.02.15	Debts to subsidiaries and related parties	-48,462	-19,189
6.01.02.16	Other trade payables	-13,955	2,882
6.01.02.17	Tax and labor obligations	10,702	16,161
6.01.02.18	Derivatives	0	150
6.01.03	Other	-58,576	-46,498
6.01.03.01	Interest paid	-58,576	-36,737
6.01.03.02	Income Tax and Social Contribution Paid	0	-9,761
6.02	Net cash used in investing activities	-208,513	-56,037
6.02.01	Acquisition of property, plant and equipment	-33,304	-41,868
6.02.02	Acquisition of intangible assets	-13,344	-5,008
6.02.03	Dividends received	0	30,000
6.02.04	Advance for future capital increase (AFAC)	-150,154	-37,789

## Individual financial statements / Statement of cash flows - Indirect method (Thousand)

Account Code	Account Description	Current Quarter Period 01/01/2023 to 06/30/2023	Accumulated of the Previous Period 01/01/2022 to 06/30/2022
6.02.07	Payables of Fixed Assets	-11,711	-1,372
6.03	Net cash provided by (used in) financing activities	367,012	-41,324
6.03.01	Loans and financing and debentures	412,600	14,806
6.03.02	Payment of Loans and Financing	-34,474	-48,346
6.03.03	Dividends paid	0	-3,479
6.03.04	Lease Payment	-11,114	-4,305
6.05	Increase/(decrease) in cash and cash equivalents	108,464	-33,610
6.05.01	Opening balance of cash and cash equivalents	176,995	125,516
6.05.02	Closing balance of cash and cash equivalents	285,459	91,906

**Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2023– 06/30/2023  
(Thousand)**

Account Code	Account Description	Paid-in share Capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Individual Shareholders' Equity
5.01	Opening Balances	250,000	0	255,311	0	-38,095	467,216
5.03	Adjusted Opening Balances	250,000	0	255,311	0	-38,095	467,216
5.04	Capital Transactions with Partners	0	0	-29,615	0	0	-29,615
5.04.06	Dividends	0	0	-29,615	0	0	-29,615
5.06	Internal changes in shareholders' equity	0	0	8,456	-61,228	-10,933	-63,705
5.06.02	Realization of the Revaluation Reserve	0	0	0	610	-610	0
5.06.04	Hedge accounting operations	0	0	0	0	7,403	7,403
5.06.05	Deferred Income Tax on Hedge accounting	0	0	0	0	-2,517	-2,517
5.06.06	Exchange variation of subsidiary located abroad	0	0	0	0	-15,209	-15,209
5.06.07	Loss for period	0	0	0	-53,382	0	-53,382
5.06.08	Reserve of tax incentives	0	0	8,456	-8,456	0	0
5.07	Closing Balances	250,000	0	234,152	-61,228	-49,028	373,896

## Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2022– 06/30/2022 (Thousand)

Account Code	Account Description	Paid-in share Capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Individual Shareholders' Equity
5.01	Opening Balances	250,000	-91,351	240,097	0	-42,610	356,136
5.03	Adjusted Opening Balances	250,000	-91,351	240,097	0	-42,610	356,136
5.04	Capital Transactions with Partners	0	91,351	-94,840	-43,442	0	-46,931
5.04.06	Dividends	0	0	-3,489	-43,442	0	-46,931
5.04.09	Treasury Shares Canceled	0	91,351	-91,351	0	0	0
5.05	Total Comprehensive Income	0	0	0	153,098	4,386	157,484
5.05.01	Net Income for the Period	0	0	0	153,098	0	153,098
5.05.02	Other Comprehensive Income	0	0	0	0	4,386	4,386
5.05.02.06	Actuarial gain (loss)	0	0	0	0	7,364	7,364
5.05.02.07	Deferred IR/CS on actuarial gain (loss)	0	0	0	0	-2,504	-2,504
5.05.02.08	Hedge accounting operations	0	0	0	0	3,935	3,935
5.05.02.09	Deferred Income Tax on Hedge accounting	0	0	0	0	-1,338	-1,338
5.05.02.10	Exchange variation of subsidiary located abroad	0	0	0	0	-3,071	-3,071
5.06	Internal changes in shareholders' equity	0	0	110,054	-109,656	129	527
5.06.01	Reserve is constituted	0	0	6,984	-6,984	0	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	-129	129	0
5.06.05	Reserve of tax incentives	0	0	37,409	-37,409	0	0
5.06.06	Proposed allocation of additional dividends	0	0	29,615	-29,615	0	0
5.06.07	Reversal of prescribed dividends	0	0	527	0	0	527
5.06.08	Constitution of a profit reserve to be allocated	0	0	35,519	-35,519	0	0
5.07	Closing Balances	250,000	0	255,311	0	-38,095	467,216

## Individual financial statements / Statement of added value (Thousand)

Account Code	Account Description	Current Quarter	Accumulated of the
		Period 01/01/2023 to 06/30/2023	Previous Period 01/01/2022 to 06/30/2022
7.01	Revenues	1,022,110	1,111,703
7.01.01	Sales of goods, products and services	1,016,043	1,103,525
7.01.02	Other revenues	6,333	6,781
7.01.04	Reversal/Allowance for doubtful accounts	-266	1,397
7.02	Inputs acquired from third-parties	-517,231	-526,206
7.02.01	Cost of products, goods and services sold	-413,866	-403,562
7.02.02	Materials, energy, third party services and other	-112,863	-125,586
7.02.03	Loss/Recovery of assets	9,498	2,942
7.03	Gross value added	504,879	585,497
7.04	Retentions	-39,133	-29,591
7.04.01	Depreciation and amortization	-39,133	-29,591
7.05	Net value added produced	465,746	555,906
7.06	Value added received in transfer	-15,625	39,441
7.06.01	Equity income	-34,805	25,824
7.06.02	Financial income	19,180	13,617
7.07	Total value added to be distributed	450,121	595,347
7.08	Distribution of value added	450,121	595,347
7.08.01	Personnel	178,198	171,917
7.08.01.01	Direct remuneration	145,788	146,433
7.08.01.02	Benefits	20,882	15,559
7.08.01.03	Government Severance Indemnity Fund for Employee (FGTS)	11,528	9,925
7.08.02	Taxes, fees and contributions	223,708	260,124
7.08.02.01	Federal	85,576	123,612
7.08.02.02	State	137,636	135,919
7.08.02.03	Municipal	496	593
7.08.03	Remuneration of third party capital	101,596	71,849
7.08.03.01	Interest	84,920	59,822
7.08.03.02	Rentals	16,676	12,027
7.08.04	Remuneration of own capital	-53,381	91,457
7.08.04.03	Retained earnings	-53,381	91,457

## Consolidated financial statements / Balance sheet - Assets (Thousand)

Account Code	Account Description	Current Period 06/30/2023	Previous Period 12/31/2022
1	Total Assets	3,058,120	2,479,770
1.01	Current Assets	1,290,932	1,103,098
1.01.01	Cash and Cash Equivalents	409,032	256,088
1.01.03	Accounts Receivable	314,648	314,507
1.01.03.01	Trade Receivables	314,648	314,507
1.01.04	Inventory	474,983	455,038
1.01.06	Taxes to recover	42,156	37,533
1.01.06.01	Current taxes recoverable	42,156	37,533
1.01.06.01.01	Recoverable Income Tax and CS	18,757	12,477
1.01.06.01.02	Other Recoverable Taxes	23,399	25,056
1.01.07	Prepaid Expenses	16,643	13,811
1.01.08	Others Current Assets	33,470	26,121
1.01.08.03	Other	33,470	26,121
1.01.08.03.01	Advance to Suppliers	13,364	11,768
1.01.08.03.02	Derivative financial instruments	13,813	6,410
1.01.08.03.03	Other Accounts Receivable	6,293	7,943
1.02	Non-Current Assets	1,767,188	1,376,672
1.02.01	Long-Term Assets	271,781	374,990
1.02.01.07	Deferred Taxes	26,120	25,523
1.02.01.07.01	Deferred Income and Social Contribution Taxes	26,120	25,523
1.02.01.10	Other Non-Current Assets	245,661	349,467
1.02.01.10.03	Judicial Deposits	13,072	106,704
1.02.01.10.04	Escrow deposit	18,862	19,365
1.02.01.10.05	Receivables - Eletrobras	0	12,821
1.02.01.10.06	Taxes to recover	21,200	19,442
1.02.01.10.07	Legal assets	142,549	140,333
1.02.01.10.08	Restricted investments	27,320	27,320
1.02.01.10.09	Lease Assets	9,797	9,291
1.02.01.10.12	Other Accounts Receivable	12,861	14,191
1.02.02	Investments	348	348
1.02.02.01	Ownership Interest	348	348
1.02.02.01.05	Other investments	348	348
1.02.03	Property, Plant and Equipment	1,439,685	958,957
1.02.03.01	Property, Plant and Equipment	546,736	562,756
1.02.03.02	Right to Use in Rent	495,802	187,727
1.02.03.03	Construction in Progress	397,147	208,474
1.02.04	Intangibles Assets	55,374	42,377
1.02.04.01	Intangibles Assets	55,374	42,377

## Consolidated financial statements / Balance sheet - Liabilities (Thousand)

Account Conta	Account Description	Current Period 06/30/2023	Previous Period 12/31/2022
2	Total Liabilities	3,058,120	2,479,770
2.01	Current Liabilities	1,191,519	945,107
2.01.01	Social and labor obligations	83,581	64,557
2.01.02	Suppliers	428,639	460,832
2.01.02.01	National suppliers	251,124	349,318
2.01.02.01.01	Suppliers	86,302	140,904
2.01.02.01.02	Credit granting from suppliers	112,257	126,393
2.01.02.01.03	Asset Accounts Payable	52,565	82,021
2.01.02.02	Foreign suppliers	177,515	111,514
2.01.03	Tax Obligations	36,725	30,898
2.01.03.01	Federal tax obligations	12,509	14,320
2.01.03.01.01	Income and social contribution tax payable	1,534	3,021
2.01.03.01.02	PIS AND COFINS	4,746	2,055
2.01.03.01.03	IRRF	5,994	8,281
2.01.03.01.04	Other Taxes	235	963
2.01.03.02	State Taxes	24,216	16,578
2.01.03.02.01	ICMS	24,216	16,578
2.01.04	Loans and Financing	393,480	165,903
2.01.04.01	Loans and Financing	305,550	77,973
2.01.04.01.01	In National Currency	247,446	69,514
2.01.04.01.02	Foreign Currency	58,104	8,459
2.01.04.02	Debentures	87,930	87,930
2.01.05	Other Obligations	249,094	212,426
2.01.05.01	Liabilities Related Party	21,434	49,683
2.01.05.01.04	Other Payables to Related Parties	21,434	49,683
2.01.05.02	Other	227,660	162,743
2.01.05.02.01	Dividends and interest on equity	30,178	563
2.01.05.02.04	Lease Obligations	55,188	26,361
2.01.05.02.05	Derivative financial instruments	5,461	0
2.01.05.02.06	Other bills to pay	35,581	39,006
2.01.05.02.07	Taxes payable in installments	12,676	12,313
2.01.05.02.08	Advances from customers	88,576	84,500
2.01.06	Provisions	0	10,491
2.01.06.02	Other provisions	0	10,491
2.01.06.02.04	Provision for profit sharing	0	10,491
2.02	Non-current Liabilities	1,492,656	1,067,419
2.02.01	Loans and Financing	871,317	717,668
2.02.01.01	Loans and Financing	647,792	494,470
2.02.01.01.01	In National Currency	523,456	409,445
2.02.01.01.02	Foreign Currency	124,336	85,025
2.02.01.02	Debentures	223,525	223,198
2.02.02	Other Obligations	527,614	261,382
2.02.02.01	Liabilities Related Party	56,330	56,330
2.02.02.01.04	Other Payables to Related Parties	56,330	56,330
2.02.02.02	Other	471,284	205,052
2.02.02.02.03	Suppliers	0	94,426

## Consolidated financial statements / Balance sheet - Liabilities (Thousand)

Account Conta	Account Description	Current Period 06/30/2023	Previous Period 12/31/2022
2.02.02.02.04	Asset Accounts Payable	106,649	28,095
2.02.02.02.05	Taxes payable in installments	4,140	10,217
2.02.02.02.07	Lease Obligations	339,040	51,354
2.02.02.02.08	Other	21,455	20,960
2.02.04	Provisions	93,725	88,369
2.02.04.01	Provision for profit sharing	93,725	88,369
2.02.04.01.01	Tax provisions	27,280	28,650
2.02.04.01.02	Social Security and Labor Provisions	9,145	14,871
2.02.04.01.04	Civil provisions	57,300	44,848
2.03	Consolidated Shareholders' Equity	373,945	467,244
2.03.01	Capital	250,000	250,000
2.03.04	Profit Reserves	172,924	255,311
2.03.04.01	Revenue reserves	50,000	50,000
2.03.04.05	Retained Earnings Reserve	-24,359	36,869
2.03.04.06	Special Reserve for Undistributed Dividends	35,633	35,633
2.03.04.07	Tax Incentive Reserve	111,650	103,194
2.03.04.08	Additional dividends	0	29,615
2.03.06	Equity valuation adjustments	30,658	31,268
2.03.07	Cumulative translation adjustments	-84,770	-69,561
2.03.08	Other Comprehensive Income	5,084	198
2.03.09	Participation of Non-Controlling Shareholders	49	28



## Consolidated financial statements / Statement of income (Thousand)

Account Conta	Account Description	Current Period 04/01/2023 à 06/30/2023	Accumulated of the Current 01/01/2023 to 06/30/2023	Same Quarter of the Previous Year 04/01/2022 to 06/30/2022	Accumulated of the Previous Period 01/01/2022 to 06/30/2022
3.01	Sales revenue of Goods and / or Services	548,825	1,036,576	577,458	1,102,413
3.02	Cost of Goods and / or Services Sold	-334,265	-629,794	-324,894	-611,462
3.03	Raw score	214,560	406,782	252,564	490,951
3.04	Operating Income / Expenses	-185,558	-357,952	-163,091	-303,363
3.04.01	Selling Expenses	-163,865	-307,716	-129,523	-248,424
3.04.02	General and Administrative Expenses	-33,177	-56,984	-24,089	-42,420
3.04.04	Other Operating Income	13,923	19,613	406	21,980
3.04.05	Other Operating Expenses	-2,439	-12,865	-9,885	-34,499
3.05	Income before financial result and taxes	29,002	48,830	89,473	187,588
3.06	Financial result	-62,096	-98,811	-9,711	-51,055
3.06.01	Financial income	10,501	18,486	5,738	10,021
3.06.02	Financial expenses	-72,597	-117,297	-15,449	-61,076
3.06.02.01	Financial expenses	-72,324	-113,338	-30,246	-56,837
3.06.02.02	Foreign exchange variations, net	-273	-3,959	14,797	-4,239
3.07	Income before Income Taxes	-33,094	-49,981	79,762	136,533
3.08	Income Tax and Social Contribution on Net Income	-5,203	-3,377	-25,936	-45,062
3.08.01	Current	2,510	-6,492	-11,915	-32,981
3.08.02	Deferred	-7,713	3,115	-14,021	-12,081
3.09	Net Income from Continuing Operations	-38,297	-53,358	53,826	91,471
3.11	Consolidated Profit/Loss for the Period	-38,297	-53,358	53,826	91,471
3.11.01	Attributed to Controlling Partners	-38,301	-53,382	53,814	91,457
3.11.02	Attributed to Non-Controlling Partners	4	24	12	14

## Consolidated financial statements / Statement of comprehensive income (Thousand)

Account Conta	Account Description	Current Period 04/01/2023 à 06/30/2023	Accumulated of the Current 01/01/2023 to 06/30/2023	Same Quarter of the Previous Year 04/01/2022 to 06/30/2022	Accumulated of the Previous Period 01/01/2022 to 06/30/2022
4.01	Net income for the period	-38,297	-53,358	53,826	91,471
4.02	Other Comprehensive Income	-10,323	-10,323	-9,072	9,203
4.02.01	Exchange variation of subsidiaries located abroad	-15,209	-15,209	4,316	-2,931
4.02.02	Hedge Accounting Operations	7,403	7,403	-20,285	18,385
4.02.03	Deferred income tax and social contribution on hedge accounting	-2,517	-2,517	6,897	-6,251
4.03	Results Comprehensive Period	-48,620	-63,681	44,754	100,674
4.03.01	Attributed to Partners of the Parent Company	-48,624	-63,705	44,742	100,660
4.03.02	Attributed to Minority Partners	4	24	12	14

## Consolidated financial statements / Statement of cash flows - Indirect method (Thousand)

Account Code	Account Description	Current Quarter	Accumulated of the
		Period 01/01/2023 to 06/30/2023	Previous Period 01/01/2022 to 06/30/2022
6.01	Net cash from operating activities	8,876	123,892
6.01.01	Cash provided by operating activities	135,917	198,525
6.01.01.01	Income (loss) before income tax	-49,981	136,533
6.01.01.02	Depreciation and amortization	64,802	41,874
6.01.01.04	Unrealized exchange variation	-11,972	-1,404
6.01.01.05	Provision for valuation of inventories at market value	3,817	802
6.01.01.06	Provision for impairment of trade receivables	1,234	-2,121
6.01.01.07	Civil, Labor, Social Security and Tax Provisions	6,888	7,855
6.01.01.08	Provision for PPR	-525	-13,893
6.01.01.09	Provision for Long-Term Incentives	1,898	1,089
6.01.01.10	Provision for guarantees	2,319	0
6.01.01.11	Restatement of Judicial Assets	-2,813	-4,936
6.01.01.13	Lease Rescission	1,617	326
6.01.01.14	Provision for interest on loans and debentures	73,870	39,788
6.01.01.15	Interest and exchange variation on leases	9,374	1,719
6.01.01.17	Write-offs of fixed and intangible assets	30,150	-9,674
6.01.01.18	AVP Prodec (borrowings)	-222	567
6.01.01.19	Derivative financial instruments	5,461	0
6.01.02	Changes in assets and liabilities	-58,010	-7,686
6.01.02.01	Accounts Receivable	-1,375	-35,144
6.01.02.02	Inventory	-23,762	-85,514
6.01.02.03	Judicial Deposits	-794	-8,080
6.01.02.04	Recoverable Taxes	-4,217	15,833
6.01.02.05	Linked Financial Investment	-506	-680
6.01.02.06	Other assets	-14,750	-4,108
6.01.02.07	Accounts Payable	-2,737	52,758
6.01.02.08	Advance to Suppliers	-1,596	5,468
6.01.02.09	Civil, Labor, Social Security and Tax Provisions	-1,532	-5,404
6.01.02.10	Installments	4,076	6,423
6.01.02.11	Installment payment of tax liabilities	-5,714	-5,191
6.01.02.12	Tax and labor obligations	19,024	20,914
6.01.02.13	Judicial assets	1,100	33,433
6.01.02.14	Receivables from Eletrobrás	12,821	0
6.01.02.15	Debts to subsidiaries and related parties	-28,249	-1,171
6.01.02.16	Other trade payables	-17,113	747
6.01.02.17	Derivatives	0	150
6.01.02.18	Taxes, fees and contributions	7,314	1,880
6.01.03	Other	-69,031	-66,947
6.01.03.01	Interest paid	-58,576	-36,737
6.01.03.02	Income Tax and Social Contribution Paid	-10,455	-30,210
6.02	Net cash used in investing activities	-204,146	-73,917
6.02.01	Acquisition of property, plant and equipment	-234,365	-78,206
6.02.02	Acquisition of intangible assets	-18,879	-7,601
6.02.04	Receipt for sale and reimbursement of fixed assets	0	55,764
6.02.05	Acquisition of goodwill asset	0	-60,182

## Consolidated financial statements / Statement of cash flows - Indirect method (Thousand)

Account Code	Account Description	Current Quarter	Accumulated of the
		Period 01/01/2023 to 06/30/2023	Previous Period 01/01/2022 to 06/30/2022
6.02.06	Payables of Fixed Assets	49,098	16,308
6.03	Net cash provided by (used in) financing activities	348,214	-49,087
6.03.01	Borrowings, Financing and Debentures	412,600	14,806
6.03.02	Payment of Loans and Financing	-34,474	-48,346
6.03.03	Dividends paid	0	-3,553
6.03.06	Lease Payment	-29,912	-11,994
6.05	Increase/(decrease) in cash and cash equivalents	152,944	888
6.05.01	Opening balance of cash and cash equivalents	256,088	189,718
6.05.02	Closing balance of cash and cash equivalents	409,032	190,606

## Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2023–06/30/2023 (Thousand)

Account Code	Account Description	Capital Social Integralizado	Reservas de Capital, Opções Outorgadas e Ações em Tesouraria	Reservas de Lucro	Lucros ou Prejuízos Acumulados	Outros Resultados Abrangentes	Patrimônio Líquido	Participação dos Não Controladores	Patrimônio Líquido Consolidado
5.01	Opening Balances	250,000	0	255,311	0	-38,095	467,216	28	467,244
5.03	Adjusted Opening Balances	250,000	0	255,311	0	-38,095	467,216	28	467,244
5.04	Capital Transactions with Partners	0	0	-29,615	0	0	-29,615	-3	-29,615
5.04.06	Dividends	0	0	-29,615	0	0	-29,615	-3	-29,615
5.06	Internal changes in shareholders' equity	0	0	8,456	-61,228	-10,933	-63,705	24	-63,684
5.06.02	Realization of the Revaluation Reserve	0	0	0	610	-610	0	0	0
5.06.04	Hedge accounting operations	0	0	0	0	7,403	7,403	0	7,403
5.06.05	Deferred Income Tax on Hedge accounting	0	0	0	0	-2,517	-2,517	0	-2,517
5.06.06	Exchange variation of subsidiary located abroad	0	0	0	0	-15,209	-15,209	0	-15,209
5.06.07	Loss for period	0	0	0	-53,382	0	-53,382	24	-53,361
5.06.08	Reserve of tax incentives	0	0	8,456	-8,456	0	0	0	0
5.07	Closing Balances	250,000	0	234,152	-61,228	-49,028	373,896	49	373,945

## Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2022 – 06/30/2022 (Thousand)

Account Code	Account Description	Capital Social Integralizado	Reservas de Capital, Opções Outorgadas e Ações em Tesouraria	Reservas de Lucro	Lucros ou Prejuízos Acumulados	Outros Resultados Abrangentes	Patrimônio Líquido	Participação dos Não Controladores	Patrimônio Líquido Consolidado
5.01	Opening Balances	250,000	-91,351	240,097	0	-42,610	356,136	21	356,157
5.03	Adjusted Opening Balances	250,000	-91,351	240,097	0	-42,610	356,136	21	356,157
5.04	Capital Transactions with Partners	0	91,351	-94,840	-43,442	0	-46,931	0	-46,931
5.04.06	Dividends	0	0	-3,489	-43,442	0	-46,931	0	-46,931
5.04.08	Treasury Shares Canceled	0	91,351	-91,351	0	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	153,098	4,386	157,484	7	157,491
5.05.01	Net Income for the Period	0	0	0	153,098	0	153,098	7	153,105
5.05.02	Other Comprehensive Income	0	0	0	0	4,386	4,386	0	4,386
5.05.02.06	Actuarial gain (loss)	0	0	0	0	7,364	7,364	0	7,364
5.05.02.07	Deferred IR/CS on actuarial gain (loss)	0	0	0	0	-2,504	-2,504	0	-2,504
5.05.02.08	Hedge accounting operations	0	0	0	0	3,935	3,935	0	3,935
5.05.02.09	Deferred Income Tax on Hedge accounting	0	0	0	0	-1,338	-1,338	0	-1,338
5.05.02.10	Exchange variation of subsidiary located abroad	0	0	0	0	-3,071	-3,071	0	-3,071
5.06	Internal changes in shareholders' equity	0	0	110,054	-109,656	129	527	0	527
5.06.01	Reserve is constituted	0	0	6,984	-6,984	0	0	0	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	-129	129	0	0	0
5.06.05	Reserve of tax incentives	0	0	37,409	-37,409	0	0	0	0
5.06.06	Proposed allocation of additional dividends	0	0	29,615	-29,615	0	0	0	0
5.06.07	Reversal of prescribed dividends	0	0	527	0	0	527	0	527
5.06.08	Constitution of a profit reserve to be allocated	0	0	35,519	-35,519	0	0	0	0
5.07	Closing Balances	250,000	0	255,311	0	-38,095	467,216	28	467,244

## Consolidated financial statements / Statement of added value (Thousand)

Account Code	Account Description	Current Quarter Period 01/01/2023 to 06/30/2023	Accumulated of the Previous Period 01/01/2022 to 06/30/2022
7.01	Revenues	1,278,497	1,353,031
7.01.01	Sales of goods, products and services	1,276,631	1,333,765
7.01.02	Other revenues	10,281	17,145
7.01.04	Reversal/Allowance for doubtful accounts	-8,415	2,121
7.02	Inputs acquired from third-parties	-628,913	-620,803
7.02.01	Cost of products, goods and services sold	-451,508	-444,948
7.02.02	Materials, energy, third party services and other	-185,617	-178,972
7.02.03	Loss/Recovery of assets	8,212	3,117
7.03	Gross value added	649,584	732,228
7.04	Retentions	-64,802	-41,874
7.04.01	Depreciation and amortization	-64,802	-41,874
7.05	Net value added produced	584,782	690,354
7.06	Value added received in transfer	21,839	16,086
7.06.02	Financial income	20,024	16,086
7.06.03	Others	1,815	0
7.07	Total value added to be distributed	606,621	706,440
7.08	Distribution of value added	606,621	706,440
7.08.01	Personnel	254,714	223,185
7.08.01.01	Direct remuneration	215,508	193,256
7.08.01.02	Benefits	24,894	18,024
7.08.01.03	Government Severance Indemnity Fund for Employee (FGTS)	14,312	11,905
7.08.02	Taxes, fees and contributions	285,729	310,506
7.08.02.01	Federal	140,015	170,746
7.08.02.02	State	145,144	139,072
7.08.02.03	Municipal	570	688
7.08.03	Remuneration of third party capital	119,536	81,278
7.08.03.01	Interest	100,976	67,153
7.08.03.02	Rentals	18,560	14,125
7.08.04	Remuneration of own capital	-53,358	91,471
7.08.04.03	Retained earnings	-53,382	91,457

# Portobello Grupo

**Tijucas, August 14, 2023.** PBG S.A. (B3: PTBL3), “PBG” or “Company”, the largest ceramic tile company in Brazil, announces its results for the second quarter of 2023 (2Q23). The financial information reported herein is derived from PBG S.A.’s consolidated Quarterly Financial Information, prepared in accordance with the standards issued by the Accounting Pronouncement Committee (CPC) and the International Financial Reporting Standards (IFRS), whose comparisons are based on the same periods of 2022 and/or prior years, as indicated.

**Portobello Group performance is above the market<sup>1</sup>, recording market share gain, with sequential expansion of business in all its units and record sales in Portobello Shop.**

## 2Q23 Highlights

- **Net Revenue** of R\$ 549 million in 2Q23, PBG’s third highest revenue in history. The result in the **Domestic Market** outperformed the market<sup>2</sup>, **with growth of 1.1% vs. 2Q22**. It is worth highlighting the Portobello Shop’s revenue record (R\$ 233 million). Net Revenue reached R\$ 1.0 billion in the first semester of the year.
- **Adjusted and Recurring Gross Income** totaled R\$ 215 million, with a margin of 39.1%, highlighting the record result at Portobello Shop and the recovery of Portobello America.
- **Adjusted and Recurring EBITDA** in 2Q23 was R\$ 62 million, a positive result considering the market challenges faced and sustaining investments in strategic projects. **Adjusted and Recurring EBITDA Margin** was 11.3% in the quarter.
- **Operating Expenses** increased by R\$ 22.5 million in 2Q23 compared to 2Q22. This increase is related to the main strategic projects of Integrated Retail with Portobello Shop (+18.7%) and Portobello America (+84.0%), partially offset by a reduction in Portobello BU (-14.6%).
- **Net Result** was impacted by the lower operating result and the increase in financial expenses, recording an adjusted and recurring net loss of -R\$ 20.7 million in 2Q23.
- Working Capital investment totaled R\$ 338 million, in line with 2Q22 and -3.7% below 1Q23. The Cash Conversion Cycle was 67 days in 2Q23, in line with 1Q23.
- **PTBL3 shares** ended 2Q23 quoted at **R\$ 6.96**. Market Value: R\$ 981 million (US\$ 204 million). Quantity of shares: 140,986,886, without treasury shares. Free Float: 38.9%.

### Relações com Investidores

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<sup>1</sup> Sector Average

<sup>2</sup> ANFACER: -13.4% 2Q23 vs. 2Q22



# Portobello Grupo

## Management Letter

Portobello Group experienced a decisive milestone in its strategy in July of this year with the start of operations at the new factory in the USA. This is an unprecedented advance in our history and marks a step forward in the Company's internationalization movement. In 2Q23, the Group presented solid results without losing focus on executing its strategy, even facing a period of historic lows in the ceramic tile sector.

The first half of 2023 was marked by macroeconomic uncertainties that impacted several countries and sectors. The Brazilian ceramic tile market presented volumes close to the worst historical period in recent years during the period, compared to April 2020, a period impacted by the pandemic. However, the sector is already showing signs of recovery in June, which reinforces more positive expectations for the second half.

In the North American ceramic tile market, high interest rates also impacted the first half of the year, but indicators in the civil construction sector, such as Housing Starts<sup>3</sup>, showed a positive behavior at the end of the second quarter, with an increase of 4.5 % vs. previous quarter. This movement signals of a positive outlook for recovery.

Even in the face of challenges, the Company expanded its market share<sup>4</sup> in the Brazilian market and grew revenues and a strong backlog of orders at Portobello America. These movements were also accompanied by the maintenance of profitability at levels close to 40%, reflecting the assertiveness and resilience of the product multichannel model and strong brand positioning, with a comprehensive and innovative portfolio. Another highlight was the Portobello Shop's record revenue result in 2Q23, with a sustained gross margin of 48% in 2Q23. Strategic projects at the Shop unit continue to evolve, with the expansion of stores in our network, maturation of new openings and reopenings and a focus on digital transformation, with decisions oriented to the needs of our customers and consumers, optimizing the journey from the moment of inspiration to the delivery.

In the USA, with the beginning of the operation of the factory, which had already been designed since 2018, we consolidated ourselves as a North American producer, meeting the specificities and business model of the country and addressing a market whose only 30% of production manages to be enough to the internal demand. This business model in the USA has several synergies like our current operation in Brazil, where we hold market leadership and quality differentials. The plant was built with state-of-the-art technology and currently has a production capacity of 3.6 million m<sup>2</sup>.

Another important strategic pillar of the Portobello Group is related to ESG initiatives. In this quarter, the Company held the third edition of the Sustainability Week. Over a week of events and interactions, the Company presented several advances in the three pillars of Sustainability: Portobello +Ecoefficient, Portobello +People and Portobello +Governance. As a highlight, the receipt of LEED Platinum Certification for the Portobello Shop in Jardim Social, in Curitiba-PR. This recognition is the highest level related to sustainable construction.

The Portobello Group remains confident in its strategy and celebrates this historic moment in the expansion of our operations and with positive market prospects. We believe that the differential quality and design of our products place us at the forefront of this market, exporting to more than 70 countries and trust in the team, with the certainty that the best is yet to come.

<sup>3</sup> Data from Housing Starts, which measures the construction of new homes in the country.

<sup>4</sup> +0.1p.p. vs. 1Q23, reaching 4.5% in 2Q23. Market Share by Volume. Source: Anfacer and PBG Data.

# Portobello Grupo

## Economic and Financial Performance - Consolidated

R\$ million	2Q23	2Q22	▲ %	▲ Abs	1H23	1H22	▲ %	▲ Abs
<b>Net Revenue</b>	<b>548.8</b>	<b>577.5</b>	<b>-5.0%</b>	<b>(28.7)</b>	<b>1,037</b>	<b>1,102</b>	<b>-6.0%</b>	<b>(65.8)</b>
<b>Gross Profit</b>	<b>214.5</b>	<b>252.6</b>	<b>-15.1%</b>	<b>(38.1)</b>	<b>406.8</b>	<b>491.0</b>	<b>-17.1%</b>	<b>(84.2)</b>
Gross Margin	39.1%	43.7%	-4.7 p.p.		39.2%	44.5%	-5.3 p.p.	
<b>Adjusted and Recurring Gross Profit</b>	<b>214.5</b>	<b>252.6</b>	<b>-15.1%</b>	<b>(38.1)</b>	<b>406.8</b>	<b>488.5</b>	<b>-16.7%</b>	<b>(81.7)</b>
Adjusted and Recurring Gross Margin	39.1%	43.7%	-4.7 p.p.		39.2%	44.3%	-5.1 p.p.	
<b>EBIT</b>	<b>28.9</b>	<b>89.5</b>	<b>-67.7%</b>	<b>(60.6)</b>	<b>48.8</b>	<b>187.6</b>	<b>-74.0%</b>	<b>(139)</b>
Ebit Margin	5.3%	15.5%	-10.2 p.p.		4.7%	17.0%	-12.3 p.p.	
<b>Net income (loss)</b>	<b>(38.3)</b>	<b>53.8</b>	<b>-171.2%</b>	<b>(92.1)</b>	<b>(53.4)</b>	<b>91.5</b>	<b>-158.4%</b>	<b>(145)</b>
Net Margin	-7.0%	9.3%	-16.3 p.p.		-5.2%	8.3%	-13.5 p.p.	
<b>Adjusted and Recurring Net Income</b>	<b>(20.7)</b>	<b>52.4</b>	<b>-139.5%</b>	<b>(73.1)</b>	<b>(38.4)</b>	<b>83.5</b>	<b>-146.0%</b>	<b>(122)</b>
Adjusted and Recurring Net Margin	-3.8%	9.1%	-12.8 p.p.		-3.7%	7.6%	-11.3 p.p.	
<b>EBITDA</b>	<b>63.4</b>	<b>111</b>	<b>-42.8%</b>	<b>(47.4)</b>	<b>113.6</b>	<b>229.4</b>	<b>-50.5%</b>	<b>(116)</b>
EBITDA Margin	11.6%	19.2%	-7.6 p.p.		11.0%	20.8%	-9.9 p.p.	
<b>Adjusted and Recurring EBITDA</b>	<b>62.1</b>	<b>111.0</b>	<b>-44.1%</b>	<b>(48.9)</b>	<b>111.5</b>	<b>221.1</b>	<b>-49.6%</b>	<b>(110)</b>
Adjusted and Recurring EBITDA Margin	11.3%	19.2%	-7.9 p.p.		10.8%	20.1%	-9.3 p.p.	
<b>Working Capital (R\$)</b>	<b>338.3</b>	<b>335.4</b>	<b>0.9%</b>	<b>2.9</b>				
<b>Cash Conversion Cycle (days)</b>	<b>67</b>	<b>43</b>	<b>56%</b>	<b>24</b>				
<b>Net Debt</b>	<b>859.2</b>	<b>542.8</b>	<b>58.3%</b>	<b>316</b>				
Net debt/EBITDA	3.0	1.3	133%	1.7				
<b>Adjusted and Recurring Net Debt/EBITDA</b>	<b>3.1</b>	<b>1.3</b>	<b>142%</b>	<b>1.8</b>				
Share Price	6.96	6.36	9.4%	0.6				
Market Value	981.3	896.7	9.4%	84.6				
Average Trading Volume (12 Months)	182.0	367.1	-50.4%	(185)				
Average daily trading volume (ADTV)	7.8	5.4	44.4%	2.4				

## Comparable adjusted result

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

The second part of the additions is related to the Portobello Shop projects related to the expansion of the network of owned stores, which should generate a positive result as sales increase and order backlogs are formed.

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

R\$ million	2Q23	Adjustments		2Q23 Comparable	2Q22	▲ %	1H23	Adjustments		1H23 Comparable	1H22	▲ %
		PB Shop	PBA					PB Shop	PBA			
<b>Net Revenue</b>	<b>548.8</b>	-	-	<b>548.8</b>	<b>577.5</b>	<b>-5.0%</b>	<b>1,037</b>	-	-	<b>1,037</b>	<b>1,102</b>	<b>-6.0%</b>
Gross Profit	214.5	-	-	214.5	252.6	-15.1%	406.8	-	-	406.8	491.0	-17.1%
Gross Margin	39.1%	-	-	39.1%	43.7%	-10.6%	39.2%	-	-	39.2%	44.5%	-11.9%
Expenses	(185.6)	13.9	17.5	(154.2)	(163.1)	-5.5%	(358.0)	30.9	30.0	(297.0)	(303.4)	-2.1%
Depreciation	34.4	-	-	34.4	34.4	0.0%	64.8	-	-	64.8	41.9	54.8%
<b>EBITDA</b>	<b>63.4</b>	<b>13.9</b>	<b>17.5</b>	<b>94.8</b>	<b>110.8</b>	<b>-14.4%</b>	<b>113.6</b>	<b>30.9</b>	<b>30.0</b>	<b>174.6</b>	<b>229.4</b>	<b>-23.9%</b>
Non-Recurring Events:	(1.3)	-	-	(1.3)	0.2		(2.1)	-	-	(2.1)	(8.3)	
<b>Adjusted and Recurring EBITDA</b>	<b>62.1</b>	<b>13.9</b>	<b>17.5</b>	<b>93.5</b>	<b>111.0</b>	<b>-15.7%</b>	<b>111.5</b>	<b>30.9</b>	<b>30.0</b>	<b>172.5</b>	<b>221.1</b>	<b>-22.0%</b>
Adjusted and Recurring EBITDA Margin	11.3%			17.0%	19.2%	-2.2 p.p.	10.8%			16.6%	20.1%	-3.4 p.p.

# Portobello Grupo



## Business Unit Operating Performance

### Portobello Business Unit (“BU”)

R\$ million	2Q23	2Q22	▲%	▲Abs	1H23	1H22	▲%	▲Abs
<b>Net Revenue</b>	<b>244.5</b>	<b>274.8</b>	<b>-11.0%</b>	<b>(30.2)</b>	<b>461.1</b>	<b>531.5</b>	<b>-13.2%</b>	<b>(70.3)</b>
(-) COGS	157.5	149.5	5.3%	8.0	292.0	282.9	3.2%	9.0
<b>Gross Profit</b>	<b>87.0</b>	<b>125.3</b>	<b>-30.5%</b>	<b>(38.2)</b>	<b>169.1</b>	<b>248.5</b>	<b>-31.9%</b>	<b>(79.4)</b>
Gross Margin	35.6%	45.6%	-10.0 p.p.		36.7%	46.8%	-10.1 p.p.	

In 2Q23, BU net revenue totaled R\$ 245 million, a 11.0% decrease in relation to 2Q22, with a gross margin of 35.6%. Results in the domestic market were strong, with important advances in the resale and engineering channels and market share gains. Regarding exports, sales were lower than in 2Q22, which was a very strong quarter, but with significant improvements compared to 1Q23. Compared to the market, the Company also continues presenting better results in this channel.

Capacity utilization indicators also outperform the market, closing the quarter with a 93% utilization, while the market average was 64% according to ANFACER<sup>5</sup>.

Such performance above the market average is the result of the assertive multichannel and production flexibility strategy, which allows focusing sales efforts according to the best opportunities considering volumes and profitability. This characteristic of the Tijucas-SC unit is a consequence of the advances in the product mix qualification, especially with the growth in sales of porcelain tile panels and large formats, products with greater added value, which resulted in the maintenance of the gross margin at high levels. The accumulated result for the first semester of 2023 is -13.2% lower in terms of net revenue compared to the same period in 2022. However, the market expects that the second semester of the year will bring recovery and present good opportunities, for which the Company is well positioned and should record a strong result.

The unit continues prioritizing the following: i) ongoing improvement in service levels, ii) efficiency in balancing inventory levels and meeting demand, and iii) implementation of ESG actions.



### Portobello Shop Business Unit (“BU”)

<sup>5</sup> Brazilian Association of Construction Materials Industry

## Portobello Grupo

R\$ million	2Q23	2Q22	▲%	▲Abs	1H23	1H22	▲%	▲Abs
<b>Net Revenue</b>	<b>232.5</b>	<b>196.1</b>	<b>18.6%</b>	<b>36.4</b>	<b>443.5</b>	<b>368.3</b>	<b>20.4%</b>	<b>75.2</b>
(-) COGS	121.7	103.6	17.4%	18.1	237.1	195.0	21.5%	42.0
<b>Gross Profit</b>	<b>110.9</b>	<b>92.5</b>	<b>19.8%</b>	<b>18.3</b>	<b>206.4</b>	<b>173.3</b>	<b>19.1%</b>	<b>33.1</b>
Gross Margin	47.7%	47.2%	0.5 p.p.		46.5%	47.0%	-0.5 p.p.	

In 2Q23, the BU's net revenue totaled R\$ 233 million, accounting for a significant growth of 18.6% in relation to 2Q22, which led the BU to a record result in a single quarter. Portobello Shop's gross margin also recorded a strong result, reaching 47.7%. Such result, much higher than that presented by the market, shows a significant market share gain in retail, since the market continues presenting a decrease compared to the previous year, according to data from ICVA<sup>6</sup>, which measures the building materials retail sector in Brazil.

Currently, the Company has 146 stores in operation across the country, 24 of which are owned and 122 are franchises. Portobello Shop has a store network expansion plan based on its strategy of meeting demand and capturing potential market, but it is also worth mentioning the growth of stores that were already open in the previous year, which can be observed by the Same Store Sales indicator in the quarter, which accounted for an increase of 11.2% in 2Q23 vs. 2Q22.

The performance of own stores, which started to consolidate the results of acquired stores in 2022, showed an increase of 34.2% in Net Revenue, accounting for 44.8% of the total BU. Furthermore, due to the growth in the share of own stores, the BU starts absorbing synergies from the integrated chain and offsetting the inflationary impacts on expenses and cost of capital, thus generating margin and profitability gains.

It is also worth highlighting the expenses generated due to the Portobello Shop's strategic advances, mainly the expansion of its own stores' network and initiatives related to the digital transformation. Portobello Shop BU expenses reached R\$ 88.3 million, an increase of R\$ 13.9 million in relation to 2Q22.

<sup>6</sup> Cielo Expanded Retail Index

## Portobello Grupo



## Pointer Business Unit (“BU”)

R\$ million	2Q23	2Q22	▲%	▲ Abs	1H23	1H22	▲%	▲ Abs
<b>Net Revenue</b>	<b>42.6</b>	<b>60.7</b>	<b>-29.8%</b>	<b>(18.1)</b>	<b>86.0</b>	<b>115.2</b>	<b>-25.3%</b>	<b>(29.2)</b>
(-) COGS	38.9	39.3	-0.9%	(0.4)	76.0	73.2	3.9%	2.9
<b>Gross Profit</b>	<b>3.7</b>	<b>21.5</b>	<b>-82.8%</b>	<b>(17.8)</b>	<b>10.0</b>	<b>42.0</b>	<b>-76.3%</b>	<b>(32.0)</b>
Gross Margin	8.7%	35.3%	-26.7 p.p.		11.6%	36.5%	-24.9 p.p.	

In 2Q23, net revenue totaled R\$ 42.6 million, 29.8% lower than 2Q22, with a gross margin of 8.7%. Gross margin decreased compared to 2Q22, largely due to the lower dilution of production costs, which had an additional idleness factor due to the furnace stoppages carried out throughout 2Q23, which generated an additional cost of R\$ 5.8 million in 2Q23. The cooling of demand in the market for ceramic tiles in the North and Northeast regions of Brazil also continued to impact Pointer’s result.

Even with this scenario of decreased production, the plant in the city of Maceió, state of Alagoas, had occupancy of the capacity above the market average due to the specific and strategic commercial campaigns to optimize the productivity level.

Despite the adverse scenario and lower-than-expected sales results, Pointer remains in good market position, maintaining its market share and is prepared for the expected market recovery in 2S23. Pointer BU shows good profitability levels with an EBITDA Margin always positive, driven by the strengthening of the engineering channel and the several commercial and training initiatives with thousands of commercial partners, which has been strengthening its presence in the domestic market.

## Portobello Grupo



## Portobello America Business Unit (“BU”)

R\$ million	2Q23	2Q22	▲%	▲ Abs	1H23	1H22	▲%	▲ Abs
<b>Net Revenue</b>	<b>56.1</b>	<b>66.0</b>	<b>-15.0%</b>	<b>(9.9)</b>	<b>97.9</b>	<b>124.2</b>	<b>-21.2%</b>	<b>(26.3)</b>
(-) COGS	41.6	51.3	-19.0%	(9.8)	73.5	95.9	-23.3%	(22.4)
<b>Gross Profit</b>	<b>14.5</b>	<b>14.7</b>	<b>-0.9%</b>	<b>(0.1)</b>	<b>24.4</b>	<b>28.3</b>	<b>-13.8%</b>	<b>(3.9)</b>
Gross Margin	25.9%	22.2%	3.7 p.p.		24.9%	22.8%	2.1 p.p.	

In 2Q23, Net Revenue reached R\$ 56.1 million, with positive results in local distribution operations, which grew 9.3% vs. 2Q22 and large accounts, growing 70.4% vs. the same period of the previous year, partially offsetting the decrease in sales to some relevant clients, who, due to the high interest rate and inflation in the country, readjusted their inventory levels in the period. The Gross Margin reached 25.9% in the period. This result was reached by means of management aimed at creating demand, a process that should continue throughout 2023, aiming at gaining scale in a more profitable business model than the current one, doubling the plant's capacity for next year.

With this movement, a large part of this BU's expenses are characterized as pre-operational, whether those related to the preparation of the plant start-up or to sales activities, marketing and other support areas. In this sense, total expenses at Portobello América in 2Q23 were R\$ 38.4 million, accounting for an increase of 84.0% in relation to 2Q22. These expenses are part of the unit's strategic planning and are considered as part of the project's investment for management purposes, from which a future return is expected.

As of 3Q23, Portobello America will have the production capacity of the new plant, a project that takes the North American unit to another level. As a local producer, the Portobello brand product achieves a higher competitiveness level and an important positioning.

The *ramp-up* process implemented and the commercial strategies over the last few quarters allowed that, when the new plant entered into operation, a large part of the demand had already been developed, thus guaranteeing a portfolio of over 3 months of products sold at the time of the production start-up.

This process of building demand put pressure on operating margins in these periods, but as production at the Portobello America plant gains momentum, margin gains can be observed, in line with the main strengths of the project.

In the first phase of the project, the BU will have a furnace with a production capacity of 3.6 million m<sup>2</sup> and special parts. Furthermore, the plant's project includes the addition of a second furnace, which should double its capacity, reaching 7.2 million m<sup>2</sup> when fully operational. To this end, Portobello America continues using part of the production capacity of the Portobello BU in Tijucas as a way of complementing its portfolio and continuing to gain scale for the entry into phase II of the project.

# Portobello Grupo

## Consolidated Performance

### Net Revenue

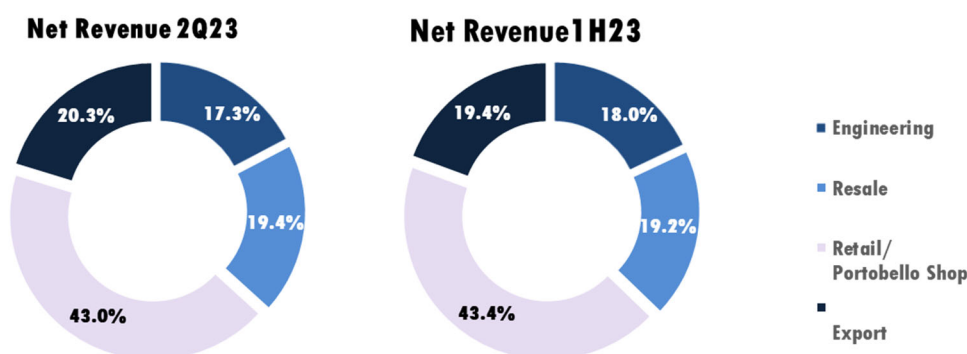
R\$ million	2Q23	2Q22	▲ %	▲ Abs	1H23	1H22	▲ %	▲ Abs
<b>Net Revenue</b>	<b>548.8</b>	<b>577.5</b>	<b>-5.0%</b>	<b>(28.7)</b>	<b>1,037</b>	<b>1,102</b>	<b>-6.0%</b>	<b>(65.8)</b>
Domestic Market	432.1	427.3	1.1%	4.8	825.7	818.1	0.9%	7.6
International Market	116.7	150.1	-22.3%	(33.4)	210.9	284.3	-25.8%	(73.4)
US\$ million	2Q23	2Q22	▲ %	▲ Abs	1H23	1H22	▲ %	▲ Abs
International Market	21.4	28.6	-25.2%	(7.2)	38.8	53.5	-27.5%	(14.7)

Net Revenue in 2Q23 reached R\$ 549 million, accounting for a change of -5.0% vs. 2Q22. This result, despite a more sensitive scenario in the civil construction market, was the third highest in the Company's history, thus reflecting the business model resilience and the assertiveness of the multichannel model.

In the domestic market, Net Revenue grew 1.1% vs. 2Q22, reaching R\$ 432 million, while the construction materials sector recorded a retraction of -6.5%, according to ABRAMAT deflated data<sup>7</sup>. The ceramic tile sector, according to data from the Brazilian Association of Ceramic Tiles Manufacturers (ANFACER) recorded a decrease of -13.4% in 2Q23 vs. 2Q22 in volumes (in square meters).

Regarding sales in the foreign market, the Company recorded a decrease of -22.3% in 2Q23 compared to 2Q22 (-25.2% in dollars), largely due to the temporary suspension of sales to Argentina, with a delay in the release of authorization documents for imports, and international freight that affected exports to the USA. Even though, the Company sees good prospects for a reversal of this scenario from 2Q23 onwards with the drop in freight prices.

The distribution of sales across channels highlights the Company's ability to execute the multichannel strategy. It is worth highlighting: i) retail sales, which accounted for 43.0% of the Group's total Net Revenue in 2Q23 vs. 34.0% in 2Q22; ii) the export channel, with a 20.3% share of the result, 9.7% with sales made by Portobello America in the United States and 10.5% to the other markets of the Portobello and Pointer Business Units; and iii) the share of sales in the Engineering channel by 17.3%.



<sup>7</sup> Brazilian Association of Construction Materials Industry

# Portobello Grupo

## Gross Income

R\$ million	2Q23	2Q22	▲ %	▲ Abs	1H23	1H22	▲ %	▲ Abs
Net Operating Revenue	548.8	577.5	-5.0%	(28.7)	1,037	1,102	-6.0%	(65.8)
Cost of Goods Sold (COGS)	(328.5)	(324.9)	-1.1%	(3.6)	(619.5)	(611.5)	-1.3%	(8.0)
Idleness Costs	(5.8)	-	-100.0%	(5.8)	(10.3)	-	-100.0%	(10.3)
<b>Gross Operating Profit</b>	<b>214.5</b>	<b>252.6</b>	<b>-15.1%</b>	<b>(38.1)</b>	<b>406.8</b>	<b>491.0</b>	<b>-17.1%</b>	<b>(84.2)</b>
Gross Margin	39.1%	43.7%	-4.7 p.p.		39.2%	44.5%	-5.3 p.p.	
<b>Non-Recurring Events:</b>	-	-	0.0%	<b>0.0</b>	-	<b>(2.5)</b>	100.0%	<b>2.5</b>
1) DIFAL unconstitutionality reversal	-	-	0.0%	0.0	-	(2.5)	100.0%	2.5
<b>Adjusted and Recurring Gross Profit</b>	<b>214.5</b>	<b>252.6</b>	<b>-15.1%</b>	<b>(38.1)</b>	<b>406.8</b>	<b>488.5</b>	<b>-16.7%</b>	<b>(81.7)</b>
Adjusted and Recurring Gross Margin	39.1%	43.7%	-4.7 p.p.		39.2%	44.3%	-5.1 p.p.	

Adjusted and Recurring Gross Income in 2Q23 decreased -15.1% vs. 2Q22, -4.7 p.p. of gross margin. This result was mainly impacted by (i) inflationary pressure on goods, services, labor and cost of capital during 2022; (ii) commercial strategies to make prices more flexible for specific products, seeking to maintain the market share level and better production planning without impacting inventories and (iii) the effect of reduced production at Pointer, with a furnace shutdown that resulted in a idle cost of R\$ 5.8 million in the quarter, resulting in higher unit costs. We highlight the +41.1% increase in natural gas throughout 2022, based on data from the Ministry of Mines and Energy. However, it started to present decreases in 2023, accumulating a change of -10.3% in the year.

## Operating Expenses

R\$ million	2Q23	%RL	2Q22	%RL	▲ %	▲ Abs	1H23	%RL	1H22	%RL	▲ %	▲ Abs
<b>Operating Expenses</b>												
Selling	(163.9)	29.9%	(129.5)	22.4%	26.6%	(34.4)	(307.8)	29.7%	(248.4)	22.5%	23.9%	(59.4)
General and Administrative	(33.2)	6.0%	(24.1)	4.2%	37.8%	(9.1)	(57.0)	5.5%	(42.4)	3.8%	34.4%	(14.6)
Other Revenues (Expenses)	11.5	-2.1%	(9.5)	1.6%	-221.1%	21.0	6.8	-0.7%	(12.5)	1.1%	-154.4%	19.3
<b>Operating Expenses</b>	<b>(185.6)</b>	<b>33.8%</b>	<b>(163.1)</b>	<b>28.2%</b>	<b>13.8%</b>	<b>(22.5)</b>	<b>(358.0)</b>	<b>34.5%</b>	<b>(303.4)</b>	<b>27.5%</b>	<b>18.0%</b>	<b>(54.6)</b>
Non-Recurring Revenues	(1.3)	0.2%	0.2	0.0%	750.0%	(1.5)	(2.1)	0.2%	(5.8)	1%	-63.8%	3.7
<b>Adjusted Operating Expenses</b>	<b>(186.9)</b>	<b>34.1%</b>	<b>(162.9)</b>	<b>28.2%</b>	<b>14.7%</b>	<b>(24.0)</b>	<b>(360.2)</b>	<b>34.7%</b>	<b>(309.2)</b>	<b>28.0%</b>	<b>16.5%</b>	<b>(51.0)</b>

Adjusted Operating Expenses in 2Q23, when analyzed as a percentage of Net Revenue, increased 14.7 p.p. compared to 2Q22.

The largest changes in absolute terms were concentrated in: (i) Portobello Shop (+18.7% vs. 2Q22), explained by the growth in the sales structure absorbed in the acquisitions made in the expansion of the Owned Store network; and (ii) at Portobello America (+ 84% vs. 2Q22) due to the marketing strategy and team structuring, adopted in the demand building stage for the startup of operations at the new plant. Without strategic expenses, the Company would have reduced expenses in absolute terms.

**Sales Expenses:** Increase of 26.6% vs. 2Q22, justified by additional investments in the Company's growth strategies, which will bring future results.

**General and Administrative Expenses:** They showed an increase of 37.8% (+ R\$ 9.1 million) vs. 2Q22, with most of this change being investments in the structure of the operations teams with the highest growth, mainly in the Portobello America and Portobello Shop Business Units. Such investments are in line with the Company's strategic planning and should be supported by expected growth and expenses should be diluted proportionally to the development of operations.

**Other Revenues and Expenses:** In 2Q23, they refer mainly to the recognition of tax credits (R\$ 1.5 million) and the reversal of legal provisions (R\$ 9.9 million).



## Portobello Grupo

## EBITDA and Adjusted EBITDA

R\$ million	2Q23	2Q22	▲ %	▲ Abs	1H23	1H22	▲ %	▲ Abs
<b>Net Income</b>	<b>(38.3)</b>	<b>53.8</b>	<b>-171.2%</b>	<b>(92.1)</b>	<b>(53.4)</b>	<b>91.5</b>	<b>-158.4%</b>	<b>(144.9)</b>
(+) Financial Expenses	62.1	9.7	540.2%	52.4	98.8	51.1	93.3%	47.7
(+) Depreciation and Amortization	34.4	21.3	61.5%	13.1	64.8	41.8	55.0%	23.0
(+) Income Taxes	5.2	25.9	-79.9%	(20.7)	3.4	45.1	-92.5%	(41.7)
<b>EBITDA</b>	<b>63.4</b>	<b>110.8</b>	<b>-42.8%</b>	<b>(47.4)</b>	<b>113.6</b>	<b>229.4</b>	<b>-50.5%</b>	<b>(115.8)</b>
<b>EBITDA Margin</b>	<b>11.6%</b>	<b>19.2%</b>	<b>-7.6 p.p.</b>		<b>11.0%</b>	<b>20.8%</b>	<b>-9.9 p.p.</b>	
<b>Non-Recurring Events:</b>	<b>(1.3)</b>	<b>0.2</b>			<b>(2.1)</b>	<b>(8.3)</b>		
1) DIFAL unconstitutionality reversal	-	-			-	(7.1)		
2) Other Favorable Outcomes in Lawsuits	-	0.2			-	(1.2)		
4) COFINS - Tax optimization	0.2	-			(1.4)	-		
5) Recognition and Restatements of Lawsuits	(1.5)	-			(1.5)	-		
6) Commissions	-	-			0.8	-		
<b>Adjusted and Recurring EBITDA</b>	<b>62.1</b>	<b>111.0</b>	<b>-44.1%</b>	<b>48.9</b>	<b>111.5</b>	<b>221.1</b>	<b>-49.6%</b>	<b>109.6</b>
<b>Adjusted and Recurring EBITDA Margin</b>	<b>11.3%</b>	<b>19.2%</b>	<b>-7.9 p.p.</b>		<b>10.8%</b>	<b>20.1%</b>	<b>-9.3 p.p.</b>	

Adjusted and Recurring EBITDA in 2Q23 was R\$ 62.1 million, accounting for a decrease of -44,1% vs. 2Q22, resulting in an Adjusted and Recurring EBITDA Margin of 11.3%, -7.9 p.p. lower than 2Q23. To determine the adjusted result, gains on restatements of lawsuits were not considered.

The result reflects the Company's resilience when facing a market situation marked by activities in the civil construction sector repressed by high interest rates and inflation. Even in moment where the demand for ceramic tiles was the lowest since 2019 and close to the lowest levels of the last 10 years, the Company managed to support investments in strategic projects at Portobello America and Portobello Shop and still present a positive operating result. In line with its strategy, the Company will start presenting good profitability levels in 2023 with the start of operations at the plant in Portobello America. The Company will continue prioritizing the construction and optimization of the equation between volume performance, price flexibility, innovation and ongoing improvement of the product mix, coupled with discipline in cost, expense and investment management.

# Portobello Grupo

## Net Income

R\$ million	2Q23	2Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
<b>EBITDA</b>	<b>63.4</b>	<b>110.8</b>	<b>-42.8%</b>	<b>-47.4</b>	<b>113.6</b>	<b>229.4</b>	<b>-50.5%</b>	<b>-115.8</b>
(-) Financial Expenses	(62.1)	(9.7)	-540.2%	-52.4	(98.8)	(51.1)	-93.3%	-47.7
(-) Depreciation and Amortization	(34.4)	(21.3)	-61.5%	-13.1	(64.8)	(41.8)	-55.0%	-23.0
(-) Income Taxes	(5.2)	(25.9)	79.9%	20.7	(3.4)	(45.1)	92.5%	41.7
<b>Net Income</b>	<b>(38.3)</b>	<b>53.8</b>	<b>-171.2%</b>	<b>-92.1</b>	<b>(53.4)</b>	<b>91.4</b>	<b>-158.4%</b>	<b>-144.8</b>
<b>Net Margin</b>	<b>-7.0%</b>	<b>9.3%</b>	<b>-16.3 p.p.</b>		<b>-5.2%</b>	<b>8.3%</b>	<b>-13.4 p.p.</b>	
<b>Non-Recurring Events:</b>	<b>17.6</b>	<b>(1.4)</b>			<b>15.0</b>	<b>(8.0)</b>		
(1) DIFAL unconstitutionality reversal	-	-			-	(7.1)		
(2) Recognition and Restatements of Lawsuits	18.2	(1.1)			18.2	(1.8)		
(3) Others <sup>1</sup>	(0.6)	(0.3)			(3.3)	0.9		
<b>Adjusted and Recurring Net Income</b>	<b>(20.7)</b>	<b>52.4</b>	<b>-139.5%</b>	<b>-73.1</b>	<b>(38.4)</b>	<b>83.5</b>	<b>-146.0%</b>	<b>-121.9</b>
<b>Adjusted and Recurring Net Margin</b>	<b>-3.8%</b>	<b>9.1%</b>	<b>-12.8 p.p.</b>		<b>-3.7%</b>	<b>7.6%</b>	<b>-11.3 p.p.</b>	

The high interest rates that impact the Portobello Group's market also had an influence on the Company's financial result. Higher gross debt, coupled with high interest rates, led to an increase of R\$ 18.7 million in interest expenses compared to 2Q22. The financial result was also impacted by the monetary restatement of provisions for contingencies in the amount of R\$ 14.4 million. Furthermore, the financial result had positive effects from exchange variation in 2Q22, which were not recorded in 2Q23.

This increase in financial expenses, together with the lower operating result, generated an Adjusted and Recurring Net Loss of R\$ 20.7 million in 2Q23, a difference of -R\$ 73.1 million compared to 2Q22. Several market indicators point to a recovery in 2S23, which is why the Company acts on several fronts to ensure greater operating cash generation and prioritization of investments, thus reducing financial leverage and cost of financing.

## Cash Flow

R\$ million	2Q23	2Q22	▲ %	▲ Abs	1S23	1S22	▲ %	▲ Abs
<b>Activities</b>								
Operating	20.7	39.5	-47.6%	(18.8)	8.9	123.9	-92.8%	(115.0)
Investment	(119.0)	(58.4)	-103.8%	(60.6)	(204.2)	(73.9)	-176.3%	(130.3)
Financing	117.6	(14.7)	900.0%	132.3	348.2	(49.1)	809.2%	397.3
Changes in Cash	19.3	(33.6)	157.4%	52.9	152.9	0.9	16888.9%	152.0
<b>Opening Balance</b>	<b>389.7</b>	<b>224.2</b>	<b>73.8%</b>	<b>165.5</b>	<b>256.1</b>	<b>189.7</b>	<b>35.0%</b>	<b>66.4</b>
<b>Closing Balance</b>	<b>409.0</b>	<b>190.5</b>	<b>114.7%</b>	<b>218.5</b>	<b>409.0</b>	<b>190.6</b>	<b>114.6%</b>	<b>218.4</b>

The Company ended 2Q23 with a cash position of R\$ 409 million, an increase of R\$ 219 million vs. 2Q22. The main changes occurred in financing activities with a funding of R\$ 150 million carried out in April with the first issue of PBG Commercial Notes. The Company continues focusing its efforts on efficient debt and cash management, always seeking to optimize debt costs, coupled with the best timing of amortizations.

The highest level of investment activities was due to Capex for the acquisition of equipment for the Portobello America plant.

The Company's operating activities generated a cash of R\$ 20.7 million, a decrease of R\$ 18.8 million in 2Q23 compared to 2Q22, due to higher costs that negatively impact the operating margin and higher consumption of working capital with inventories.

Moreover, in 2023, the amount of R\$ 13.8 million was raised, which had a positive impact on operating activities, referring to: (i) Eletrobrás receivables in the amount of R\$ 12.7 million; (ii) redemption of deposits pledged in guarantee in the amount of R\$ 1.1 million.

# Portobello Grupo

## Working Capital

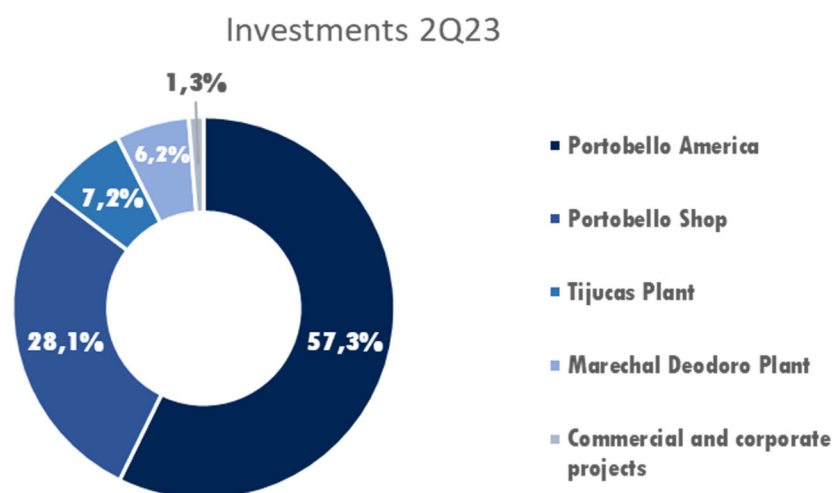
	2Q23	2Q22	▲ %	▲ Abs	1Q23	▲ %	▲ Abs	
R\$ million	Accounts Receivable	226.0	336.9	-32.9%	(110.9)	222.0	1.8%	4.0
	Inventories	475.0	370.1	28.3%	104.9	469.2	1.2%	5.8
	Suppliers	362.7	371.6	-2.4%	(8.9)	339.8	6.7%	22.9
	<b>Working Capital</b>	<b>338.3</b>	<b>335.4</b>	<b>0.9%</b>	<b>2.9</b>	<b>351.4</b>	<b>-3.7%</b>	<b>(13.1)</b>
Days	Accounts Receivable	34	43	-20.9%	(9)	31	9.7%	3
	Inventories	128	108	18.5%	20	133	-3.8%	(5)
	Suppliers	95	108	-12.0%	(13)	97	-2.1%	(2)
	<b>Cash Conversion Cycle (CCC)</b>	<b>67</b>	<b>43</b>	<b>55.8%</b>	<b>24</b>	<b>67</b>	<b>0.0%</b>	<b>-</b>

The Company's Working Capital decreased in 2Q23, totaling R\$ 338 million, R\$ 13.1 million below 1Q23 (-3.7%). The Cash Conversion Cycle in 4Q22 was 67 days, in line with 1Q23. The improvement in terms of the receivables portfolio partially offset the increase in terms of inventories and the reduction in terms with suppliers. Compared to 2Q22, the change in Working Capital was R\$ 2.9 million, and the change in Cash Conversion Cycle was 24 days.

## Investments

In 2Q23, investments totaled R\$ 127 million, of which 57.3% were allocated to the project for the new Portobello America plant, 28.1% at Portobello Shop, among own stores and digital evolution, 7.2% were allocated to the UN Portobello plant in Tijucas-SC, 6.2% to investments in the industrial plant of Pointer and 1.3% for commercial and corporate projects.

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



## Indebtedness and Capital structure

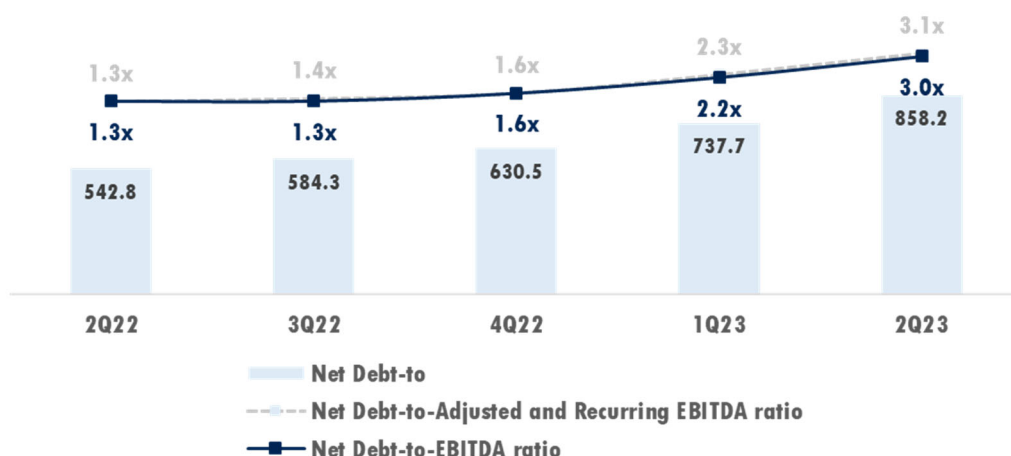
The Company's Net Debt ended the quarter at R\$ 859 million, accounting for an increase of R\$ 121 million vs. 1Q23. The Company's debt follows the investment plan in strategic projects and working capital, in addition to supporting a healthy cash position at a time when cash generation is more compromised. The decrease in Adjusted and Recurring EBITDA for the last 12

## Portobello Grupo

months to R\$ 276 million, added to the higher level of indebtedness, led to a financial leverage of 3.0x. The Company expects that this leverage level will be reduced as EBITDA increases in the coming quarters replaces the lower results of previous quarters. Portobello Group continues to have discipline in financial management as one of its priorities, focused on the constant optimization of the Cash Conversion Cycle.

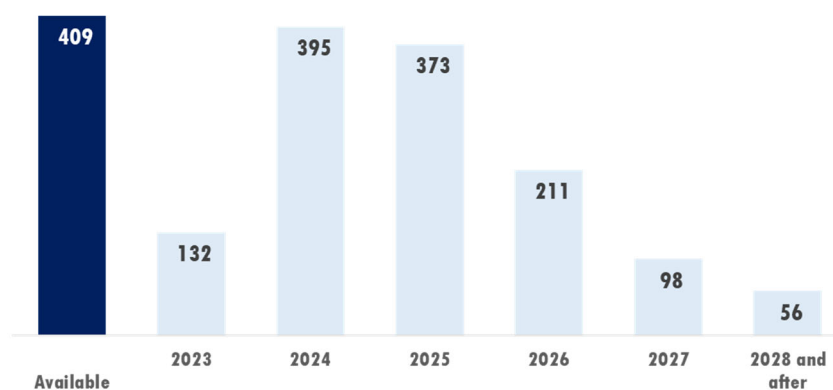
R\$ million	2Q23	1Q23	4Q22	3Q22	2Q22
<b>Gross Bank Debt<sup>1</sup></b>	<b>1,268</b>	<b>1,127</b>	<b>886.6</b>	<b>718.4</b>	<b>733.4</b>
Cash and Cash Equivalents	(409.0)	(389.7)	(256.1)	(134.2)	(190.6)
<b>Net Indebtedness</b>	<b>859.2</b>	<b>737.7</b>	<b>630.5</b>	<b>584.3</b>	<b>542.8</b>
EBITDA (LTM)	290.4	337.6	406.2	433.2	427.1
Adjusted and Recurring EBITDA (LTM)	276.7	325.4	385.1	422.3	423.1
Net Debt-to-EBITDA ratio	<b>3.0</b>	<b>2.2</b>	<b>1.6</b>	<b>1.3</b>	<b>1.3</b>
<b>Net Debt-to-Adjusted and Recurring EBITDA ratio</b>	3.1	2.3	1.6	1.4	1.3

In 2Q23, the amount of R\$ 14.6 million of contracted Bank Debt was amortized. Funding totaled R\$ 150 million.



At the end of 2Q23, all covenants related to the leverage ratio were met, which could lead to the early maturity of financing contracts and debentures if not complied with.

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

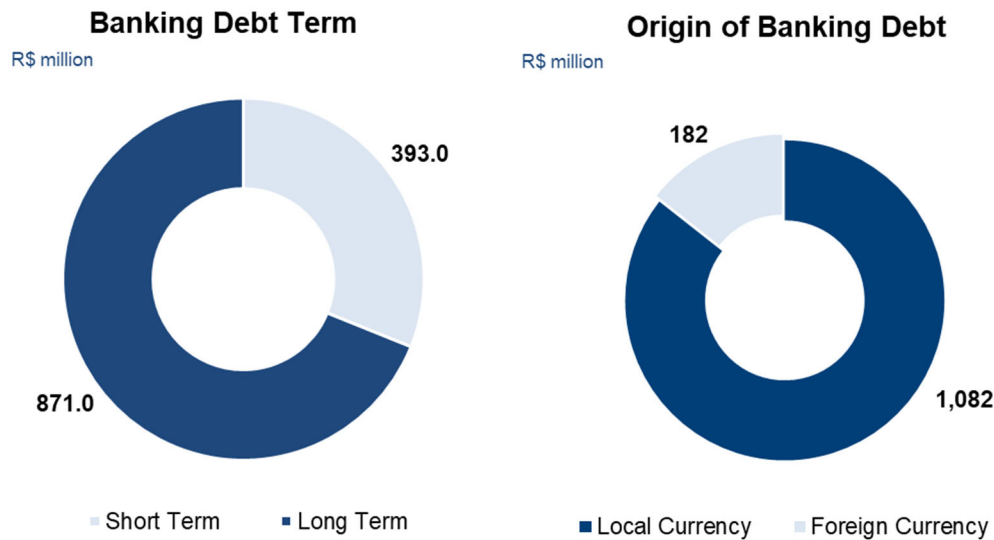


Gross Bank Debt maturing in the short term represents 31.1% of the total, a 1.9 p.p. decrease compared to 1Q23. The remaining

# Portobello Grupo

debt matures in the long term, as shown in the amortization schedule above. The Gross Banking Debt is mostly in domestic currency (85.6%). The average total cost of Banking Debt is 14.0% per annum and the average term is 3.8 years, vs 4.3 in 2Q22.

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



## 2023 Outlook and Strategic Planning

- The Company foresees a scenario of gradual recovery for the Brazilian ceramic tile sector throughout the second half of 2023. Market studies point to recovery, with growth in volumes in both the dry and wet processes.
- The North American civil construction sector presented a retraction in 2H22, which was also reflected in the performance of Portobello America in 1H23. Housing starts data has been showing evolution in the last 2 months, which indicates that the ceramic tile market tends to follow the movement, with good opportunities for local producers.
- Evolution of the Portobello Shop result, with growth in the store network and sell-out, boosted by the expansion of Same Store Sales and sales influenced by Digital, in addition to advances in large strategic accounts.
- Prospects for accelerating sales and expanding margins of Portobello America with the start of production at the US plant.
- Company has a positive outlook for working capital, with measures to reduce inventories in all Business Units and improve payment terms and receivables, maintaining a controlled level of default.
- The Group maintains a perspective of strategic investments concentrated mainly in PBA and Portobello Shop throughout 2023, with an estimate of approximately R\$ 360 million for the year.
- Perspective of reduction in net leverage (ratio between net debt and adjusted and recurring EBITDA in the last 12 months) close to the level of 2.5x at the end of 2023.

## ESG Initiatives

The Company carried out the Portobello Sustainability Week for the third consecutive year. The event was held between June 14 and 23 and was aimed at reinforcing the commitment to sustainable practices in the social, environmental and governance levels.

Under the motto “Sow change, transform the future”, the PBG teams had the opportunity to review the full journey that made the ESG concept one of the main pillars of operation in all BUs - Portobello, Portobello Shop, Pointer and Portobello America.

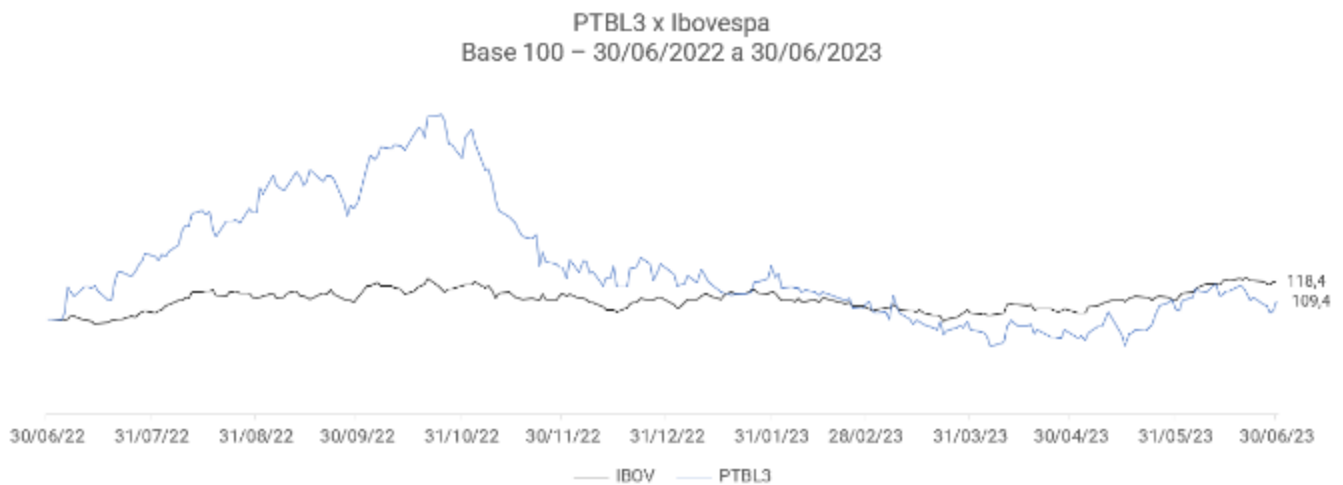
## Portobello Grupo

Among the knowledge exchange over these days, some highlights were the development of the community on the shores of Lagoa Mundaú, participants of the “Sururu Project: Shells that Transform”, a company’s initiative related to the development of products through the resignification of the sururu shell, a popular marine mollusk in Alagoas.

Another highlight was the official delivery of the Leed Platinum Certificate to the Portobello Shop store in the Jardim Social, in the city of Curitiba, state of Paraná. The Certificate recognizes the store’s title in the most important category of the US Green Building Council (USGBC) certification for sustainable buildings.

### PTBL3 Stock Performance

Shares traded under the PTBL3 ticker closed the trading session on June 30, 2023 quoted at R\$ 6.96, showing a valuation of 9.4% when compared to the closing of 2Q22 (quoted at R\$ 6.36). The average daily financial volume traded (ADTV) in 2Q23 was R\$ 7.8 million. At the end of the quarter, the Company had a market value equivalent to R\$ 981 million.



### Independent Audit

The policy of the Company in relation to its independent auditors, with regard to the provision of services not related to the external audit of financial statements, is based on the principles that preserve professional independence. These principles 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

## Financial Statements

## Balance Sheet

Assets	2Q23	AV %	4Q22	AV %	Var%
<b>Current assets</b>	<b>1,290.9</b>	<b>42.2%</b>	<b>1,103.1</b>	<b>44.5%</b>	<b>17.0%</b>
Cash and cash equivalents	409.0	13.4%	256.1	10.3%	59.7%
Trade Receivables	314.6	10.3%	314.5	12.7%	0.0%
Inventories	475.0	15.5%	455.0	18.3%	4.4%
	13.4	0.4%	11.8	0.5%	13.6%
Other	78.9	2.6%	65.7	2.6%	20.1%
<b>Non-current assets</b>	<b>1,767.2</b>	<b>57.8%</b>	<b>1,376.7</b>	<b>55.5%</b>	<b>28.4%</b>
<b>Long-term assets</b>	<b>271.8</b>	<b>8.9%</b>	<b>375.0</b>	<b>15.1%</b>	<b>-27.5%</b>
Judicial deposits	13.1	0.4%	106.7	4.3%	-87.7%
Judicial assets	142.5	4.7%	140.3	5.7%	1.5%
Guarantee deposit	18.9	0.6%	19.4	0.8%	-2.4%
Receivables - Eletrobrás	-	0.0%	12.8	0.5%	-100.0%
Restricted financial investments	9.8	0.3%	9.3	0.4%	5.5%
Recoverable taxes and deferred tax	47.3	1.5%	19.4	0.8%	143.3%
Other non-current assets	40.2	1.3%	67.0	2.7%	-40.0%
<b>Fixed assets</b>	<b>1,495.4</b>	<b>48.9%</b>	<b>1,001.7</b>	<b>40.4%</b>	<b>49.3%</b>
PPE, Intangible Assets and Investments	999.3	32.7%	813.6	32.8%	22.8%
Right of Use of Leased Assets	495.8	16.2%	187.7	7.6%	164.1%
Other investments	0.3	0.0%	0.3	0.0%	-13.8%
<b>Total assets</b>	<b>3,058.1</b>	<b>100.0%</b>	<b>2,479.8</b>	<b>100.0%</b>	<b>23.3%</b>
<b>Liabilities</b>	<b>2T23</b>	<b>AV %</b>	<b>4T22</b>	<b>AV %</b>	<b>Var%</b>
<b>Current liabilities</b>	<b>1,191.7</b>	<b>39.0%</b>	<b>945.1</b>	<b>38.1%</b>	<b>26.1%</b>
Loans and Debentures	393.5	12.9%	165.9	6.7%	137.2%
Trade Payables and Credit Assignment	376.1	12.3%	378.8	15.3%	-0.7%
	52.6	1.7%	82.0	3.3%	-35.9%
Lease obligations	55.2	1.8%	26.4	1.1%	109.1%
Tax liabilities	49.4	1.6%	43.2	1.7%	14.4%
Payroll and related taxes	83.6	2.7%	64.6	2.6%	29.4%
Advances from Customers	88.6	2.9%	84.5	3.4%	4.9%
Other	92.7	3.0%	99.7	4.0%	-7.0%
<b>Non-current liabilities</b>	<b>1,492.5</b>	<b>48.8%</b>	<b>1,067.5</b>	<b>43.0%</b>	<b>39.8%</b>
Loans and Debentures	871.3	28.5%	717.7	28.9%	21.4%
Suppliers	-	0.0%	94.4	3.8%	-100.0%
	106.6	3.5%	28.1	1.1%	279.4%
Debts with related parties	56.3	1.8%	56.3	2.3%	0.0%
Provisions	93.7	3.1%	88.4	3.6%	6.0%
Lease obligations	339.0	11.1%	51.4	2.1%	559.5%
Other Non Current Liabilities	25.6	0.8%	31.3	1.3%	-18.2%
<b>Equity</b>	<b>373.9</b>	<b>12.2%</b>	<b>467.2</b>	<b>18.8%</b>	<b>-20.0%</b>
Capital	250.0	8.2%	250.0	10.1%	0.0%
Earnings reserve	172.9	5.7%	255.3	10.3%	-32.3%
Other comprehensive income	(49.0)	-1.6%	(38.1)	-1.5%	28.6%
<b>Total liabilities</b>	<b>3,058.1</b>	<b>100.0%</b>	<b>2,479.8</b>	<b>100.0%</b>	<b>23.3%</b>

## Portobello Grupo

## Statement of Income

R\$ million	2Q23	2Q22	2S23	2S22
Net Sales Revenue	548.8	577.5	1,036.6	1,102.4
Cost of goods sold	(334.3)	(324.9)	(629.8)	(611.5)
<b>Gross Operating Profit</b>	<b>214.5</b>	<b>252.6</b>	<b>406.8</b>	<b>490.9</b>
<b>Operating Income (Expenses), Net</b>	<b>(185.5)</b>	<b>(163.1)</b>	<b>(357.9)</b>	<b>(303.4)</b>
Selling	(163.9)	(129.5)	(307.8)	(248.4)
General and Administrative	(33.2)	(24.1)	(57.0)	(42.4)
Other Operating Income (Expenses), Net	11.5	(9.5)	6.8	(12.5)
<b>Operating Profit before Financial Income</b>	<b>29.0</b>	<b>89.5</b>	<b>48.9</b>	<b>187.5</b>
<b>Financial Result</b>	<b>(62.1)</b>	<b>(9.7)</b>	<b>(98.8)</b>	<b>(51.0)</b>
Financial Revenues	10.5	5.7	18.5	10.0
Financial Expenses	(72.3)	(30.2)	(113.3)	(56.8)
Net exchange rate change	(0.3)	14.8	(4.0)	(4.2)
<b>Income (loss) before income taxes</b>	<b>(33.1)</b>	<b>79.8</b>	<b>(49.9)</b>	<b>136.5</b>
Income Tax and Social Contribution	(5.2)	(25.9)	(3.4)	(45.0)
<b>Net income (loss) for the Period</b>	<b>(38.3)</b>	<b>53.8</b>	<b>(53.3)</b>	<b>91.5</b>

## Cash Flow

R\$ million	2Q23	2Q22	2H23	2H22
<b>Net cash from operating activities</b>	<b>20.7</b>	<b>39.3</b>	<b>8.9</b>	<b>123.8</b>
Cash from operations	75.5	97.9	135.9	198.6
Changes in assets and liabilities	(23.3)	(31.1)	(58.0)	(7.9)
Interest paid and income taxes paid	(31.5)	(27.5)	(69.0)	(66.9)
<b>Net cash used in investment activities</b>	<b>(119.0)</b>	<b>(58.4)</b>	<b>(204.2)</b>	<b>(73.9)</b>
Acquisition of property, plant and equipment	(104.5)	(35.3)	(234.4)	(78.2)
Acquisition of intangible assets	(10.9)	(3.9)	(18.9)	(7.6)
	-	(60.2)	-	(60.2)
Receipt for the sale and reimbursement of fixed assets	-	-	-	55.8
Other investments	(3.6)	41.1	49.1	16.3
<b>Net cash provided by (used in) financing activities</b>	<b>117.6</b>	<b>(14.7)</b>	<b>348.2</b>	<b>(49.1)</b>
Funding loans and financing	150.0	12.6	412.6	14.8
Payment of loans and financing	(14.6)	(18.7)	(34.5)	(48.3)
Dividends paid	-	(3.5)	-	(3.6)
Lease Amortization	(17.8)	(5.1)	(29.9)	(12.0)
Treasury acquisitions	-	-	-	-
<b>Increase/(Decrease) in Cash for the period/year</b>	<b>19.3</b>	<b>(33.8)</b>	<b>152.9</b>	<b>0.8</b>
<b>Opening Balance</b>	<b>389.7</b>	<b>224.2</b>	<b>256.1</b>	<b>189.7</b>
<b>Closing Balance</b>	<b>409.0</b>	<b>190.5</b>	<b>409.0</b>	<b>190.5</b>

Please visit the Investor Relations website:

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



(A free translation of the original in Portuguese)

## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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### **1. General information**

PBG S.A., hereinafter referred to as “Company” or “Parent Company”, is a publicly-held company and its shares are traded on the Novo Mercado segment of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), under ticker symbol PTBL3. The Company is controlled by a group of stockholders, formalized in the agreement entered into on April 15, 2011, and amended on August 5, 2021, which holds 61.15% of the Company’s shares at June 30, 2023. The remaining share balance of 38.85% refers to outstanding shares (free float).

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

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, franchiser that manages a network of 124 franchises of Portobello Shop stores specialized in porcelain tiles and ceramic coatings; (ii) PBTech, which manages 24 Portobello Shop owned stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which, as of the 2<sup>nd</sup> quarter of 2018, operates the special cuts factory, producing products with the Officina Portobello brand; and (v) Portobello America, which has two distribution centers where it distributes Portobello products in the U.S. market and will begin its own production in July 2023, after the completion of the plant in the USA through its subsidiary Portobello America Manufacturing LLC.

### **2. Presentation of the interim financial statements**

#### **a) Statement of compliance**

The interim financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and CPC 21 (R1) – Interim Financial Reporting and presented according to the standards issued and approved by the Securities and Exchange Commission of Brazil (CVM), applicable to the preparation of Quarterly Financial Information - ITR.

This interim financial information contains selected explanatory notes on significant events and transactions, which allow the understanding of the changes occurred in the Company’s financial position and performance since its last Parent Company and Consolidated annual financial statements.

Therefore, this interim financial information should be read in conjunction with the Company's financial statements for the year ended December 31, 2022, which have been prepared and presented in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB, and also in accordance with the accounting practices adopted in Brazil (BR GAAP), which comprise those included in Brazilian corporate law and the standards, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC)

## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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and approved by the Brazilian Securities and Exchange Commission (CVM). All significant information in the interim financial information, and only this information, is being disclosed and corresponds to that used by Management in its activities. This interim financial information was approved and authorized for issue by the Board of Directors on August 14, 2023.

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, this statement is presented as supplementary information, and not part of the set of interim financial information.

### **b) Use of judgment and estimates**

In preparing this interim financial information, the Company has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by Management during the application of the Company's accounting policies and the information on the uncertainties related to the assumptions and estimates that have significant risk of resulting in a material adjustment are the same as those disclosed in the last Parent Company and Consolidated annual financial statements.

## **3. Significant accounting policies**

The significant accounting policies applied in the preparation of these Parent Company and Consolidated interim financial information are as follows. These policies have been consistently applied in the years presented, unless otherwise stated. The accounting practices adopted by the Company and its subsidiaries in the preparation of the quarterly information for the quarter ended June 30, 2023 are consistent with those used in the preparation of the last annual financial statements at December 31, 2022, and are disclosed in Note 3 to those financial statements.

This interim financial information should be read together with those annual financial statements disclosed on March 28, 2023. The interim financial information for the quarter ended June 30, 2023 includes all information significant for the understanding of the Company's financial position and performance during the period.

### **3.1 Consolidations**

#### **3.1.1 Interim financial information**

##### **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.

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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The Company's ownership interest in subsidiaries at June 30, 2023 is as follows:

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

Transactions between the Company and its subsidiaries, as well as unrealized balances, gains and losses, have been eliminated for the purposes of preparation of the consolidated Financial Statements.

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

### b) Transactions and non-controlling interests

The Company and its subsidiaries treat transactions with non-controlling interests in the same way as transactions with owners of assets classified as related parties. For purchases 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 interim financial information

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

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

### 3.2 Segment reporting

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

### 3.3 Functional currency and foreign currency translation

#### a) Transactions and balances

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

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## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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### **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 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**

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

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

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

#### **b) Income from franchisees**

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

#### **c) Revenue from goods and services – Oficina Portobello**

Revenue from sales of goods and services that include ceramic coatings with tableware, metals and solutions in the art of porcelain, for which the transfer of control occurs when delivered directly to the

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## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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final consumer at points of sale, is the single performance obligation. Therefore there is no complexity in defining performance obligations and transferring control of goods and services to customers.

### **d) Interest income**

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

## **4. Critical accounting estimates and judgments**

The main judgments and uncertainties in the estimates used in the application of accounting policies remain the same as those detailed in the financial statements for the year ended December 31, 2022 and should therefore be read together.

## **5. Financial risk management**

### **5.1. Financial risk factors**

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

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

#### **a) Market risk**

#### **i) Foreign exchange risk**

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

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

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

	In thousands of Brazilian reais			
	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Trade receivables	76,654	80,718	103,745	104,616
Checking account	20	36	28,242	14,539
Receivables from subsidiaries	12,758	150,220	-	-
Exposed assets	89,432	230,974	131,987	119,155
Suppliers	(16,503)	(5,059)	(25,721)	(18,098)
Suppliers of property, plant and equipment and intangible assets	(16,449)	(19,511)	(151,794)	(93,416)
Borrowings and financing	(182,440)	(93,484)	(182,440)	(93,484)
(-) Swap transactions	110,967	-	110,967	-
Exposed liabilities	(104,425)	(118,054)	(248,988)	(204,998)
Net exposure	(14,993)	112,920	(117,001)	(85,843)

The foreign exchange exposure is divided into:

### 1. Euro:

	In thousands of Euros			
	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Trade receivables	524	241	524	241
Suppliers	(912)	(391)	(912)	(391)
Suppliers of property, plant and equipment and intangible assets	(2,878)	(3,503)	(16,757)	(17,667)
	(3,266)	(3,653)	(17,145)	(17,817)

### 2. US Dollar:

	In thousands of US Dollars			
	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Trade receivables	15,334	15,213	20,955	19,793
Checking account	4	7	5,860	2,786
Receivables from subsidiaries	2,647	28,790	-	-
Suppliers	(2,429)	(552)	(4,342)	(3,051)
Suppliers of property, plant and equipment and intangible assets	(270)	-	(13,198)	-
Borrowings and financing	(37,857)	(17,917)	(37,857)	(17,917)
(-) Swap transactions	23,026	-	23,026	-
	455	25,541	(5,556)	1,611

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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

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

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

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

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

#### 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 brackets based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

	Parent company				
	June 30, 2023				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	393,480	21,912	363,624	12,676	791,692
From 1 to 2 years	506,055	20,807	6,150	4,140	537,152
From 2 to 5 years	308,878	3,020	-	-	311,898
Over 5 years	56,384	-	-	-	56,384
	<u>1,264,797</u>	<u>45,739</u>	<u>369,774</u>	<u>16,816</u>	<u>1,697,126</u>

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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

	Consolidated				
	June 30, 2023				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	393,480	55,188	428,639	12,676	889,983
From 1 to 2 years	506,055	33,026	74,654	4,140	617,875
From 2 to 5 years	308,878	34,507	31,995	-	375,380
Over 5 years	56,384	271,507	-	-	327,891
	<u>1,264,797</u>	<u>394,228</u>	<u>535,288</u>	<u>16,816</u>	<u>2,211,129</u>

### 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 financial investments, which are affected by changes in interest rates, such as the CDI and Selic rates.

This study is based on the likely scenario of an increase in the CDI rate to 13.30% per year, based on the future interest curve by B3 S.A. - Brasil, Bolsa e Balcão and Selic to 13.30% 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							
	June 30, 2023	Risk	Probable Rate		Possible (25%)*		Remote (50%)*	
			%	R\$	%	R\$	%	R\$
Financial investments	347,801	CDI increase	13.30%	46,258	16.63%	57,822	19.95%	69,386
Borrowings and financing	(602,168)	CDI increase	13.30%	(80,088)	16.63%	(100,110)	19.95%	(120,133)
Debentures	(311,455)	CDI increase	13.30%	(41,424)	16.63%	(51,779)	19.95%	(62,135)
Installment payment of tax obligations	(16,816)	Selic increase	13.30%	(2,237)	16.63%	(2,796)	19.95%	(3,355)
	<u>(582,638)</u>			<u>(77,491)</u>		<u>(96,863)</u>		<u>(116,237)</u>



## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

\* Selic and CDI rates obtained from the B3 (Brasil, Bolsa e Balcão) website on July 12, 2023.

### ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to a foreign currency in the balance sheet at June 30, 2023, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of this interim financial information. The probable rate in US dollar is R\$ 4.89 and in Euro is R\$ 5.33. The probable rate was then stressed by 25%, 50%, -25% and -50%, used as benchmark for the possible and remote scenarios, respectively.

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

	June 30, 2023		Probable scenario	Consolidated			
				Currency appreciation		Currency depreciation	
				(Payable) Receivable	Possible +25%	Remote +50%	Possible - 25%
	US Dollar	Reais	4.8900	6.1125	7.3350	3.6675	2.4450
Trade receivables	20,955	100,986	1,484	27,101	52,719	(24,134)	(49,751)
Checking account	5,860	28,241	414	7,578	14,742	(6,749)	(13,913)
Suppliers	(4,342)	(20,925)	(307)	(5,615)	(10,924)	5,001	10,309
Borrowings and financing	(37,857)	(182,440)	(2,681)	(48,961)	(95,241)	43,599	89,880
(-) Swap contracts	23,026	110,967	1,630	29,779	57,929	(26,519)	(54,668)
Suppliers of property, plant and equipment and intangible assets	(13.198)	(63.604)	(934)	(17.069)	(33.204)	15.200	31.335
Net exposure	(5.556)	(26.775)	(394)	(7.186)	(13.979)	6.398	13.192
	Euro	Reais	5.3300	6.6625	7.9950	3.9975	2.6650
Trade receivables	524	2,761	32	730	1,428	(666)	(1,365)
Suppliers	(912)	(4,798)	(63)	(1,278)	(2,493)	1,152	2,368
Suppliers of property, plant and equipment and intangible assets	(16.757)	(88.189)	(1.127)	(23.456)	(45.785)	21.202	43.531
Net exposure	(17.145)	(90.226)	(1.158)	(24.004)	(46.850)	21.689	44.534

\*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 July 12, 2023.

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

## 5.2 Capital management

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

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

At June 30, 2023, the gearing ratios are summarized as follows:

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Gross Banking Debt	1,268,172	886,570	1,268,172	886,570
Cash and cash equivalents	(285,459)	(176,995)	(409,032)	(256,088)
Net indebtedness	982,713	709,575	859,140	630,482
Total equity	373,896	467,216	373,945	467,244
Total Company and third-party capital	1,356,609	1,176,791	1,233,085	1,097,726
Net debt/ EBITDA			2.96	1.55
Gearing ratio (%)			70	57

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

### 5.3 Financial instruments by category

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Assets measured at fair value through profit or loss and other comprehensive income				
Hedge accounting derivatives	13,813	6,410	13,813	6,410
Amortized cost				
Cash and cash equivalents	285,459	176,995	409,032	256,088
Trade receivables	270,880	282,273	314,648	314,507
Receivables from subsidiaries	41,082	161,765	-	-
Judicial deposits	12,872	106,509	13,072	106,704
Restricted investments	9,797	9,291	9,797	9,291
Other assets	17,121	19,776	19,154	22,134
	651,024	763,019	779,516	715,134
Liabilities at fair value through profit or loss				
Derivatives - swaps	5,461	-	5,461	-
Amortized cost				
Trade payables, credit assignment and payables for property, plant and equipment	369,774	481,783	535,288	583,353
Borrowings, financing and debentures	1,264,797	883,571	1,264,797	883,571
Dividends payable	30,178	563	30,178	563
Lease liabilities	45,739	37,891	394,228	77,715
Payables to related parties	77,796	74,414	77,764	106,013
Other liabilities	25,425	26,505	57,036	59,966
	1,819,170	1,504,727	2,364,752	1,711,181

The Company's financial investment is linked to a long-term investment fund and is pegged to a reciprocity clause in the loan agreement with Banco do Nordeste in the amount of R\$ 9,797 at June 30, 2023 (R\$ 9,291 at December 31, 2022). This financial investment is classified in non-current assets.

## 6. Cash and cash equivalents

Financial investments designated as cash equivalents are mostly CDB investments, and a small portion in investment funds, the profitability of the financial investments on the balance sheet date is between

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

88% and 110% of the Interbank Deposit Certificate (CDI) rate and have immediate liquidity, and can be redeemed at any time, without penalties.

	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Checking accounts	29,624	60,118	35,520	81,710
Local currency	29,604	60,082	32,989	67,685
Foreign currency	20	36	2,531	14,025
Financial investments	255,835	116,877	373,512	174,378
Local currency	255,835	116,877	347,801	173,864
Foreign currency	-	-	25,711	514
	<u>285,459</u>	<u>176,995</u>	<u>409,032</u>	<u>256,088</u>

## 7. Derivative financial instruments

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

### 7.1 Non Deliverable Forward (NDF)

The Company has NDF contracts with a total notional amount of US\$ 21,315, under the following conditions:

#### a) Transactions to be settled/realized after June 30, 2023 with effect on current assets and equity:

Maturity	Quotation set (weighted average of agreements) R\$/US\$	Notional value (US\$)	Fair value - MTM
07/31/2023	5.6473	2,596	2,132
08/31/2023	5.6863	2,620	2,158
09/30/2023	5.7155	2,658	2,187
10/31/2023	5.4796	4,356	2,486
11/30/2023	5.4815	4,510	2,467
12/31/2023	5.4768	4,575	2,383
Total		21,315	13,813

#### b) Transactions settled/realized up to June 30, 2023 with effects on profit or loss:

Maturity	Quotation set (weighted average of agreements) R\$/US\$	Notional value (US\$)	Operating income (Note 29)			
			Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
2022	5.7089	23,632	-	9,623	-	16,024
2023	5.5229	34,628	10,797	-	16,272	-

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
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, according to the Company's hedging policy.

In June 2023, the unrealized gain (fair value - mark-to-market at the curve of the US Dollar of B3) of R\$ 13,813, without considering the effect of income tax and social contribution, recorded in other comprehensive income (equity) and in current assets, for contracts falling due on that date. This amount is shown in the statement of changes in equity and in the statement of comprehensive income.

The realized gain in the first half of 2023, in the amount of R\$ 16,272, was recorded as operating income (Note 29) according to the hedge accounting methodology included in the Policy adopted by the Company.

### 7.2 Swaps

The Company contracted U.S. dollar operations under Export Prepayments (PPE), Export Credit Notes (NCE) and working capital, with a balance at June 30, 2023 of R\$ 110,967 (Note 5), and, in addition to these operations, swap transactions were contracted to hedge the future payment of these borrowings and financing against the U.S. dollar and interest rate fluctuations.

At June 30, 2023, these operations are classified in current liabilities (net assets vs. liabilities) in the amount of R\$ 5,461. Amortization follows the contracts schedule (Note 21).

## 8. Trade receivables

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Receivables from third parties				
Domestic market	197,699	204,555	216,999	214,705
Foreign market	76,654	80,718	103,745	104,616
	<u>274,353</u>	<u>285,273</u>	<u>320,744</u>	<u>319,321</u>
Receivables from related parties				
Entities related to management	-	24	2	50
	<u>-</u>	<u>24</u>	<u>2</u>	<u>50</u>
Total current trade receivables	<u>274,353</u>	<u>285,297</u>	<u>320,746</u>	<u>319,371</u>
Total non-current trade receivables in the domestic market	<u>3,391</u>	<u>3,391</u>	<u>3,391</u>	<u>3,391</u>
Total trade receivables	<u>277,744</u>	<u>288,688</u>	<u>324,137</u>	<u>322,762</u>
Impairment of trade receivables				
Provision for impairment of trade receivables - short term	(3,473)	(3,024)	(6,098)	(4,864)
Provision for impairment of trade receivables - long current	(3,391)	(3,391)	(3,391)	(3,391)
	<u>(6,864)</u>	<u>(6,415)</u>	<u>(9,489)</u>	<u>(8,255)</u>
Total trade receivables, net of provision for impairment of trade receivables	<u>270,880</u>	<u>282,273</u>	<u>314,648</u>	<u>314,507</u>

### a) Aging list of trade receivables:

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

	Parent company					
	June 30, 2023	Estimated losses	Coverage %	12/31/2022	Estimated losses	Coverage %
Not yet due	267,581	(1,141)	0.4%	275,669	(1,132)	0.4%
Past due up to 30 days	2,435	(71)	2.9%	4,537	(45)	1.0%
Past due from 31 to 60 days	1,465	(73)	5.0%	1,713	(86)	5.0%
Past due from 61 to 90 days	258	(27)	10.5%	677	(68)	10.0%
Past due from 91 to 120 days	268	(69)	25.7%	734	(184)	25.1%
Past due from 121 to 180 days	526	(272)	51.7%	916	(458)	50.0%
Past due from 181 to 360 days	1,820	(1,820)	100.0%	1,051	(1,051)	100.0%
Past due over 361 days	3,391	(3,391)	100.0%	3,391	(3,391)	100.0%
	<u>277,744</u>	<u>(6,864)</u>		<u>288,688</u>	<u>(6,415)</u>	
	Consolidated					
	June 30, 2023	Estimated losses	Coverage %	12/31/2022	Estimated losses	Coverage %
Not yet due	293,544	(1,332)	0.5%	296,191	(1,286)	0.4%
Past due up to 30 days	10,730	(125)	1.2%	11,523	(115)	1.0%
Past due from 31 to 60 days	5,459	(180)	3.3%	3,408	(170)	5.0%
Past due from 61 to 90 days	2,079	(132)	6.3%	2,744	(274)	10.0%
Past due from 91 to 120 days	1,377	(191)	13.9%	2,309	(577)	25.0%
Past due from 121 to 180 days	1,610	(484)	30.1%	1,509	(755)	50.0%
Past due from 181 to 360 days	5,947	(3,654)	61.4%	1,687	(1,687)	100.0%
Past due over 361 days	3,391	(3,391)	100.0%	3,391	(3,391)	100.0%
	<u>324,137</u>	<u>(9,489)</u>		<u>322,762</u>	<u>(8,255)</u>	

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

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

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

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

	Parent company	Consolidated
Balance at December 31, 2021	(7,607)	(9,872)
Provision	(3,619)	(10,100)
Reversal of provision	2,682	9,587
Write-off due to effective loss	2,129	2,130
Balance at December 31, 2022	<u>(6,415)</u>	<u>(8,255)</u>
Provision	(3,002)	(4,835)
Reversal of provision	1,283	1,283
Write-off due to effective loss	1,270	2,318
Balance at June 30, 2023	<u>(6,864)</u>	<u>(9,489)</u>

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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

At June 30, 2023, the total notes receivable pledged as collateral amounts to R\$ 102,641 (R\$ 88,094 at December 31, 2022). To guarantee the transactions of third parties with franchisees, collateral amounts to R\$ 67 (R\$ 167 at December 31, 2022).

### 9. Inventories

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Finished products	352,476	321,573	428,096	401,824
Work in progress	11,822	11,116	11,866	11,330
Raw and consumable materials	54,451	57,440	58,263	59,130
Imports in transit	1,259	383	1,259	3,438
Provision for valuation of inventories at realizable value	(16,009)	(13,301)	(24,501)	(20,684)
	<u>403,999</u>	<u>377,211</u>	<u>474,983</u>	<u>455,038</u>

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

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

	Parent company	Consolidated
Balance at December 31, 2021	(8,594)	(11,842)
Recognition of provision	(11,804)	(19,185)
Reversal of provision due to sale or write-off	7,097	10,343
Balance at December 31, 2022	(13,301)	(20,684)
Recognition of provision	(3,196)	(6,199)
Reversal of provision due to sale or write-off	488	2,382
Balance at June 30, 2023	(16,009)	(24,501)

### 10. Taxes recoverable

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Current assets				
IRPJ/CSLL (a)	18,714	11,210	18,757	12,477
ICMS (b)	5,047	10,257	5,263	10,575
PIS/COFINS (c)	9,847	9,703	10,053	9,765
IPI	4,036	2,798	4,135	2,865

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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Reintegra	1,019	880	1,019	880
Other taxes recoverable	2,550	938	2,929	971
	<u>41,213</u>	<u>35,786</u>	<u>42,156</u>	<u>37,533</u>
Non-current assets				
ICMS-ST (d)	9,982	9,982	9,982	9,982
ICMS - DIFAL (e)	9,584	9,103	9,584	9,103
ICMS	1,577	299	1,634	357
	<u>21,143</u>	<u>19,384</u>	<u>21,200</u>	<u>19,442</u>

### a) IRPJ and CSLL

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

### b) ICMS

The balance is substantially composed of ICMS Difal credits of R\$ 3,402 (R\$ 2,185 at December 31, 2022) and ICMS credits on property, plant and equipment of R\$ 1,462 (R\$ 4,737 at December 31, 2022).

### c) PIS and COFINS

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

### d) ICMS-ST

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

### e) ICMS - DIFAL

The Company filed writs of mandamus against the collection of DIFAL in the states of Rio Grande do Sul (writ of mandamus no. 5015551-38.2021.8.21.0001, Minas Gerais (writ of mandamus no. 5012757-94.2021.8.13.0024) and Paraná (writ of mandamus no. 0001091-63.2021.8.16.0004), before the enactment of the complementary law. It obtained a favorable decision for the refund of the amounts paid upon a final and unappealable decision in September 2022. The amounts are R\$ 5,547 (MG), R\$ 3,556 (RS) and R\$ 481 (PR). These amounts are refunding through offsets against the amounts calculated monthly by the Company.

## 11. Judicial deposits

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

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

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Civil (a)	-	94,426	-	94,426
Other civil deposits	212	156	216	156
Labor	1,582	1,636	1,731	1,786
Tax	11,078	10,291	11,125	10,336
	<u>12,872</u>	<u>106,509</u>	<u>13,072</u>	<u>106,704</u>

a) The Company, due to an untimely and unilateral decision by the gas supplier to suspend the discount of the monthly value of the contracted gas, a benefit called loyalty plan, filed a lawsuit requesting the maintenance of this benefit, and an injunction was granted so that the amounts referring to the discount were deposited in court. In January 2022, the priorly granted injunction was vacated in favor of the Gas supplier, who also received the authorization to a partial withdrawal of 50% (R\$ 87,100) of the amounts deposited in court. Regarding this decision, the Company filed an appeal before the Court of Appeals, which was denied. In 2023, after the judicial decision, the Gas supplier obtained a favorable outcome and withdrew the complete balance deposited in court. No deposited balance remained in June 2023.

## 12. Guarantee deposits

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

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

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

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

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

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

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



## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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At December 31, 2022, the Company carried out the financial update of the assets in the amount of R\$ 4,331, obtaining the balance of R\$ 18,666 at that date.

In 2023, there were changes arising from the withdrawal of R\$ 1,100 in favor of the Company in January, as well as restatement of R\$ 597 in the first six-month period of the year, resulting in a balance of R\$ 18,690 at June 30, 2023, with realization estimated for 2024.

### **13. Receivables from Eletrobras**

With the objective of obtaining objective of reimbursement of a compulsory loan paid through invoices for electric energy from 1977 to 1993, based on Law 4,156/1962, the Company filed a legal action against Centrais Elétricas Brasileiras S.A. – Eletrobras.

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.

Eletrobras (Centrais Elétricas Brasileiras S.A.) filed an Interlocutory Appeal upon Decision Enforcement and obtained an injunction to suspend the decision that determined the payment on behalf of the Company, as well as the resumption of the court decision settlement procedure. The judgment became final and unappealable in July 2018, favorable to the Company. In February 2019, the Company requested the continuation of the process with the approval of the tax credit calculations, which indicated the amount of R\$ 12,821. In a new decision, the Federal Court calculated the total amount of R\$ 12,977, monetarily adjusted up to September 2020.

In September 2022, after subpoena, the Parties agreed with the quantum debeatur presented by the Federal Court in the amount of R\$ 12,977, which includes the Company's credit and the amount of attorney fees borne by the defeated party.

After the homologation decision and summons from Eletrobras for the payment of the enforceable amount, the debtor made the judicial deposit of R\$ 13,746 on January 17, 2023, of which R\$ 12,668 were withdrawn by the Company and R\$ 1,078 were withdrawn by the Law Firm in March 2023. No balance remains at June 30, 2023. Therefore, considering the payment by Eletrobras, we are awaiting the end of the lawsuit for compliance with the obligation.

### **14. Income tax and social contribution**

#### **a) Income tax and social contribution recoverable and payable**

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

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

	Current assets			
	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Income tax	13,540	8,331	13,575	9,286
Social contribution	5,174	2,879	5,182	3,191
	<u>18,714</u>	<u>11,210</u>	<u>18,757</u>	<u>12,477</u>
	Current liabilities			
	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Income tax	-	-	1,118	1,931
Social contribution	-	-	416	1,090
	<u>-</u>	<u>-</u>	<u>1,534</u>	<u>3,021</u>

### 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	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Tax losses	42,552	23,647	53,983	35,078
Temporary differences - assets	46,905	64,254	51,442	68,623
Provision for civil, labor, social security and tax risks	13,572	18,205	13,975	18,665
Provision for success fees	6,664	7,320	6,829	7,588
Provision for expenses	6,144	2,924	6,144	4,466
Provision for Difal	3,951	3,863	3,951	3,863
Provision for commissions	3,464	3,449	3,464	3,449
Provision for adjustment to market value	3,004	2,526	3,004	2,526
Provision for impairment of trade receivables	2,334	2,181	2,499	2,591
Provision for profit sharing and long-term incentive	1,832	4,754	1,832	4,754
Cash basis foreign exchange variations	-	16,067	-	16,067
Other temporary differences - assets	5,940	2,965	9,744	4,654
Temporary differences - liabilities	(72,915)	(71,792)	(79,305)	(78,178)
Depreciation adjustment (to the useful lives of goods)	(26,571)	(27,177)	(26,573)	(27,176)
Realization of the revaluation reserve	(15,794)	(16,108)	(15,794)	(16,108)
Contingent assets - IPI credit premium - Phase II	(9,932)	(9,452)	(9,932)	(9,452)
Portobello pension plan	(9,289)	(9,289)	(9,289)	(9,289)
Hedge accounting transactions	(4,696)	(2,180)	(4,696)	(2,180)
Contingent assets - IPI credit premium - Phase I	(3,431)	(3,264)	(3,431)	(3,264)
Cash basis foreign exchange variations	(3,149)	-	(3,149)	-
Receivables from Eletrobrás	-	(4,359)	-	(4,359)
Contingent assets - adjustment to rural credit notes	-	-	(6,388)	(6,387)
Adjustment to present value	(53)	37	(53)	37
Deferred income tax and social contribution - Net	16,542	16,109	26,120	25,523
Non-current assets	86,308	87,900	102,275	103,701
Non-current liabilities	(69,766)	(71,791)	(76,155)	(78,178)

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
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At June 30, 2023 and December 31, 2022, net variations in deferred income tax and social contribution are as follows:

	Parent company	Consolidated
December 31, 2021	27,293	31,942
Tax losses	(4,055)	(1,416)
Temporary differences - assets	1,200	3,326
Temporary differences - liabilities	(6,923)	(6,923)
Hedge accounting transactions	(1,339)	(1,339)
Revaluation reserve	(67)	(67)
December 31, 2022	16,109	25,523
Tax losses	18,905	18,905
Temporary differences - assets	(20,496)	(20,331)
Temporary differences - liabilities	4,226	4,225
Hedge accounting transactions	(2,517)	(2,517)
Revaluation reserve	315	315
June 30, 2023	16,542	26,120

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

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

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Profit before tax	(68,304)	116,371	(49,981)	136,533
Tax calculated based on the nominal rate - 34%	23,223	(39,566)	16,994	(46,421)
Equity in the earnings of subsidiaries	(11,834)	8,780	-	-
Non-deductible expenses	301	3,573	-	3,573
Tax incentives	2,875	3,667	2,964	3,667
Tax incentives - Sudene	-	549	-	549
IRPJ and CSLL on undue tax payments	312	-	312	-
Depreciation of revalued assets	314	(305)	314	(305)
Deferred IRPJ and CSLL not recorded - Portobello America	-	-	(18,604)	-
Other	(270)	(1,612)	(5,357)	(6,125)
	14,922	(24,914)	(3,377)	(45,062)
Current tax on profit for the year	11,972	(12,089)	(6,492)	(32,981)
Deferred income tax and social contribution	2,950	(12,825)	3,115	(12,081)
Income tax and social contribution expense (recognized in profit or loss - current and deferred)	14,922	(24,914)	(3,377)	(45,062)
Effective tax rate	21.8%	21.4%	-6.8%	33.0%

### d) Tax losses in the Parent Company and Consolidated

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Tax losses	125,154	69,551	158,773	103,170
Deferred IRPJ and CSLL	42,552	23,647	53,983	35,078

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

Based on studies and projections of results for the following periods, a recoverability test was conducted for deferred tax assets arising from income tax and social contribution losses recorded at June 30, 2023 in the Parent Company and its subsidiary Companhia Brasileira de Cerâmica, where we estimated the following asset recoverability schedule:

Period	Parent company	Consolidated
2024	2,953	11,429
2025	4,368	7,323
2026	6,655	6,655
2027	6,316	6,316
2028	5,995	5,995
2029	5,691	5,691
2030	5,401	5,401
2031	5,173	5,173
	<u>42,552</u>	<u>53,983</u>

### 15. Legal assets

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
IPI premium credit (a)				
Lawsuit No. 1987.0000.645- 9 (Phase II)	29,211	27,799	29,211	27,799
Lawsuit No. 1984.00.020114-0 (Phase I)	10,091	9,600	10,091	9,600
IPI premium credit - Plaintiff - Complementary Portion (b)	75,107	75,107	75,107	75,107
IRPJ and CSLL on interest on undue tax payments (c)	28,140	27,827	28,140	27,827
	<u>142,549</u>	<u>140,333</u>	<u>142,549</u>	<u>140,333</u>

#### a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called 'IPI premium credit', in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 1, 1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the Federal Court accounting department; the amount recognized in November 2009, maintained at June 30, 2023, is R\$ 29,211 (R\$ 27,799 at December 31, 2022).

In relation to lawsuit No. 1984.00.020114-0, referring to the period from December 7, 1979 to March 31, 1981, after the final and unappealable decision, which occurred more than 10 years ago, the liquidation and execution phase of the sentence began, and an expert opinion was issued by a legal expert. The parties were notified of the '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 the balance of R\$ 10,091 at June 30, 2023 (R\$ 9,600 at December 31, 2022). The Company will ensure

## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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that the payment request be dispatched by April 2024, so that the financial realization takes place by June 2025.

### **b) IPI premium credit – Plaintiff**

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

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

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

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

In 2023, due to the decisions approving the calculation, the National Treasury filed an appeal to the Federal Regional Court (TRF) of the 1st Region, which was received without the granting of suspensive effect, and awaits judgment. Even though the proceeding was suspended, the Company is taking measures with the lower court for the issuance of the Payment Request.

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

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

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

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

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## PBG S.A. and subsidiaries

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In June 2023, a decision was issued approving the partial withdrawal of the Writ of Mandamus regarding the unenforceability of IRPJ and CSLL on the Selic rate obtained in the release of judicial deposits, with final and unappealable decision on June 30, 2023. Accordingly, the Company is adopting the necessary steps to request, at the administrative level, the authorization of the credit arising from the final and unappealable decision with the Brazilian Federal Revenue Service.

### 16. Investments

#### Interest in subsidiaries

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

Subsidiaries are closely-held companies, for which variations in the year 2022 and the first six-month period of 2023 are presented below:

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Equity	Revenue	Profit or loss
At December 31, 2022								
Portobello America Inc.	United States	100.00%	0.00%	253,447	222,616	30,831	210,724	(42,424)
Portobello America Manufacturing	United States	0.00%	100.00%	139,538	139,888	(350)	-	(2,359)
PBTech Ltda.	Brazil	99.94%	0.06%	225,106	189,167	35,939	344,896	31,973
Portobello Shop S/A	Brazil	99.90%	0.00%	47,233	18,847	28,386	107,967	51,906
Mineração Portobello Ltda.	Brazil	99.76%	0.00%	17,046	17,001	45	13,063	(197)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	33,241	11,170	22,071	12,509	(4,884)
At June 30, 2023								
Portobello America Inc.	United States	100.00%	0.00%	782,943	505,305	277,638	91,236	(54,718)
Portobello America Manufacturing (a)	United States	0.00%	100.00%	340,668	341,989	(1,321)	-	(6,201)
PBTech Ltda.	Brazil	99.94%	0.06%	242,731	183,572	59,159	238,777	23,220
Portobello Shop S/A	Brazil	99.90%	0.00%	76,993	27,235	49,758	58,629	21,373
Mineração Portobello Ltda.	Brazil	99.99%	0.00%	18,027	38,592	(20,565)	8,603	(19,982)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	33,933	10,123	23,810	9,019	(4,208)

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

Subsidiaries are closely-held companies, for which variations in the year 2022 and the first six-month period of 2023 are presented below:

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

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

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

	Percentage of interest	December 31, 2022	Foreign exchange variations	Advances for future capital increase	Equity in the earnings of subsidiary	June 30, 2023
<b>Investments</b>						
Portobello America Inc.	100.00%	30,247	(15,209)	316,734	(54,593)	277,179
PBTech Ltda.	99.94%	35,918	-	-	23,206	59,124
Portobello Shop S.A.	99.90%	28,357	-	-	21,351	49,708
Mineração Portobello Ltda.	99.99%	45	-	-	(20,610)	(20,565)
Companhia Brasileira de Cerâmica S/A	98.85%	22,013	-	5,947	(4,159)	23,801
Portobello S/A	100.00%	10	-	-	-	10
Total net investment in subsidiaries		116,590	(15,209)	322,681	(34,805)	389,257
Interest in subsidiaries		116,590				409,822
Provision for net capital deficiency in subsidiaries		-				(20,565)

(b) Between January and June 2023, Companhia Brasileira de Cerâmica S/A received two advances for future capital increase from PBG S.A in the total amount of R\$ 5,947, and Portobello América received advances for future capital increase of R\$ 316,734 (R\$ 172,527 referring to balances of accounts receivable and R\$ 144,207 to loans).

## 17. Property, plant and equipment

### a) Breakdown

	Annual average depreciation rate	Parent company			
		Cost	Accumulated depreciation	June 30, 2023	December 31, 2022
				Net value	Net value
Land	-	12,603	-	12,603	12,603
Buildings, constructions and improvements	3%	291,615	(93,885)	197,730	202,167
Machinery and equipment	15%	761,252	(465,432)	295,820	303,346
Furniture and fixtures	10%	10,609	(9,518)	1,091	2,345
Computers	20%	34,086	(29,385)	4,701	4,998
Other property, plant and equipment	20%	1,773	(1,545)	228	62
Construction in progress	-	57,311	-	57,311	36,570
		1,169,249	(599,765)	569,484	562,091
Consolidated					
	Annual average depreciation rate	Cost	Accumulated depreciation	June 30, 2023	December 31, 2022
				Net value	Net value
Land	-	13,486	-	13,486	13,486
Buildings, constructions and improvements	3%	334,556	(120,837)	213,719	217,406
Machinery and equipment	15%	775,451	(467,826)	307,625	315,946
Furniture and fixtures	10%	17,456	(11,818)	5,638	7,435
Computers	20%	35,565	(30,228)	5,337	7,395
Other property, plant and equipment	20%	3,813	(2,882)	931	1,088
Construction in progress	-	357,121	-	397,147	208,474
		1,537,448	(633,591)	943,883	771,230

### b) Changes in property, plant and equipment

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

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

	Parent company				June 30, 2023
	December 31, 2022	Additions	Transfers	Depreciation	
Land	12,603	-	-	-	12,603
Buildings and improvements	202,167	730	1,379	(6,546)	197,730
Machinery and equipment	303,346	3,581	6,737	(17,844)	295,820
Furniture and fixtures	2,345	28	(1,043)	(239)	1,091
Computers	4,998	178	795	(1,270)	4,701
Other property, plant and equipment	62	16	162	(12)	228
Construction in progress	36,570	28,771	(8,030)	-	57,311
	<b>562,091</b>	<b>33,304</b>	<b>-</b>	<b>(25,911)</b>	<b>569,484</b>

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

	Consolidated						June 30, 2023
	December 31, 2022	Additions	Transfers	Depreciation	Disposals	Foreign exchange variations	
Land	13,486	-	-	-	-	-	13,486
Buildings and improvements	217,406	5,502	1,508	(10,577)	(120)	-	213,719
Machinery and equipment	315,946	3,580	6,737	(18,587)	-	(51)	307,625
Furniture and fixtures	7,435	217	(1,043)	(840)	-	(131)	5,638
Computers	7,395	220	1,102	(1,392)	(1,980)	(8)	5,337
Other property, plant and equipment	1,088	18	162	(337)	-	-	931
Construction in progress	208,474	224,828	(8,466)	-	(2)	(27,687)	397,147
	<b>771,230</b>	<b>234,365</b>	<b>-</b>	<b>(31,733)</b>	<b>(2,102)</b>	<b>(27,877)</b>	<b>943,883</b>



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In the first six-month period of 2023, additions to property, plant and equipment in the Consolidated amounted to R\$ 234,365, of which 4.88% were allocated to the Tijucas plant, 9.56% to the Marechal Deodoro (Pointer) plant, 82.89% to the purchase of machinery and equipment for the plant in the USA, 1.51% to the Company's owned stores, and the remainder 1.16% was divided between commercial and corporate projects.

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

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cost of goods sold	(21,927)	(19,696)	(17,903)	(19,697)
Selling expenses	(2,491)	(2,756)	(12,267)	(8,875)
Administrative expenses	(1,493)	(881)	(1,563)	1,040
Total	(25,911)	(23,333)	(31,733)	(27,532)

### c) Impairment of property, plant and equipment

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

## 18. Intangible assets

### a) Breakdown

	Parent company				
	Annual average amortization rate	June 30, 2023			December 31, 2022
		Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150
Software	20%	75,794	(43,674)	32,120	26,158
Right to explore mineral resources	9%	1,000	(1,000)	-	-
Software under development	-	8,083	-	8,083	4,739
Total		85,027	(44,674)	40,353	31,047
	Consolidated				
	Annual average amortization rate	June 30, 2023			December 31, 2022
		Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	365	-	365	150

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Software	20%	92,647	(49,812)	42,835	35,062
Right to explore mineral resources	9%	4,074	(3,824)	250	284
Software under development	-	11,924	-	11,924	6,881
Total		109,010	(53,636)	55,374	42,377

### b) Changes in intangible assets

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

Parent company					
	December 31, 2022	Additions	Transfers	Amortizations	June 30, 2023
Trademarks and patents	150	-	-	-	150
Software	26,158	5,327	4,673	(4,038)	32,120
Software under development	4,739	8,017	(4,673)	-	8,083
	31,047	13,344	-	(4,038)	40,353

Consolidated							
	December 31, 2021	Additions	Transfers	Amortizations	Write-offs	Foreign exchange variations	December 31, 2022
Trademarks and patents	150	-	-	-	-	-	150
Software	20,919	6,827	16,272	(8,792)	(349)	185	35,062
Right to explore mineral resources	351	-	-	(67)	-	-	284
Software under development	7,377	16,162	(16,272)	-	(386)	-	6,881
	28,797	22,989	-	(8,859)	(735)	185	42,377

Consolidated							
	December 31, 2022	Additions	Transfers	Amortizations	Write-offs	Foreign exchange variations	June 30, 2023
Trademarks and patents	150	228	-	-	-	(13)	365
Software	35,062	7,513	6,095	(5,677)	(13)	(145)	42,835
Right to explore mineral resources	284	-	-	(34)	-	-	250
Software under development	6,881	11,138	(6,095)	-	-	-	11,924
	42,377	18,879	-	(5,711)	(13)	(158)	55,374

In the first six-month period of 2023, intangible assets in Consolidated added up to R\$ 18,879, a significant portion of which was destined for the transformation project, which aims to optimize and

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implement digital improvements in the commercial area and implement Oracle for Portobello America and Companhia Brasileira de Cerâmica.

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

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cost of goods sold	(41)	(28)	(75)	(28)
Selling expenses	(1,162)	(1,148)	(1,828)	(1,826)
Administrative expenses	(2,835)	(1,833)	(3,808)	(2,154)
Total	(4,038)	(3,009)	(5,711)	(4,008)

### c) Impairment of intangible assets

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

### d) Projected amortization of consolidated intangible assets

	2023	2024	2025	2026	2027 to 2038	Total
Software	(7,080)	(12,562)	(11,785)	(8,105)	(3,303)	(42,835)
Right to explore mineral resources	(34)	(68)	(68)	(68)	(12)	(250)
	(7,114)	(12,630)	(11,853)	(8,173)	(3,315)	(43,085)

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

## 19. Right-of-use assets and lease liabilities

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

At June 30, 2023, the Company had a total of 68 lease agreements (52 at December 31, 2022), 41 of which are classified as leasing agreements without purchase option for its commercial and logistics units, and 27 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 comprised of the leases of the Company's own stores, machinery, distribution centers and of the land for storage, stockpiling and blending of the ores extracted from the mines and equipment. The leasing agreements with purchase option at the end of the agreement are comprised of rental of vehicles used by the Company's managers.

The amount of lease liabilities represents the present value of future lease payments discounted at the Company's average financing interest rate. The Company determines the term of the lease and the physical location for logistics purposes and strategic commercial points. The lease assets are detailed

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below and represent the initial measurement value of the lease liability, plus any payments made up to the inception date, less incentives, plus dismantling and removal cost and their residual value at the end of the lease, when applicable. The terms of the right-of-use contracts vary between 2 and 7 years depending on the contract, and there is one contract with a 20-year term. The amortization term of goodwill is 10 years on average.

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

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

On April 30, 2023, the Company recorded lease assets and liabilities in the amount of R\$ 337,551 (US\$ 64,914 at present value) respectively, for which subsidiary Portobello América Manufacturing LLC is the lessor and OAK Street is the lessee. The lease comprises land and building, where the new ceramic and porcelain products plant was installed, in the city of Baxter, State of Tennessee (USA). The contract was signed on January 26, 2022, however, under IFRS16 and CPC06-R2, it was considered effective when the asset was made available for use, which occurred in April 2023. The contract has an initial term of 20 years with possibility of renewal every five years, without purchase option, and a finance cost of 6.35% p.a. plus an annual adjustment rate of 2% as from the second year.

Moreover, there were additions of one new contract for an office for the Company and one for machinery for the Tijucas plant.

### a) Breakdown of and changes in lease assets

Lease	Parent company							
	Distribution Center	Vehicles	Machinery	Total				
December 31, 2021	16,331	4,272	-	20,603				
Remeasurement	1,461	537	-	1,998				
Additions	-	1,721	23,576	25,297				
Contract terminations	(2,753)	(2,784)	-	(5,537)				
Depreciation	(4,704)	(1,272)	(940)	(6,916)				
December 31, 2022	10,335	2,474	22,636	35,445				
Without purchase option	10,335	-	22,636	32,971				
With purchase option	-	2,474	-	2,474				
Additions	-	1,285	15,194	16,479				
Depreciation	(2,446)	(865)	(5,873)	(9,184)				
June 30, 2023	7,889	2,894	31,957	42,740				
Without purchase option	7,889	-	31,957	39,846				
With purchase option	-	2,894	-	2,894				
Lease	Consolidated							
	Distribution Center	Stores	Buildings	Goodwill	Vehicles	Machinery	Land	Total
December 31, 2021	16,331	29,682	8,916	11,465	4,272	-	870	71,536
Remeasurement	1,461	-	1,173	-	537	-	84	3,255
Foreign exchange variations	-	-	(30)	-	-	-	-	(30)

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Additions	-	6,039	5,181	108,834	1,721	23,576	87	145,438
Contract terminations	(2,753)	-	-	-	(2,784)	-	-	(5,537)
Depreciation	(4,704)	(8,030)	(6,372)	(5,553)	(1,272)	(940)	(64)	(26,935)
December 31, 2022	10,335	27,691	8,868	114,746	2,474	22,636	977	187,727
Without purchase option	10,335	27,691	8,868	114,746	-	22,636	977	185,253
With purchase option	-	-	-	-	2,474	-	-	2,474
Foreign exchange variations	-	-	(25,587)	-	-	-	-	(25,587)
Additions	-	9,207	343,588	-	1,285	15,194	-	369,274
Contract terminations	-	(5,661)	-	(2,593)	-	-	-	(8,254)
Depreciation	(2,446)	(5,092)	(8,369)	(4,663)	(865)	(5,873)	(50)	(27,358)
June 30, 2023	7,889	26,145	318,500	107,490	2,894	31,957	927	495,802
Without purchase option	7,889	26,145	318,500	107,490	-	31,957	927	492,908
With purchase option	-	-	-	-	2,894	-	-	2,894

- (a) In 2022, the Company acquired stores owned by franchisees, related parties and third parties, whose goodwill amounts were supported by Valuation (see Note 38).
- (b) The significant addition of buildings in the second half of 2023 refers to the built-to-suit transaction of the new plant in the US.

### b) Breakdown of and changes in lease liabilities

Lease	Parent company				Total
	Distribution Center	Vehicles	Machinery		
December 31, 2021	20,355	3,064	-		23,419
Remeasurement	1,461	537	-		1,998
Additions	-	1,721	23,576		25,297
Contract terminations and reclassification	(3,144)	(833)	-		(3,977)
Payments	(6,281)	(2,412)	(1,142)		(9,835)
Accrued interest in the period	(299)	922	366		989
December 31, 2022	12,092	2,999	22,800		37,891
Without purchase option	12,092	-	22,800		34,892
With purchase option	-	2,999	-		2,999
Additions	-	1,285	15,194		16,479
Payments	(2,957)	(1,104)	(7,053)		(11,114)
Accrued interest in the period	281	195	2,007		2,483
June 30, 2023	9,416	3,375	32,948		45,739
Without purchase option	9,416	-	32,948		42,364
With purchase option	-	3,375	-		3,375
Current liabilities					21,912
Non-current liabilities					23,827

Lease	Consolidated						Total
	Distribution Center	Stores	Buildings	Vehicles	Machinery	Land	
December 31, 2021	20,355	31,568	8,920	3,064	-	946	64,853
Remeasurement	1,461	-	1,173	537	-	84	3,255
Foreign exchange variations	-	-	(563)	-	-	-	(563)
Additions	-	6,039	5,181	1,721	23,576	87	36,604
Contract terminations and reclassification	(4,635)	-	-	(833)	-	-	(5,468)
Payments	(6,281)	(10,237)	(5,693)	(2,412)	(1,142)	(109)	(25,874)
Accrued interest in the period	1,191	2,251	111	922	366	68	4,909

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

December 31, 2022	12,091	29,621	9,129	2,999	22,800	1,076	77,716
Without purchase option	12,091	29,621	9,129	-	22,800	1,076	74,717
With purchase option	-	-	-	2,999	-	-	2,999
Foreign exchange variations	-	-	(25,800)	-	-	-	(25,800)
Additions	-	9,207	343,588	1,285	15,194	-	369,274
Contract terminations and reclassification	-	(6,424)	-	-	-	-	(6,424)
Payments	(2,957)	(6,046)	(12,677)	(1,104)	(7,053)	(75)	(29,912)
Accrued interest in the period	281	1,325	5,529	195	2,007	37	9,374
June 30, 2023	9,415	27,683	319,769	3,375	32,948	1,038	394,228
Without purchase option	9,415	27,683	319,769	-	32,948	1,038	390,853
With purchase option	-	-	-	3,375	-	-	3,375
Current liabilities							55,188
Non-current liabilities							339,040

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

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Domestic market				
Supplier credit assignment (a)	112,257	126,393	112,257	126,393
Operation suppliers	217,145	220,325	238,096	234,320
Foreign market	16,503	5,059	25,721	18,098
Current	345,905	351,777	376,074	378,811
Domestic market (i)	-	94,426	-	94,426
Non-current	-	94,426	-	94,426
Total operation suppliers	345,905	446,203	376,074	473,237
Payables for investments (b)				
Domestic market	7,420	16,069	7,420	16,700
Foreign market	16,449	19,511	151,794	93,416
Total investment suppliers	23,869	35,580	159,214	110,116
	369,774	481,783	535,288	583,353

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

### a) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R\$ 112,257 at June 30, 2023 (R\$ 126,363 at December 31, 2022), in order to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the financial institution, which in turn, becomes creditor of the transaction.

## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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### **b) Payables for investments**

The Company has the amount of R\$ 17,719 recorded in current liabilities in the Parent Company (R\$ 26,390 at December 31, 2022) and R\$ 52,565 in the Consolidated (R\$ 82,021 at December 31, 2022) referring to suppliers of property and equipment and intangible assets. In non-current liabilities, the balances amount to R\$ 6,150 in the Parent Company (R\$ 9,190 at December 31, 2022) and R\$ 106,649 in the Consolidated (R\$ 28,095 at December 31, 2022). In the Parent Company, the balances mainly refer to the acquisition of industrial furnaces from supplier SACMI, for the Tijucas plant. In the Consolidated, most balances refer to the new plant in the US.

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

### 21. Borrowings, financing and debentures

	Currency	Maturity	Charges	Parent Company and Consolidated	
				June 30, 2023	December 31, 2022
<b>Current</b>					
Banco do Nordeste S.A (a)	R\$	Jun/27	4.03% p.a. <sup>1</sup> +IPCA	20,773	31,018
NCE (b)	R\$	Dec/27	2.85% p.a. <sup>1</sup> +CDI	187,930	21,886
NCE (b)	US\$	Mar/27	0.00% p.a. + 99% of CDI	5,463	-
NCE (b)	US\$	Feb/24	9.19% p.a. <sup>1</sup>	26,854	-
PRODEC (c)	R\$	Jun/26	3.00% p.a. <sup>1</sup> +AVP	2,932	2,931
FINEP (d)	R\$	Nov/30	2.60% p.a. <sup>1</sup> +TJLP	20,887	12,834
Debentures 4th series (e)	R\$	Sep/26	3.00% p.a. <sup>1</sup> +CDI	87,930	87,930
Commercial notes 1 <sup>st</sup> series (h)	R\$	Apr/25	2.75% p.a. <sup>1</sup> +CDI	3,360	-
ACC (f)	US\$		2.50% p.a. <sup>1</sup> +VC	-	8,122
BNDES (g)	R\$	Jun/26	1.80% p.a. <sup>1</sup> + SELIC	1,792	845
Working capital (i)	R\$	Mar/24	3.00% p.a. <sup>1</sup> +CDI	9,772	-
Working capital with swap (i)	US\$	Mar/24	3.00% p.a. <sup>1</sup> +CDI	24,882	-
PPE with swap (b)	US\$	Nov/27	9.19% p.a. <sup>1</sup>	324	337
PPE (b)	US\$	Nov/27	9.19% p.a. <sup>1</sup>	581	-
<b>Total current</b>			<b>14.41% p.a.<sup>1</sup></b>	<b>393,480</b>	<b>165,903</b>
Total local currency		R\$		335,376	157,444
Total foreign currency		US\$		58,104	8,459
<b>Non-current</b>					
Banco do Nordeste S.A (a)	R\$	Jun/27	4.03% p.a. <sup>1</sup> +IPCA	29,008	36,555
PRODEC (c)	R\$	Jun/26	3.00% p.a. <sup>1</sup> +AVP	23,630	20,524
FINEP (d)	R\$	Nov/30	2.60% p.a. <sup>1</sup> +TJLP	139,967	151,769
NCE (b)	R\$	Dec/27	2.85% p.a. <sup>1</sup> +CDI	180,143	197,234
NCE with swap (b)	US\$	Mar/27	0.00% p.a. + 99% of CDI	44,542	-
Debentures 4th series (e)	R\$	Sep/26	3.00% p.a. <sup>1</sup> +CDI	223,525	223,198
Commercial notes 1 <sup>st</sup> series (h)	R\$	Apr/25	2.75% p.a. <sup>1</sup> +CDI	148,018	-
BNDES (g)	R\$	Jun/26	1.80% p.a. <sup>1</sup> + SELIC	2,690	3,363
PPE (b)	US\$	Nov/27	9.19% p.a. <sup>1</sup>	38,575	42,330
PPE with swap (b)	US\$	Nov/27	9.19% p.a. <sup>1</sup>	41,219	42,695
<b>Total non-current</b>			<b>13.85% p.a.<sup>1</sup></b>	<b>871,317</b>	<b>717,668</b>
Total local currency		R\$		746,981	632,643
Total foreign currency		US\$		124,336	85,025
<b>Total</b>			<b>14.03% p.a.<sup>1</sup></b>	<b>1,264,797</b>	<b>883,571</b>
Total local currency		R\$		1,082,357	790,087
Total foreign currency		US\$		182,440	93,484

<sup>1</sup> 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



**PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

**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\$ 7,000	Jun/22		
	R\$ 23,188	Total								
Sep/19	Jul/23	12	2	Monthly	R\$ 23,500	R\$ 23,500	Sep/19	PBTech and CBC guarantee. Renegotiated in April/2020.		
Jun/20	Jul/23	37	13	Monthly	R\$ 35,000	R\$ 35,000	Jun/20	Mortgage for properties in 2nd degree. Renegotiated in April/2020.		
b)	Export Credit (NCE)	Jun/21	Jun/26	51	24	Semiannual	R\$ 30,000	R\$ 30,000	Jun/21	Receivables from Portobello S.A. of 20% of the outstanding balance of the contract
		Aug/21	Aug/27	36	24	Semiannual	R\$ 100,000	R\$ 100,000	Aug/21	Receivables from Portobello S.A. of 30% of the outstanding balance of the contract
		Dec/22	Dec/27	60	24	Semiannual	R\$ 48,000	R\$ 48,000	Dec/22	Receivables from Portobello S.A. of 10% of the outstanding balance of the contract
		Dec/22	Dec/27	60	24	Semiannual	R\$ 40,000	R\$ 40,000	Dec/22	No guarantees
		Feb/23	Feb/24	12	12	Semiannual	R\$ 27,000	R\$ 27,000	Feb/23	No guarantees
		Feb/23	Feb/24	12	12	*	R\$ 30,000	R\$ 30,000	Feb/23	No guarantees
		Feb/23	Mar/27	48	12	Monthly	R\$ 50,000	R\$ 50,000	Feb/23	No guarantees
		Mar/23	Mar/24	12	12	*	R\$ 70,000	R\$ 70,000	Mar/23	No guarantees
	Mar/23	Mar/24	12	12	*	R\$ 50,000	R\$ 50,000	Mar/23	No guarantees	
	PPE – Export Prepayment	Nov/22	Nov/27	60	24	Semiannual	R\$ 43,000	R\$ 43,000	Nov/22	No guarantees
Nov/22		Nov/27	60	24	Semiannual	R\$ 43,000	R\$ 43,000	Nov/22	No guarantees	
c)	Santa Catarina State Corporation Development Program (PRODEC)	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 3% p.a. plus 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	
		Jan/22	Jan/26	48	*	*	R\$ 457	R\$ 457	Jan/22	
		Feb/22	Feb/26	48	*	*	R\$ 830	R\$ 830	Feb/22	
		Mar/22	Mar/26	48	*	*	R\$ 927	R\$ 927	Mar/22	
		Apr/22	Apr/26	48	*	*	R\$ 693	R\$ 693	Apr/22	
		May/22	May/26	48	*	*	R\$ 482	R\$ 482	May/22	
		Jun/22	Jun/26	48	*	*	R\$ 494	R\$ 494	Jun/22	
Jul/22	Jul/26	48	*	*	R\$ 1,713	R\$ 1,713	Jul/22			
Sep/22	Sep/26	48	*	*	R\$ 227	R\$ 227	Sep/22			
Nov/22	Nov/26	48	*	*	R\$ 433	R\$ 433	Nov/22			
Oct/22	Oct/26	48	*	*	R\$ 1,724	R\$ 1,724	Oct/22			
d)	Finep	Dec/19	Sep/29	117	32	Monthly	R\$ 66,771	R\$ 25,008	Dec/19	Surety bond / Guarantee insurance
								R\$ 33,000	Mar/20	
								R\$ 8,763	Aug/21	
								R\$ 66,771	Total	
		Nov/20	Nov/30	120	36	Monthly	R\$ 98,487	R\$ 64,274	Nov/20	
								R\$ 34,213	Dec/21	
R\$ 98,487	Total									

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

e)	Debentures (4 <sup>th</sup> issue/1 <sup>st</sup> series)	Sep/21	Sep/26	60	24	Semiannual	R\$ 300,000	R\$ 300,000	Sep/21	Issue approved on September 16, 2021 by the Board of Directors of PBG S.A. Proceeds to redeem the 3 <sup>rd</sup> issue. Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met.
f)	ACC	Oct/21	Jan/23	12	*	*	US\$ 1,538	R\$ 8,461	Oct/21	Settled in March/2023
g)	BNDES	Jun/22	Jun/26	48	12	Quarterly	R\$ 10,000	R\$ 3,923	Jun/22	BNDES Cadeias Produtivas Program. 100% of the amount transferred to Portobello Shop franchisees.
h)	Commercial notes (1 <sup>st</sup> issue)	Apr/23	Apr/25	24	24	Semiannual	R\$ 150,000	R\$ 150,000	Apr/23	Issue approved on April 13, 2023 by the Board of Directors of PBG S.A. Funds for extension of the debt profile. Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met.
i)	Working Capital	Mar/23	Mar/24	12	12	*	R\$ 25,000	R\$ 25,000	Mar/23	No guarantees.
		Mar/23	Mar/24	12	12	*	R\$ 9,700	R\$ 9,700	Mar/23	No guarantees.

\*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, according to surety from controlling stockholders and the Subsidiary.

The Company has contracts with financial covenants, the ratio obtained by dividing Net Debt by Consolidated EBITDA cannot exceed 3.50x.

Contract covenants were complied with at June 30, 2023.

Borrowings mature as follows:

	Parent Company and Consolidated	
	June 30, 2023	December 31, 2022
2023	131,906	165,903
2024	395,077	168,895
2025	372,552	205,033
2026	211,320	194,694
2027	97,558	92,481
2028 to 2030	56,384	56,565
	<u>1,264,797</u>	<u>883,571</u>

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:

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

	Parent Company and Consolidated
Total debt at December 31, 2021	762,392
Changes affecting cash flow	
Proceeds from borrowings and debentures	192,903
Payment of principal	(74,816)
Payment of interest	(79,661)
Changes not affecting cash flow	
Unrealized foreign exchange variations	(2,980)
Accrued interest	83,118
Adjustment to present value – Prodec	1,857
Allocation of debenture costs	758
Total debt at December 31, 2022	883,571
Changes affecting cash flow	
Proceeds from borrowings and debentures	412,600
Payment of principal	(34,474)
Payment of interest	(58,576)
Changes not affecting cash flow	
Unrealized foreign exchange variations	(11,972)
Accrued interest	73,440
Adjustment to present value – Prodec	(222)
Allocation of debenture costs	430
Total debt at June 30, 2023	1,264,797

## Debentures

The Company approved at the Extraordinary General Meeting held on September 16, 2021, according to the proposal of the Board of Directors, the 4<sup>th</sup> 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 the first quarter of 2023 were complied with.

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

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

### Commercial notes

On April 13, 2023, the Company's Board of Directors approved the 1<sup>st</sup> issue of book-entry non-convertible commercial notes, with security interest and additional personal guarantee. The covenants for the first quarter of 2023 were complied with.

Issue	1 <sup>st</sup>
Fiduciary Agent	PENTÁGONO S.A.
ISIN code	BRPTBLNCM000
Settling bank	Banco Bradesco S/A
Lead Coordinator	Banco Bradesco S/A
Issue date	04/19/2023
Maturity date	04/19/2025
Issue Rating	No
Remuneration	CDI + 2.75% p.a. (252 b.d.)
Trading	CETIP
Series Number	1
Issue Volume R\$	150,000,000.00
Total Debentures	150,000
Par Value R\$	1,000.00
Covenants	EBITDA net debt ratio < 3.50 times
Payment Remuneration	Semiannual, with first remuneration date on 10/19/2023

### 22. Installment payment of tax obligations

The Company has a federal installment plan, the adhesion of which occurred in November 2009 by the enactment of Law 11,941/09, with sixteen (16) installments remaining to be paid.

The installments fall due as follows:

	Parent Company and Consolidated	
	June 30, 2023	December 31, 2022
2023	6,385	12,313
2024	10,431	10,217
	<u>16,816</u>	<u>22,530</u>
Current	12,676	12,313
Non-current	4,140	10,217

### 23. Taxes, fees and contributions

At June 30, 2023, taxes, fees and contributions recorded in current liabilities were classified as follows:

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
ICMS	23,558	15,844	24,216	16,578
IRRF	4,485	6,187	5,994	8,281
PIS/COFINS	1,819	-	4,746	2,055
Other	-	-	235	963
	<u>29,862</u>	<u>22,031</u>	<u>35,191</u>	<u>27,877</u>

### 24. Other payables

At June 30, 2023, other payables are classified as follows:

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Current				
Provision for asset decommissioning	-	-	211	451
Consigned suppliers	1,841	1,746	1,841	1,746
Commissions	10,662	10,762	15,033	15,297
Advertising fund	-	-	2,813	3,689
Provision for freight	1,321	381	1,321	3,048
Provision for guarantees	2,319	-	2,319	-
Provision for expenses	3,325	8,599	9,542	2,704
Other payables	511	1,527	2,501	12,071
	<u>19,979</u>	<u>23,015</u>	<u>35,581</u>	<u>39,006</u>
Non-current				
Asset decommissioning	-	-	1,384	1,287
Long-term incentives	5,388	3,490	5,388	3,490
Government grant	-	-	14,297	15,480
Other payables	58	-	386	703
	<u>5,446</u>	<u>3,490</u>	<u>21,455</u>	<u>20,960</u>

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

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

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

The balance of provisions is broken down as follows:

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

Amount accrued	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Civil	23,504	31,930	57,300	44,848
Labor	4,383	10,074	4,595	10,321
Social security	4,550	4,550	4,550	4,550
Tax	27,081	28,519	27,280	28,650
	<u>59,518</u>	<u>75,073</u>	<u>93,725</u>	<u>88,369</u>

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

	Parent company				
	Civil	Labor	Social security	Tax	Total
At December 31, 2021	27,477	15,166	4,550	30,313	77,506
Charged (credited) to the statement of operations:	7,396	160	-	2,323	9,879
Additional provisions	5,855	6,656	-	2,416	14,927
Reversal - not used	(1,908)	(6,886)	-	(481)	(9,275)
Monetary adjustment (reversal)	3,449	390	-	388	4,227
Reversal due to realization	(2,943)	(5,252)	-	(632)	(8,827)
Provisions (reversals) due to realization - non-cash effect	-	-	-	(3,485)	(3,485)
At December 31, 2022	31,930	10,074	4,550	28,519	75,073
Charged (credited) to the statement of operations:	(7,607)	(4,992)	-	(1,437)	(14,036)
Additional provisions	3,698	804	-	517	5,019
Reversal - not used	(9,051)	(4,222)	-	(2,582)	(15,855)
Monetary adjustment (reversal)	(2,254)	(1,574)	-	628	(3,200)
Reversal due to realization	(819)	(699)	-	(1)	(1,519)
At June 30, 2023	23,504	4,383	4,550	27,081	59,518
	Consolidated				
	Civil	Labor	Social security	Tax	Total
At December 31, 2021	38,379	15,741	4,550	30,344	89,014
Charged (credited) to the statement of operations:	9,566	(55)	-	2,423	11,934
Additional provisions	6,400	6,783	-	2,506	15,689
Reversal - not used	(2,278)	(7,090)	-	(481)	(9,849)
Monetary adjustment (reversal)	5,444	252	-	398	6,094
Reversal due to realization	(3,097)	(5,365)	-	(632)	(9,094)
Provisions (reversals) due to realization - non-cash effect	-	-	-	(3,485)	(3,485)
At December 31, 2022	44,848	10,321	4,550	28,650	88,369
Charged (credited) to the statement of operations:	13,282	(5,025)	-	(1,369)	6,888
Additional provisions	9,927	823	-	585	11,335
Reversal - not used	(12,092)	(4,277)	-	(2,582)	(18,951)
Monetary adjustment (reversal)	15,447	(1,571)	-	628	14,504
Reversal due to realization	(830)	(701)	-	(1)	(1,532)
At June 30, 2023	57,300	4,595	4,550	27,280	93,725

## **PBG S.A. and subsidiaries**

Notes to the interim financial statements at June 30, 2023.  
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### **Civil**

The Company and its subsidiaries are defendants in 412 civil lawsuits (454 lawsuits at December 31, 2022), before the Common Courts and Special Civil Courts.

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

#### **a) Public Civil Action No. 5003588-47.2012.4.04.7214**

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

Since there is a decision of a higher court and due to the current phase of the proceeding, the Company increased the provision for the estimated amount, according to the criteria defined in prior decisions, totaling R\$ 32,349 (R\$ 11,710 at December 31, 2022).

#### **b) Investigative processes**

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

An internal investigation was promptly started to fully verify the news received. This procedure will provide the Company with more information, whose main objectives are to properly address any confirmed irregularities and fully collaborate with the competent authorities. At this proceeding stage, management estimates that the Company may be required to pay the minimum amount established by legislation. Therefore, the proceeding is now classified as a probable risk of loss, with a provision of R\$ 1,912 recorded in June 2023.

### **Labor**

The Company and its subsidiaries are defendants in 400 labor claims (359 claims at December 31, 2022), filed by former employees and third parties. The lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property

## PBG S.A. and subsidiaries

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arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

### Social security

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

### Tax

#### 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 Payment Form and Social Security Information (GFIP), which levies on the payment made to insured employees. The Company challenged the entries and is awaiting decision by the Federal Revenue Service of Brazil.

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

## 26. Lawsuits assessed as possible losses

### a) Possible loss

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

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

	Parent company		Consolidated	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Civil	5,459	5,508	12,502	5,593
Labor	6,032	6,259	6,144	6,378
Social security	10,433	10,985	10,433	10,985
Tax	13,850	13,850	13,850	13,850
	<u>35,774</u>	<u>36,602</u>	<u>42,929</u>	<u>36,806</u>

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
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### 27. Equity

#### 27.1 Share capital

At June 30, 2023, the Company has a subscribed and paid-up capital in the total amount of R\$ 250,000 (R\$ 250,000 at December 31, 2022), divided into 140,986,886 common, registered and book-entry shares, with no par value (140,986,886 shares at December 31, 2022).

At June 30, 2023, there were 54,774,947 outstanding shares, corresponding to 38.85% of the total shares issued (54,759,327 at December 31, 2022, corresponding to 38.84% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling stockholders, members of the Board of Directors, Supervisory Board, Managers and treasury shares.

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

	Treasury share movement	Shares	Treasury shares	Shares held by stockholders
December 31, 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
March 2022	Cancellation	(6,542,817)	(6,542,817)	140,986,886
June 30, 2023	Closing balance	140,986,886	-	140,986,886

#### 27.2 Treasury shares

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

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

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

#### 27.3 Revenue reserve

At June 30, 2023, the balance of the legal reserve amounts to R\$ 50,000 (R\$ 50,000 at December 31, 2022) as provided for in Article 193 of the Brazilian Corporation Law (Law 6,404/76).

The objective of the unallocated earnings reserve, in the amount of R\$ 35,633 (R\$ 35,633 at December 31, 2022), is to show the portion of profits whose allocation will be decided and allocated at the Annual General Meeting.

## PBG S.A. and subsidiaries

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At June 30, 2023, the balance of the unrealized profit retention reserve amounts to R\$ 36,869 (R\$ 36,869 at December 31, 2022).

At June 30, 2023, the balance of the tax incentive reserve amounts to R\$ 111,650 (R\$ 103,194 at December 31, 2022). In the first six-month period of 2023, the Company recorded tax incentive reserves in the amount of R\$ 8,456 (R\$ 37,409 at December 31, 2022). They refer to government grants for ICMS tax incentives related to Prodesin (Integrated Development Program of the State of Alagoas), the Differentiated Tax Treatment of Santa Catarina (TTD) and to Simples Nacional.

### 27.4 Carrying value adjustments

Parent Company and Consolidated	Carrying value adjustments			Total
	Deemed cost (a)	Cumulative translation adjustments (b)	Other comprehensive income (c)	
At December 31, 2021	<u>31,139</u>	<u>(66,490)</u>	<u>(7,259)</u>	<u>(42,610)</u>
Realization of the revaluation reserve	129	-	-	129
Foreign exchange variation of subsidiary located abroad	-	(3,071)	-	(3,071)
Actuarial gain / (loss)	-	-	7,364	7,364
Deferred income tax and social contribution on actuarial gain (loss)	-	-	(2,504)	(2,504)
Hedge accounting transactions	-	-	3,935	3,935
Deferred income tax and social contribution on hedge accounting	-	-	(1,338)	(1,338)
At December 31, 2022	<u>31,268</u>	<u>(69,561)</u>	<u>198</u>	<u>(38,095)</u>
Realization of the revaluation reserve	(610)	-	-	(610)
Foreign exchange variation of subsidiary located abroad	-	(15,209)	-	(15,209)
Hedge accounting transactions	-	-	7,403	7,403
Deferred income tax and social contribution on hedge accounting	-	-	(2,517)	(2,517)
At June 30, 2023	<u>30,658</u>	<u>(84,770)</u>	<u>5,084</u>	<u>(49,028)</u>

#### a) Deemed cost

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

#### b) Cumulative translation adjustments

The changes in assets and liabilities in foreign currency (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 June 30, 2023, the foreign exchange variation amounted to R\$ (15,209) (R\$ (3,071) at December 31, 2022), as mentioned in Note 16.

#### c) Other comprehensive income

At June 30, 2023, the balance of R\$ 5,084 (R\$ 198 at December 31, 2022) arises from:

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
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- i) Fair value of private pension plans (actuarial) of R\$ (4,032) (R\$ (4,032) at December 31, 2022);
- ii) Hedge accounting fair value of R\$ 13,813 (R\$ 6,410 at December 31, 2022), due to the positive mark-to-market operations with derivative financial instruments classified as hedge accounting not yet realized up to the end of the first six-month period of 2023, with an effect of R\$ (4,696) (R\$ (2,180) at December 31, 2022) related to the deferred income tax and social contribution, with a remaining balance net of hedge accounting fair value of R\$ 9,117 (R\$ 4,230 at December 31, 2022). These amounts are transferred from equity to profit or loss to the extent that the NDF contracts mature and sales in US Dollars are shipped in the respective month of maturity of the contracts.

## 28. Employee benefits

### 28.1 Private pension plan

Since 1997, the Company and its subsidiaries sponsor a pension plan called Portobello Prev, managed by Bradesco, which has 3,567 active participants (3,739 at December 31, 2022) and 32 retirees and pensioners (23 at December 31, 2022). The plan is a defined contribution plan in the fund contribution stage. During the benefit granting stage, the plan shows defined benefit features, ensuring life retirement and pension benefits to its members. Moreover, it offers a minimum retirement benefit based on the length of service or age, which is exclusively financed by the sponsors.

In the six-month period of 2023, there were no changes in the conditions and benefits of the plan, as well as in respect to the assumptions used for its assessment and bookkeeping.

## 29. Revenues

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

	Parent company				Consolidated			
	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
Gross sales	546,836	569,194	1,036,756	1,104,625	692,134	701,333	1,307,934	1,349,789
Result from hedge accounting transactions	10,797	9,623	16,272	16,024	10,797	9,623	16,272	16,024
Deductions from gross revenue	<u>(129,885)</u>	<u>(114,704)</u>	<u>(241,517)</u>	<u>(228,503)</u>	<u>(154,106)</u>	<u>(133,498)</u>	<u>(287,630)</u>	<u>(263,400)</u>
Taxes on sales	(107,928)	(106,373)	(204,532)	(211,379)	(126,524)	(120,457)	(240,055)	(236,623)
Returns and rebates	<u>(21,957)</u>	<u>(8,331)</u>	<u>(36,985)</u>	<u>(17,124)</u>	<u>(27,582)</u>	<u>(13,041)</u>	<u>(47,575)</u>	<u>(26,777)</u>
Net sales revenue	<u>427,748</u>	<u>464,113</u>	<u>811,511</u>	<u>892,146</u>	<u>548,825</u>	<u>577,458</u>	<u>1,036,576</u>	<u>1,102,413</u>

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

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## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

	Parent company				Consolidated			
	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
Sale of own products	398,163	439,010	751,064	841,256	462,988	498,918	879,152	970,157
Sale of third-party products	29,585	25,103	60,447	50,890	58,176	49,797	104,156	76,721
Royalties	-	-	-	-	27,661	28,743	53,268	55,535
Net operating revenue	427,748	464,113	811,511	892,146	548,825	577,458	1,036,576	1,102,413

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

### 30. Expenses by nature

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

	Parent company				Consolidated			
	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
<b>Costs and expenses</b>								
Cost of sales and/or services	(304,750)	(293,440)	(578,738)	(554,732)	(334,265)	(324,894)	(629,794)	(611,462)
Selling expenses	(84,959)	(78,926)	(161,198)	(154,196)	(163,865)	(129,523)	(307,716)	(248,424)
General and administrative	(27,630)	(23,104)	(50,211)	(40,601)	(33,177)	(24,089)	(56,984)	(42,420)
	<u>(417,339)</u>	<u>(395,470)</u>	<u>(790,147)</u>	<u>(749,529)</u>	<u>(531,307)</u>	<u>(478,506)</u>	<u>(994,494)</u>	<u>(902,306)</u>
<b>Breakdown of expenses by nature</b>								
Direct production cost (raw materials and inputs)	(199,459)	(206,902)	(388,506)	(404,196)	(200,085)	(204,121)	(390,051)	(399,032)
Salaries, charges and employee benefits	(99,377)	(92,780)	(191,054)	(175,154)	(132,220)	(113,224)	(252,991)	(213,329)
Third-party labor and services	(13,537)	(25,843)	(24,332)	(47,526)	(27,679)	(30,853)	(51,268)	(58,545)
General production expenses (including maintenance)	(13,179)	(19,395)	(26,040)	(33,919)	(14,099)	(20,019)	(28,145)	(35,192)
Cost of goods resold	(24,533)	(19,177)	(49,327)	(42,032)	(43,791)	(49,794)	(80,951)	(97,691)
Amortization and depreciation	(19,736)	(14,915)	(39,133)	(29,591)	(34,446)	(21,386)	(64,802)	(41,874)
Sales commissions	(10,684)	(3,545)	(19,833)	(7,225)	(23,076)	(14,884)	(41,768)	(27,247)
Marketing and publicity	(10,724)	(11,100)	(19,328)	(21,903)	(17,837)	(17,197)	(29,404)	(31,559)
Transportation of goods sold	(14,688)	(10,519)	(26,468)	(23,401)	(16,547)	(13,867)	(28,342)	(30,322)
Lease expenses - not applicable to IFRS 16	(3,715)	(10,537)	(6,799)	(18,708)	(4,622)	(10,537)	(9,038)	(18,708)
Idleness	(5,793)	(7,307)	(10,369)	(14,288)	(5,793)	(8,406)	(10,369)	(16,387)
Other administrative expenses	(11,960)	(2,902)	(23,498)	(4,400)	(20,666)	(3,084)	(41,305)	(5,001)
Changes in inventories of finished products and work in progress (a)	10,046	29,452	34,540	72,814	9,554	28,866	33,940	72,581
Total	<u>(417,339)</u>	<u>(395,470)</u>	<u>(790,147)</u>	<u>(749,529)</u>	<u>(531,307)</u>	<u>(478,506)</u>	<u>(994,494)</u>	<u>(902,306)</u>

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

### 31. Other operating income and expenses, net

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

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	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
Other operating income								
Revenue from services	93	111	184	242	93	111	184	242
Sale of property, plant and equipment (a)	-	-	-	-	-	-	1,571	14,761
Reversal of the unconstitutionality of ICMS tax rate difference	-	-	567	4,583	-	-	567	4,583
Legal asset - rural credit notes	-	-	-	-	-	-	-	1,497
Tax credits	1,445	-	3,348	-	1,445	-	3,348	-
Reversal of provisions for civil, labor and tax issues	9,890	-	9,890	-	9,894	-	9,894	-
Other revenues	757	279	1,607	861	2,491	295	4,049	897
<b>Total</b>	<b>12,185</b>	<b>390</b>	<b>15,596</b>	<b>5,686</b>	<b>13,923</b>	<b>406</b>	<b>19,613</b>	<b>21,980</b>
Other operating expenses								
Provisions for civil, labor and tax issues	187	(2,389)	-	(4,160)	176	(2,477)	-	(4,452)
Taxes on other revenues	(176)	(125)	(360)	(304)	(176)	(146)	(360)	(329)
Bonus for achievement of goals	(990)	(1,569)	(1,898)	(1,569)	(958)	(1,569)	(1,898)	(1,569)
Provision for profit sharing	4,412	813	1,833	(4,704)	3,104	(2,309)	525	(7,933)
Provision for guarantees	-	-	(2,389)	-	-	-	(2,389)	-
Disposal of property, plant and equipment (a)	-	-	-	-	1,507	-	-	(14,905)
Other expenses	(1,322)	(726)	(1,906)	(814)	(6,092)	(3,384)	(8,743)	(5,311)
<b>Total</b>	<b>2,111</b>	<b>(3,996)</b>	<b>(4,720)</b>	<b>(11,551)</b>	<b>(2,439)</b>	<b>(9,885)</b>	<b>(12,865)</b>	<b>(34,499)</b>
<b>Total - net</b>	<b>14,296</b>	<b>(3,606)</b>	<b>10,876</b>	<b>(5,865)</b>	<b>11,484</b>	<b>(9,479)</b>	<b>6,748</b>	<b>(12,519)</b>

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

## 32. Finance income (costs)

Finance income (costs) are as follows:

	Parent company				Consolidated			
	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
Finance income								
Interest	8,180	1,446	11,702	2,516	9,293	2,720	14,264	4,403
Asset adjustment	1,195	2,883	4,195	5,070	1,195	2,883	4,195	5,070
Other	-	(111)	5	12	13	135	27	548
<b>Total</b>	<b>9,375</b>	<b>4,218</b>	<b>15,902</b>	<b>7,598</b>	<b>10,501</b>	<b>5,738</b>	<b>18,486</b>	<b>10,021</b>
Finance costs								
Interest	(23,501)	(10,582)	(43,228)	(20,217)	(30,297)	(11,548)	(52,277)	(21,630)
Finance charges on taxes	(864)	(1,084)	(1,787)	(1,750)	(2,982)	(1,146)	(3,952)	(1,856)
Adjustment of provision for contingencies	4,350	(1,492)	3,687	(3,170)	(14,376)	(1,943)	(15,609)	(4,159)
Commissions and service fees	(2,824)	(1,385)	(4,490)	(2,940)	(4,161)	(3,068)	(6,400)	(6,446)
Bank expenses	(15)	(71)	(40)	(71)	(1,517)	(75)	(3,172)	(75)
Gain (loss) on swap transactions	(5,461)	(411)	(5,461)	(411)	(5,461)	(411)	(5,461)	(411)
Interest on debentures	(13,436)	(11,279)	(26,341)	(20,980)	(13,436)	(11,279)	(26,341)	(20,980)
Other	(14)	487	(22)	1	(94)	(776)	(126)	(1,280)
<b>Total</b>	<b>(41,765)</b>	<b>(25,817)</b>	<b>(77,682)</b>	<b>(49,538)</b>	<b>(72,324)</b>	<b>(30,246)</b>	<b>(113,338)</b>	<b>(56,837)</b>
Foreign exchange variations, net								
Trade receivables and trade payables	1,712	14,850	(8,537)	(4,262)	1,698	14,847	(8,537)	(4,236)
Borrowings and financing	1,425	(50)	4,578	(3)	1,425	(50)	4,578	(3)
<b>Total</b>	<b>(287)</b>	<b>14,800</b>	<b>(3,959)</b>	<b>(4,265)</b>	<b>(273)</b>	<b>14,797</b>	<b>(3,959)</b>	<b>(4,239)</b>
<b>Total - net</b>	<b>(32,677)</b>	<b>(6,799)</b>	<b>(65,739)</b>	<b>(46,205)</b>	<b>(62,096)</b>	<b>(9,711)</b>	<b>(98,811)</b>	<b>(51,055)</b>

## 33. Earnings (loss) per share

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

### 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 June 30, 2023 and 2022:

	Parent Company and Consolidated			
	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Accumulated at June 30, 2023	Accumulated at June 30, 2022
Profit (loss) attributable to the owners of the Company	(38,301)	53,814	(53,382)	91,457
Weighted average number of common shares	140,987	140,987	140,987	140,987
Basic earnings (loss) per share	(0.27166)	0.38170	(0.37863)	0.64869

### b) Diluted

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

## 34. Dividends

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

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

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

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

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

## 35. Segment reporting

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

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

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

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

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

The Executive Board assesses the performance of the operating segments based on the measurement of the gross operating income or loss. The segment reporting, reviewed by the Executive Board, is as follows:

### a) Segment reporting by business segment between domestic and foreign markets for the second quarter of 2023 and 2022:

	At June 30, 2023			At June 30, 2022		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Continuing operations						
Revenue	432,105	116,720	548,825	427,343	150,115	577,458
Cost of goods sold	(253,785)	(80,480)	(334,265)	(224,769)	(100,125)	(324,894)
Gross operating profit	178,320	36,240	214,560	202,574	49,990	252,564

### b) Segment reporting by business segment between domestic and foreign markets for the first six-month period of 2023 and 2022:

	At June 30, 2023			At June 30, 2022		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Continuing operations						
Revenue	825,718	210,858	1,036,576	818,096	284,317	1,102,413
Cost of goods sold	(486,324)	(143,470)	(629,794)	(425,153)	(186,309)	(611,462)
Gross operating profit	339,394	67,388	406,782	392,943	98,008	490,951

### c) Segment reporting by business segment between business units for the second quarter of 2023 and 2022:

	At June 30, 2022					
	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Continuing operations						
Net revenue	577,458	(20,171)	274,755	60,745	196,135	65,994
Cost of goods sold	(324,894)	18,796	(149,504)	(39,261)	(103,602)	(51,323)
Gross operating profit	252,564	(1,375)	125,251	21,484	92,533	14,671

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

\*Eliminations between transactions

Continuing operations	At June 30, 2023					
	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	548,825	(27,009)	244,547	42,627	232,542	56,118
Cost of goods sold	(334,265)	25,382	(157,498)	(38,925)	(121,653)	(41,571)
Gross operating profit	214,560	(1,627)	87,049	3,702	110,889	14,547

\*Eliminations between transactions

### d) Segment reporting by business segment between business units for the first six-month period of 2023 and 2022:

Continuing operations	At June 30, 2022					
	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	1,102,413	(36,716)	531,464	115,158	368,339	124,168
Cost of goods sold	(611,462)	35,746	(282,936)	(73,155)	(195,217)	(95,900)
Gross operating profit	490,951	(970)	248,528	42,003	173,122	28,268

\*Eliminations between transactions

Continuing operations	At June 30, 2023					
	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	1,036,576	(51,728)	460,912	85,989	443,515	97,888
Cost of goods sold	(629,794)	48,636	(291,978)	(76,034)	(237,014)	(73,404)
Gross operating profit	406,782	(3,092)	168,934	9,955	206,501	24,484

\*Eliminations between transactions

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

## 36. Commitments for acquisition of assets

### Purchases of property, plant and equipment

At June 30, 2023, expenses recorded but not yet incurred relating to property, plant and equipment amount to R\$ 2,836 (R\$ 1,588 at December 31, 2022). Such expenses correspond to the modernization of manufacturing equipment, according to the Company's investment plan.

### Plant Construction Operation of the Subsidiary Portobello Manufacturing LLC:

By the end of the first six-month period of 2023, Portobello America completed the construction of the new plant in Baxter, Tennessee. In March 2022, the Company announced to the market the signing of the Built-to-Suit (BtS) contract, in the amount of US\$ 90,000, which aimed to build the new plant, also



## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

informing the long-term commercial conditions for using the space in the form of leasing without purchase option.

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

### 37. Insurance coverage

The insurance coverage at June 30, 2023 is considered sufficient to cover any claims and is summarized as follows:

Insurance Policy	Maximum Indemnity Limit	Maturity
Vehicle fleet	79 (vehicles)	11/15/2023
Guarantee Bond Contract Engie EBC-18. 1710-CVE-CL	4,047	12/31/2023
Guarantee Bond Contract Engie EBC-18. 1710-CVE-CL	2,657	03/01/2024
Group life insurance and funeral assistance	1,857	02/28/2024
General civil liability insurance (Tijucas/Pointer)	6,520	04/14/2024
Property Insurance - Pointer (Alagoas Building)	61,000	06/13/2024
PBG Property Insurance (Tijucas/Pointer/DCs) - single maximum indemnity limit	305,000	06/13/2024
Cyber insurance	10,000	07/01/2024
Directors & Officers Liability Insurance (D&O)	43,000	08/26/2023
International transport insurance - Portobello imports	189,433	12/31/2023
International transport insurance - Pointer imports	4,808	12/31/2023
Legal Protection Insurance	1,691	04/24/2026
Legal Protection Insurance	533	11/13/2023
Legal Protection Insurance	248	11/13/2023
Legal Protection Insurance	169	11/13/2023
Legal Protection Insurance	438	11/30/2023
Legal Protection Insurance	4,945	04/26/2024
Legal Protection Insurance	179	07/28/2024
Legal Protection Insurance	869	01/29/2025
Legal Protection Insurance	340	05/10/2025
Legal Protection Insurance (a)	28,000	06/18/2025
Legal Protection Insurance	261	01/26/2026
Legal Protection Insurance	42	01/26/2026
Legal Protection Insurance (b)	28,777	03/07/2027
Legal Protection Insurance	171	03/21/2027
Legal Protection Insurance	21	03/21/2027
Legal Protection Insurance	3,755	12/14/2027
Legal Protection Insurance	2,350	12/14/2027
Legal Protection Insurance	403	12/14/2027
Legal Protection Insurance	130	12/14/2027
Legal Protection Insurance	130	12/14/2027
Legal Protection Insurance	110	12/14/2027
Legal Protection Insurance	65	12/14/2027
Legal Protection Insurance	16,242	12/16/2027
Legal Protection Insurance	834	02/28/2028
Legal Protection Insurance	189	03/29/2028
Legal Protection Insurance	16,455	06/09/2028

(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 15<sup>th</sup> Labor Court of Salvador/BA. The amount of the guarantee expressed in this Policy covers the total amount of the debt under discussion, including the principal, fine, attorney's fees, interest of 1% per month and monetary adjustment by the TR.

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

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.  
All amounts in thousands of reais, unless otherwise stated.

### 38. Related entities and parties

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

Nature - Assets and liabilities balance	Company	Parent company	
		June 30, 2023	December 31, 2022
<b>Subsidiaries</b>			
<b>Commercial transactions</b>			
Trade receivables	Portobello Shop S.A.	-	5
Trade receivables	Portobello America, Inc.	3,799	150,220
Trade receivables	Cia Brasileira de Cerâmica	297	253
Trade receivables	PBTech Com. Sern. Cer. Ltda.	27,313	11,287
Receivables from related parties	Portobello Shop S.A.	22	-
Trade payables	Cia Brasileira de Cerâmica	(3,272)	(3,578)
Trade payables	Mineração Portobello Ltda.	(4,086)	(4,122)
Trade payables	Portobello America, Inc.	(692)	-
Assets net of liabilities with subsidiaries		<u>23,381</u>	<u>154,065</u>
<b>Related parties</b>			
Receivables from subsidiaries	Portobello America, Inc.	9,651	-
Payables to related parties	Refinadora Catarinense S.A.	(56,330)	(56,330)
Payables to related parties	Mineração Portobello Ltda.	(11,138)	(10,354)
Payables to related parties	PBTech Com. Sern. Cer. Ltda.	(16)	(16)
Payables to related parties	Cia Brasileira de Cerâmica	(4)	-
Payables to related parties	Portobello Shop S.A.	(2,105)	-
Trade receivables	Flooring Revest. Cer. Ltda.	-	24
Trade payables	Riveste Comercio Ltda.	-	(3)
Trade payables	Solução Cerâmica Com. Ltda.	-	(1)
Trade payables	Gomes Part Societárias Ltda.	(146)	-
Trade payables	AB Parking	(7)	(10)
Assets net of liabilities with other related parties		<u>(60,095)</u>	<u>(66,690)</u>
		<b>Parent company</b>	
Nature - profit or loss	Company	Accumulated at June 30, 2023	Accumulated at June 30, 2022
<b>Revenues</b>			
<b>Subsidiaries</b>			
Sales of goods	PBTech Com. Sern. Cer. Ltda.	85,950	55,427
Sales of goods	Cia Brasileira de Cerâmica	652	855
Sales of goods	Portobello America, Inc.	34,523	48,904
<b>Related parties</b>			
Sales of goods	Solução Cerâmica Com. Ltda.	1	31
Sales of goods	Riveste Comercio Ltda.	158	13,261
Sales of goods	Flooring Revest. Cer. Ltda.	562	7,996
Sales of goods	Gomes Part Societárias Ltda.	3	-
<b>Expenses</b>			
<b>Subsidiaries</b>			
Acquisition of inputs	Mineração Portobello Ltda.	(7,334)	(6,179)
Cutting service	Cia Brasileira de Cerâmica	(3,895)	-

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

### Related parties

Rental	Gomes Part Societárias Ltda.	(517)	-
Freight service	Multilog Sul Armazéns S/A	-	(8)
Cutting service	Flooring Revest. Cer. Ltda.	-	(6,271)
Parking service	AB Parking	(43)	(157)
Third-party services	Radio Clube Tijucas Ltda.	(58)	-
		110,002	113,859

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

### Related-party transactions

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

Transactions with subsidiaries and related entities	Nature - Property	Subsidiaries	
		June 30, 2023	December 31, 2022
Cia Brasileira de Cerâmica	Trade receivables, net of advances	1,728	-
Portobello Shop S.A.	Trade receivables, net of advances	224	-
Riveste Comercio Ltda.	Trade receivables, net of advances	-	261
Flooring Revest. Cer. Ltda.	Trade receivables, net of advances	2	465
PBTech Com. Sern. Cer. Ltda.	Trade payables	(1,952)	-
Solução Cerâmica Com. Ltda.	Payables to subsidiaries and related parties	-	-
Riveste Comercio Ltda.	Payables to subsidiaries and related parties	-	-
Flooring Revest. Cer. Ltda.	Payables to subsidiaries and related parties	(21,281)	(35,290)
		(21,279)	(34,564)

Transactions with subsidiaries and related entities	Nature - profit or loss	Subsidiaries	
		Accumulated at June 30, 2023	Accumulated at June 30, 2022
Solução Cerâmica Com. Ltda.	Revenue - royalties	-	3
Riveste Comercio Ltda.	Revenue - royalties	54	4,485
Flooring Revest. Cer. Ltda.	Revenue - royalties	178	2,827
PBTech Com. Sern. Cer. Ltda.	Revenue - sales of goods	2,748	-
AB Parking	Parking service	(192)	-
Gomes Part Societárias Ltda.	Expense - rental	(517)	-
Solução Cerâmica Com. Ltda.	Interest - store acquisition	(950)	-
Riveste Comercio Ltda.	Interest - store acquisition	(388)	-
Flooring Revest. Cer. Ltda.	Interest - store and workshop acquisition	(908)	-
		25	7,315

Transactions with subsidiaries and related entities	Nature – acquisition of operations	Subsidiaries	
		June 30, 2023	December 31, 2022
Riveste Comercio Ltda.	Store acquisition	-	13,200
Solução Cerâmica Com. Ltda.	Store acquisition	-	46,800
Flooring Revest. Cer. Ltda.	Store and workshop acquisition	-	54,722

## PBG S.A. and subsidiaries

Notes to the interim financial statements at June 30, 2023.

All amounts in thousands of reais, unless otherwise stated.

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- 114,722

### 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 June 30, 2023, are as follows:

	Parent company		Consolidated	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Fixed compensation				
Salaries	4,225	7,143	4,866	8,056
Fees	4,939	4,254	4,939	4,254
Variable compensation	1,204	2,796	1,261	3,187
Pension Plan	432	475	459	490
Severance benefits	1,298	966	1,298	966
Other	1,407	3,491	1,536	3,605
	<u>13,505</u>	<u>19,125</u>	<u>14,359</u>	<u>20,558</u>

### 39. Subsequent events

#### **Start of Portobello America Manufacturing factory operations**

On August 8, 2023, the Company communicated to the Market the start of production at the new Portobello America Manufacturing plant in July 2023.

(A free translation of the original in Portuguese)

**PBG S.A.**  
**Quarterly Information (ITR) at**  
**June 30, 2023**  
**and report on review of**  
**quarterly information**



## **Report on review of quarterly information**

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

### **Introduction**

We have reviewed the accompanying parent company and consolidated interim accounting information of PBG S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2023, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34, Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the interim information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.



PBG S.A.

### **Other matters**

#### **Statements of value added**

The quarterly information referred to above includes the parent company and consolidated statements of value added for the six-month period ended June 30, 2023. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the interim accounting information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, August 14, 2023.

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

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





## OPINION OF THE FISCAL COUNCIL

The Fiscal Council of PBG SA, in compliance with legal and statutory provisions, examined the Financial Statements for the fiscal year ended June 30, 2023, comprising: balance sheet, statements of income for the year, statements of changes in equity, statements comprehensive income, cash flow statements, value added statements, explanatory notes, as well as the Management Report and the Independent Auditors' Opinion. The consolidated statements were also examined. After the Management's examinations and clarifications, the Fiscal Council, also taking into account the opinion of the auditors Pricewaterhousecoopers Auditores Independentes, issued in August 2023 without reservations, and of the opinion that, in its main aspects, the referred financial statements adequately reflect the PBG SA's equity and financial situation and the results of its operations, being in conditions to be submitted to the appreciation and deliberation of the Shareholders. In addition, the management's proposals regarding the modification of share capital and the distribution of dividends were analyzed, which are also in a position to be submitted to the appreciation and deliberation of the Shareholders meeting at the General Meeting.

Tijucas, August 14, 2023.

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Jorge Muller

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Mario Augusto de Freitas Baptista

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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 June 30, 2023; and

(ii) reviewed, discussed and agreed with the opinions expressed in the special review report of PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES, regarding the Company's Quarterly Information for the quarter ended on June 30, 2023.

Tijucas, August 14, 2023.

**Board Composition**

John Suzuki- Chief Executive Officer

Rosangela Sutil – VP of Finance and Investor Relations

Luciano Alves Abrantes - Chief Transformation Officer

## **OPINION OF THE AUDIT COMMITTEE**

The members of the Audit Committee recommend the approval of the information contained in the Financial Statements of the 2nd. Quarter of 2023 of the Company, as well as, agree with the opinion of the Company's independent auditors, PWC Auditores, referenced in the Independent Auditors' Report presented.

Florianópolis, August 14, 2023.

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Cláudio Ávila da Silva

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Geraldo L. Mattos Jr.

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Gladimir Brzezinski