Portobello

Portobello S.A.

Report on the review of quarterly information - ITR

KPMG Auditores Independentes
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KPMG Auditores Independentes
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Report on the review of quarterly information - ITR

To the Board Members, Directors and Shareholders of
Portobello S.A.
Tijucas – State of Santa Catarina

Introduction
We have reviewed the interim, individual and consolidated accounting information of Portobello S.A. ("Company") contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2015, which comprise the balance sheet on March 31, 2015 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the quarter then ended, including explanatory notes.

Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21(R1) - Interim Statement and of the consolidated interim accounting information in accordance with CPC 21 (R1) and with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of the review
Our review was carried out in accordance with the Brazilian and international review standards for interim 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 in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures 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 individual interim information
Based on our review, we are not aware of any facts that would lead us to believe that the individual interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Conclusion on the consolidated interim information
Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34,

issued by IASB, applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues

Statements of added value

We also reviewed the individual and consolidated value-added statements for the quarter ended on March 31, 2015, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Florianópolis, May 15, 2015.

KPMG Auditores Independentes
CRC SC-000071/F-8

Claudio Henrique Damasceno Reis
Accountant CRC SC-024494/O-1

Contents

Company information / Capital composition

Quantity of shares (Thousand)	Current quarter 03/31/2015
Paid-in capital	
Common	158,488
Preferred	0
Total	158,488
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet -

Assets (In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
1	Total assets	1,310,740	1,179,847
1.01	Current assets	568,479	493,268
1.01.01	Cash and cash equivalents	129,840	87,803
1.01.03	Accounts receivable	196,097	179,292
1.01.03.01	Trade accounts receivable	196,097	179,292
1.01.04	Inventories	190,858	191,600
1.01.06	Recoverable taxes	15,615	15,017
1.01.06.01	Current taxes recoverable	15,615	15,017
1.01.06.01.01	Income and social contribution tax recoverable	690	0
1.01.06.01.02	Other current taxes recoverable	14,925	0
1.01.08	Other current assets	36,069	19,556
1.01.08.03	Other	36,069	19,556
1.01.08.03.01	Dividends receivable	9,472	9,472
1.01.08.03.02	Advances to suppliers	7,073	3,157
1.01.08.03.03	Other	19,524	6,927
1.02	Non-current assets	742,261	686,579
1.02.01	Long term assets	299,590	281,813
1.02.01.08	Related party credits	161,314	150,318
1.02.01.08.02	Receivables from subsidiaries	70,780	61,425
1.02.01.08.04	Other related party credits	90,534	88,893
1.02.01.09	Other non-current assets	138,276	131,495
1.02.01.09.03	Judicial deposits	50,027	46,564
1.02.01.09.04	Receivables - Eletrobrás	48,621	48,621
1.02.01.09.05	Recoverable taxes	18,145	15,330
1.02.01.09.06	Tax assets	15,808	15,386
1.02.01.09.07	Actuarial assets	5,075	5,075
1.02.01.09.08	Other	600	519
1.02.02	Investments	7,644	678
1.02.02.01	Equity interest	7,644	678
1.02.02.01.02	Interest in subsidiaries	7,446	480
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	417,750	387,451
1.02.04	Intangible assets	17,277	16,637

Individual financial statements/ Balance sheet -

Liabilities (In thousand of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
2	Total liabilities	1,310,740	1,179,847
2.01	Current liabilities	534,315	451,419
2.01.01	Social and labor obligations	22,531	22,266
2.01.02	Suppliers	142,954	149,582
2.01.03	Tax liabilities	23,568	24,209
2.01.03.01	Federal tax liabilities	23,568	24,209
2.01.03.01.01	Income and social contribution tax payable	3,085	7,451
2.01.03.01.02	Installment payment of tax liabilities	8,458	8,300
2.01.03.01.03	Taxes, rates and contributions	12,025	8,458
2.01.04	Loans and financing	266,956	172,722
2.01.04.01	Loans and financing	266,956	172,722
2.01.05	Other liabilities	50,613	58,739
2.01.05.02	Other	50,613	58,739
2.01.05.02.04	Advances from clients	15,207	12,275
2.01.05.02.05	Dividends payable	16,778	16,876
2.01.05.02.06	Accounts payable - Investments	8,932	21,466
2.01.05.02.07	Other	9,696	8,122
2.01.06	Provisions	27,693	23,901
2.01.06.02	Other provisions	27,693	23,901
2.01.06.02.04	Provisions for contingencies	19,130	17,925
2.01.06.02.05	Provision for profit sharing	8,563	5,976
2.02	Non-current liabilities	539,619	491,158
2.02.01	Loans and financing	307,003	273,645
2.02.01.01	Loans and financing	307,003	273,645
2.02.02	Other liabilities	112,034	109,467
2.02.02.02	Other	112,034	109,467
2.02.02.02.03	Suppliers	36,642	33,287
2.02.02.02.04	Installment payment of tax liabilities	75,098	75,887
2.02.02.02.05	Other	294	293
2.02.03	Deferred taxes	26,690	30,184
2.02.03.01	Deferred income and social contribution taxes	26,690	30,184
2.02.04	Provisions	93,892	77,862
2.02.04.02	Other provisions	93,892	77,862
2.02.04.02.04	Provision for loss in investments	71,502	58,559
2.02.04.02.05	Provision for contingencies	12,022	9,738
2.02.04.02.06	Provision for long-term incentive	10,368	9,565
2.03	Shareholders' equity	236,806	237,270
2.03.01	Realized capital	76,565	76,565
2.03.04	Profit reserves	143,749	143,749
2.03.04.01	Legal reserve	12,481	12,481
2.03.04.05	Profit retention reserve	66,201	66,201
2.03.04.08	Additional dividend proposed	22,198	22,198
2.03.04.10	Profit reserves to be allocated	42,869	42,869
2.03.05	Retained Earnings/Losses	11,084	0
2.03.08	Other comprehensive income	5,408	16,956

Individual financial statements / Statement of income (In thousands of Reais)

Code of account	Account description	Current accumulated Year 01/01/2015 to 03/31/2015	Accumulated for the year Prior 01/01/2014 to 03/31/2014
3.01	Income from sales of goods and/or services	223,395	191,905
3.02	Cost of goods and/or services sold	-150,714	-130,267
3.03	Gross income	72,681	61,638
3.04	Operating expenses/income	-36,896	-37,778
3.04.01	Sales expenses	-35,611	-29,497
3.04.02	General and administrative expenses	-7,252	-6,060
3.04.04	Other operating income	8,476	683
3.04.04.01	Other operating income	165	683
3.04.04.02	Other gains (losses), net	8,311	0
3.04.05	Other operating expenses	-5,553	-7,713
3.04.05.01	Other operating expenses	-5,553	-5,426
3.04.05.02	Other gains (losses), net	0	-2,287
3.04.06	Equity income (loss)	3,044	4,809
3.05	Income (loss) before financial income and taxes	35,785	23,860
3.06	Financial income (loss)	-22,216	-4,483
3.06.01	Financial income	13,381	5,788
3.06.01.01	Financial income	13,381	5,355
3.06.01.02	Net exchange variation	0	433
3.06.02	Financial expenses	-35,597	-10,271
3.06.02.01	Financial expenses	-15,071	-10,271
3.06.02.02	Net exchange variation	-20,526	0
3.07	Income (loss) before income tax	13,569	19,377
3.08	Income and social contribution taxes	-2,785	-4,827
3.08.01	Current	-6,279	-3,537
3.08.02	Deferred assets	3,494	-1,290
3.09	Net income (loss) of continued operations	10,784	14,550
3.11	Income/loss for the period	10,784	14,550
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	0.06804	0.09150
3.99.02	Diluted earnings per share		
3.99.02.01	ON	0.06804	0.09150

Individual financial statements / Statement of

income (In thousands of Reais)

Code of account	Account description	Current accumulated Year 01/01/2015 to 03/31/2015	Accumulated for the Prior year from 01/01/2014 to 03/31/2014
4.01	Net income for the period	10,784	14,550
4.02	Other comprehensive income	-11,248	1,620
4.02.02	Exchange variation of foreign subsidiary	-11,248	1,620
4.03	Comprehensive income for the period	-464	16,170

Individual financial statements / Statement of income (In thousands of Reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
6.01	Net cash from operational activities	-19,072	-32,453
6.01.01	Cash generated in operations	44,490	23,023
6.01.01.01	Profit or loss for the year before taxes	13,569	19,377
6.01.01.02	Depreciation and amortization	6,344	6,372
6.01.01.03	Equity in net income of subsidiaries	-3,044	-4,809
6.01.01.07	Provision for contingencies	2,492	130
6.01.01.08	Provision for labor obligations	-1,811	-1,700
6.01.01.09	Provision for profit sharing	3,390	-1,501
6.01.01.10	Other provisions	-1,155	939
6.01.01.12	Restatement of Eletrobrás compulsory loans	0	-2,165
6.01.01.13	Adjustments to tax assets	-422	-340
6.01.01.14	Restatements of credits with other related parties	-1,641	-1,675
6.01.01.15	Finance charges on tax installments	1,543	650
6.01.01.16	Decomposition of discount of provisions for contingencies	997	734
6.01.01.17	Accrued interest on loans	6,583	5,815
6.01.01.19	Unrealized exchange variation - PBA	-11,298	1,629
6.01.01.20	Unrealized exchange variation from loans	28,943	-433
6.01.02	Changes in assets and liabilities	-49,305	-51,802
6.01.02.01	(Increase)/Decrease in accounts receivable	-16,899	2,560
6.01.02.02	Increase /(Decrease) in Advances from clients	2,932	713
6.01.02.04	(Increase)/Decrease in inventories	837	-24,334
6.01.02.05	(Increase)/Decrease in legal deposits	-3,463	-5,536
6.01.02.07	(Increase)/Decrease in Recoverable Taxes	-2,723	-1,084
6.01.02.08	(Increase)/Decrease in other assets	-12,678	794
6.01.02.09	Increase/(Decrease) in accounts payable	-3,394	-34,937
6.01.02.10	(Increase) Decrease advance to suppliers	-3,916	5,457
6.01.02.11	Increase/(Decrease) in installment payments	-2,174	-4,253
6.01.02.12	Increase /(Decrease) in Tax and labor liabilities	2,792	8,636
6.01.02.13	Increase/(Decrease) in accounts payable from investment	-12,534	0
6.01.02.14	Increase/(Decrease) in other accounts payable	1,915	182
6.01.03	Other	-14,257	-3,674
6.01.03.01	Interest paid	-5,773	-3,674
6.01.03.02	Income and social contribution taxes paid	-8,484	0
6.02	Net cash used in investment activities	-37,567	-17,810
6.02.01	Acquisition of property, plant and equipment	-35,588	-20,355
6.02.02	Acquisition of intangible assets	-1,695	-11
6.02.03	Dividends received	0	2,191
6.02.04	Loans (granted to) repaid by related parties	1,943	365
6.02.06	Paid-up capital in subsidiaries	-440	0
6.02.07	Advances for future capital increase	-1,787	0
6.03	Net cash from financing activities	98,676	16,101
6.03.01	Funding loans and financing	134,118	31,062
6.03.02	Payment of loans and financing	-35,344	-14,959
6.03.04	Dividends paid	-98	-2

Individual financial statements / Statement of income (In thousands of Reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
6.05	Increase (decrease) in cash and cash equivalents	42,037	-34,162
6.05.01	Opening balance of cash and cash equivalents	87,803	55,389
6.05.02	Closing balance of cash and cash equivalents	129,840	21,227

Individual financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2015 to 03/31/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	76,565	0	143,749	0	16,956	237,270
5.03	Adjusted opening balances	76,565	0	143,749	0	16,956	237,270
5.05	Total comprehensive income	0	0	0	11,084	-11,548	-464
5.05.01	Net income for the period	0	0	0	10,784	0	10,784
5.05.02	Other comprehensive income	0	0	0	300	-11,548	-11,248
5.05.02.06	Realization of revaluation reserve	0	0	0	300	-300	0
5.05.02.08	Exchange variation of foreign subsidiary	0	0	0	0	-11,248	-11,248
5.07	Closing balances	76,565	0	143,749	11,084	5,408	236,806

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2014–03/31/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	46,065	-2,545	115,651	0	32,678	191,849
5.03	Adjusted opening balances	46,065	-2,545	115,651	0	32,678	191,849
5.05	Total comprehensive income	0	0	0	14,943	1,227	16,170
5.05.01	Net income for the period	0	0	0	14,550	0	14,550
5.05.02	Other comprehensive income	0	0	0	393	1,227	1,620
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	1,620	1,620
5.05.02.08	Realization of revaluation reserve	0	0	0	393	-393	0
5.07	Closing balances	46,065	-2,545	115,651	14,943	33,905	208,019

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
7.01	Income	278,253	240,640
7.1.1	Sale of merchandise, products and services	277,939	238,939
7.1.2	Other income	242	1,994
7.01.04	Allowance for /reversal of allowance for doubtful accounts	72	-293
7.2	Inputs acquired from third parties	-143,764	-120,834
7.2.1	Cost of products, merchandise and services sold	-111,993	-95,608
7.2.2	Materials, Energy, Third-party services and other	-31,672	-25,226
7.2.3	Loss/recovery of asset values	-99	0
7.3	Gross added value	134,489	119,806
7.04	Retentions	-6,344	-6,372
7.04.01	Depreciation, amortization and depletion	-6,344	-6,372
7.5	Net added value produced	128,145	113,434
7.6	Added value received as transfer	52,891	16,092
7.6.1	Equity income (loss)	3,044	4,809
7.6.2	Financial income	49,847	11,283
7.7	Total added value payable	181,036	129,526
7.8	Distribution of added value	181,036	129,526
7.08.01	Personnel	42,604	38,250
7.08.01.01	Direct remuneration	36,504	33,269
7.08.01.02	Benefits	3,820	3,024
7.08.01.03	Severance Pay Fund (FGTS)	2,280	1,957
7.8.2	Taxes, rates and contributions	61,913	56,235
7.08.02.01	Federal	31,209	30,181
7.08.02.02	State	30,461	25,819
7.8.2.3	Municipal	243	235
7.8.3	Third-party capital remuneration	65,735	20,491
7.08.03.01	Interest	63,753	18,055
7.08.03.02	Rents	1,982	2,436
7.8.4	Remuneration of own capital	10,784	14,550
7.8.4.3	Retained earnings / Loss for the period	10,784	14,550

Consolidated financial statements / Balance sheet -

Assets (In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
1	Total assets	1,260,450	1,132,348
1.01	Current assets	585,354	497,839
1.01.01	Cash and cash equivalents	137,503	92,383
1.01.03	Accounts receivable	206,659	187,918
1.01.03.01	Trade accounts receivable	206,659	187,918
1.01.04	Inventories	195,773	192,292
1.01.06	Recoverable taxes	16,887	15,648
1.01.06.01	Current taxes recoverable	16,887	15,648
1.01.06.01.01	Income and social contribution tax recoverable	1,142	452
1.01.06.01.02	Other current taxes recoverable	15,745	15,196
1.01.08	Other current assets	28,532	9,598
1.01.08.03	Other	28,532	9,598
1.01.08.03.01	Advances to suppliers	5,402	1,788
1.01.08.03.02	Other	23,130	7,810
1.02	Non-current assets	675,096	634,509
1.02.01	Long term assets	228,831	220,405
1.02.01.08	Related party credits	90,534	88,893
1.02.01.08.04	Other related party credits	90,534	88,893
1.02.01.09	Other non-current assets	138,297	131,512
1.02.01.09.03	Judicial deposits	50,048	46,581
1.02.01.09.04	Receivables - Eletrobrás	48,621	48,621
1.02.01.09.05	Recoverable taxes	18,145	15,330
1.02.01.09.06	Tax assets	15,808	15,386
1.02.01.09.07	Actuarial assets	5,075	5,075
1.02.01.09.08	Other	600	519
1.02.02	Investments	198	198
1.02.02.01	Equity interest	198	198
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	424,120	392,585
1.02.04	Intangible assets	21,947	21,321

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
2	Total liabilities	1,260,450	1,132,348
2.01	Current liabilities	553,102	460,243
2.01.01	Social and labor obligations	26,892	24,501
2.01.02	Suppliers	150,470	150,373
2.1.3	Tax liabilities	26,048	26,067
2.1.3.1	Federal tax liabilities	26,048	26,067
2.1.3.1.1	Income and social contribution tax payable	4,381	8,272
2.1.3.1.2	Installment payment of tax liabilities	8,518	8,358
2.1.3.1.3	Taxes, rates and contributions	13,149	9,437
2.1.4	Loans and financing	266,956	172,722
2.1.4.1	Loans and financing	266,956	172,722
2.1.5	Other liabilities	54,363	62,302
2.01.05.02	Other	54,363	62,302
2.1.5.2.4	Advances from clients	18,620	15,608
2.1.5.2.5	Dividends payable	16,796	16,895
2.1.5.2.6	Accounts payable - Investments	8,932	21,466
2.01.05.02.07	Other	10,015	8,333
2.01.06	Provisions	28,373	24,278
2.1.6.2	Other provisions	28,373	24,278
2.1.6.2.4	Provision for contingencies	19,173	17,966
2.1.6.2.5	Provision for profit sharing	9,200	6,312
2.2	Non-current liabilities	470,527	434,825
2.2.1	Loans and financing	308,041	274,646
2.02.01.01	Loans and financing	308,041	274,646
2.2.2	Other liabilities	112,579	109,982
2.02.02.02	Other	112,579	109,982
2.02.02.02.03	Suppliers	36,642	33,287
2.02.02.02.04	Installment payment of tax liabilities	75,607	76,402
2.02.02.02.05	Other	330	293
2.02.03	Deferred taxes	26,690	30,184
2.02.03.01	Deferred income and social contribution taxes	26,690	30,184
2.02.04	Provisions	23,217	20,013
2.2.4.2	Other provisions	23,217	20,013
2.2.4.2.4	Provisions for contingencies	12,072	9,764
2.2.4.2.5	Provision for long-term incentive	11,145	10,249
2.03	Consolidated shareholders' equity	236,821	237,280
2.03.01	Realized capital	76,565	76,565
2.03.04	Profit reserves	143,749	143,749
2.03.04.01	Legal reserve	12,481	12,481
2.03.04.05	Profit retention reserve	66,201	66,201
2.03.04.08	Additional dividend proposed	22,198	22,198
2.03.04.10	Profit reserves to be allocated	42,869	42,869
2.03.05	Retained Earnings/Losses	11,084	0
2.3.8	Other comprehensive income	5,408	16,956
2.3.9	Interest of non-controlling shareholders	15	10

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
3.01	Income from sales of goods and/or services	241,356	206,540
3.02	Cost of goods and/or services sold	-150,165	-129,707
3.03	Gross income	91,191	76,833
3.04	Operating expenses/income	-52,186	-50,479
3.04.01	Sales expenses	-44,851	-35,332
3.04.02	General and administrative expenses	-7,534	-7,349
3.04.04	Other operating income	8,477	311
3.04.04.01	Other operating income	166	311
3.04.04.02	Other gains (losses), net	8,311	0
3.04.05	Other operating expenses	-8,278	-8,109
3.04.05.01	Other operating expenses	-8,278	-5,822
3.04.05.02	Other gains (losses), net	0	-2,287
3.05	Income (loss) before financial income and taxes	39,005	26,354
3.06	Financial income (loss)	-22,215	-4,551
3.06.01	Financial income	13,570	5,874
3.06.01.01	Financial income	13,570	5,441
3.06.01.02	Net exchange variation	0	433
3.06.02	Financial expenses	-35,785	-10,425
3.06.02.01	Financial expenses	-15,259	-10,425
3.06.02.02	Net exchange variation	-20,526	0
3.07	Income (loss) before income tax	16,790	21,803
3.08	Income and social contribution taxes	-5,979	-7,228
3.08.01	Current	-9,473	-5,938
3.08.02	Deferred assets	3,494	-1,290
3.09	Net income (loss) of continued operations	10,811	14,575
3.10	Net income (loss) of discontinued operations	-22	-20
3.10.02	Net gains/losses on assets from discontinued operations	-22	-20
3.11	Income/loss for the period	10,789	14,555
3.11.01	Attributed to the Parent company's partners	10,784	14,550
3.11.02	Attributed to non-controlling partners	5	5
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	0.06804	0.09150
3.99.02	Diluted earnings per share		
3.99.02.01	ON	0.06804	0.09150

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
4.01	Consolidated net income for the period	10,789	14,555
4.02	Other comprehensive income	-11,248	1,620
4.02.02	Exchange variation of foreign subsidiary	-11,248	1,620
4.03	Consolidated comprehensive income for the period	-459	16,175
4.03.01	Attributed to the Parent company's partners	-464	16,170
4.03.02	Attributed to non-controlling partners	5	5

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
6.01	Net cash from operational activities	-14,911	-28,914
6.01.01	Cash generated in operations	51,085	30,347
6.01.01.01	Profit or loss for the year before taxes	16,768	21,783
6.01.01.02	Depreciation and amortization	6,483	6,424
6.01.01.07	Provision for contingencies	2,506	130
6.01.01.08	Provision for labor obligations	-2,115	-1,700
6.01.01.09	Provision for profit sharing	3,784	-1,474
6.01.01.10	Other provisions	-1,105	933
6.01.01.12	Restatement of Eletrobrás compulsory loans	0	-2,165
6.01.01.13	Adjustments to tax assets	-422	-340
6.01.01.14	Restatements of credits with other related parties	-1,641	-1,675
6.01.01.15	Finance charges on tax installments	1,553	650
6.01.01.16	Decomposition of discount of provisions for contingencies	1,009	736
6.01.01.17	Accrued interest on loans	6,620	5,849
6.01.01.19	Unrealized exchange variation - PBA	-11,298	1,629
6.01.01.20	Unrealized exchange variation from loans	28,943	-433
6.01.02	Changes in assets and liabilities	-51,739	-53,757
6.01.02.01	(Increase)/Decrease in accounts receivable	-18,835	327
6.01.02.02	Increase /(Decrease) in Advances from clients	3,012	952
6.01.02.04	(Increase)/Decrease in inventories	-3,386	-24,325
6.01.02.05	(Increase)/Decrease in legal deposits	-3,467	-5,536
6.01.02.07	(Increase)/Decrease in recoverable taxes	-3,364	-1,089
6.01.02.08	(Increase)/Decrease in other assets	-15,401	-11
6.01.02.09	Increase/(Decrease) in accounts payable	3,331	-34,382
6.01.02.10	(Increase) Decrease advance to suppliers	-3,614	5,461
6.01.02.11	Increase/(Decrease) in installment payments	-2,188	-4,434
6.01.02.12	Increase /(Decrease) in Tax and labor liabilities	2,648	9,095
6.01.02.13	Increase/(Decrease) in accounts payable from investments	-12,534	0
6.01.02.14	Increase/(Decrease) in other accounts payable	2,059	185
6.01.03	Other	-14,257	-5,504
6.01.03.01	Interest paid	-5,773	-3,674
6.01.03.02	Income and social contribution taxes paid	-8,484	-1,830
6.02	Net cash used in investment activities	-38,644	-20,534
6.02.01	Acquisition of property, plant and equipment	-36,950	-20,536
6.02.02	Acquisition of intangible assets	-1,694	2
6.03	Net cash from financing activities	98,675	16,101
6.03.01	Funding loans and financing	134,118	31,062
6.03.02	Payment of loans and financing	-35,344	-14,959
6.03.04	Dividends paid	-99	-2
6.05	Increase (decrease) in cash and cash equivalents	45,120	-33,347
6.05.01	Opening balance of cash and cash equivalents	92,383	57,677
6.05.02	Closing balance of cash and cash equivalents	137,503	24,330

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2015 to 03/31/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.03	Adjusted opening balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.05	Total comprehensive income	0	0	0	11,084	-11,548	-464	5	-459
5.05.01	Net income for the period	0	0	0	10,784	0	10,784	5	10,789
5.05.02	Other comprehensive income	0	0	0	300	-11,548	-11,248	0	-11,248
5.05.02.06	Realization of revaluation reserve	0	0	0	300	-300	0	0	0
5.05.02.08	Exchange variation of foreign subsidiary	0	0	0	0	-11,248	-11,248	0	0
5.07	Closing balances	76,565	0	143,749	11,084	5,408	236,806	15	236,821

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2014–03/31/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857
5.03	Adjusted opening balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857
5.05	Total comprehensive income	0	0	0	14,943	1,227	16,170	5	16,175
5.05.01	Net income for the period	0	0	0	14,550	0	14,550	5	14,555
5.05.02	Other comprehensive income	0	0	0	393	1,227	1,620	0	1,620
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	1,620	1,620	0	1,620
5.05.02.08	Realization of revaluation reserve	0	0	0	393	-393	0	0	0
5.07	Closing balances	46,065	-2,545	115,651	14,943	33,905	208,019	13	208,032

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
7.01	Income	298,499	255,384
7.01.01	Sale of merchandise, products and services	299,579	256,161
7.01.02	Other income	-1,152	-481
7.01.04	Allowance for /reversal of allowance for doubtful accounts	72	-296
7.02	Inputs acquired from third parties	-149,293	-123,571
7.02.01	Cost of products, merchandise and services sold	-111,410	-95,028
7.02.02	Materials, Energy, Third-party services and other	-37,762	-28,523
7.02.03	Loss/recovery of asset values	-99	0
7.02.04	Other	-22	-20
7.02.04.01	Income from discontinued operations	-22	-20
7.03	Gross added value	149,206	131,813
7.04	Retentions	-6,484	-6,424
7.04.01	Depreciation, amortization and depletion	-6,484	-6,424
7.05	Net added value produced	142,722	125,389
7.06	Added value received as transfer	50,037	11,370
7.06.02	Financial income	50,037	11,370
7.07	Total added value payable	192,759	136,759
7.08	Distribution of added value	192,759	136,759
7.08.01	Personnel	47,107	40,728
7.08.01.01	Direct remuneration	40,475	35,424
7.08.01.02	Benefits	4,071	3,138
7.08.01.03	Severance Pay Fund (FGTS)	2,561	2,166
7.08.02	Taxes, rates and contributions	68,149	60,683
7.08.02.01	Federal	37,330	34,594
7.08.02.02	State	30,563	25,837
7.08.02.03	Municipal	256	252
7.08.03	Third-party capital remuneration	66,714	20,793
7.08.03.01	Interest	63,941	18,209
7.08.03.02	Rents	2,773	2,584
7.08.04	Remuneration of own capital	10,789	14,555
7.08.04.03	Retained earnings / Loss for the period	10,784	14,550
7.08.04.04	Interest of non-controlling shareholders in retained earnings	5	5

Performance comment

In thousands of reais, unless otherwise indicated

COMMENTS ON THE CONSOLIDATED PERFORMANCE OF 1Q15

Portobello S.A. (BM&FBovespa: PTBL3 NM) shows its results for the quarter ended on March 31, 2015. Financial information presented in this document derives from consolidated quarterly financial information of Portobello S.A., prepared in accordance with standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

About Portobello

Portobello is currently Brazil's largest ceramic tiles' company, with annual gross income of R$ 1,2 billion. Its sales, which is close to 34 million square meters, caters for the domestic market, through Portobello Shop channels and the sales channel for engineers, besides countries on the five continents.

HIGHLIGHTS

- Net income totaling R$241 million, 17% higher than the first quarter of 2014;
- Net income reaches R$ 91 million, higher than the 19% for the same period in 2014, with a 37.8% margin;
- R$ 37 million EBITDA, 6% higher than the same quarter in 2014 and a 15.4% margin;
- Portobello Shop franchise network with 135 stores;
- Plant in Northeast starting its operations in April 2015.

MANAGEMENT COMMENTS

Portobello's performance in the first quarter of 2015 is a result of continuous efforts to get ready to face a year in a still challenging economic scenario.

Portobello, in spite of the economic slowdown, stronger inflation pressure in the early months of this year, and in a seasonably weaker quarter, maintained consistent performance with its strategy for sustainable growth and cash generation, as measured by the EBITDA.

Its business model and ability to adapt to different scenarios and to the market, added with new business actions, have allowed Portobello to leverage its results, whether by increasing the sales volume or by improving its sales mix. Additional contributions to the results were made by the Management when managing costs and expenses, with in-company rationalization actions, including an in-depth analysis on its investment plan, and by the improvement in sales to the foreign market, boosted by the devaluation of the Real.

It is worth highlighting that the investment plan sets out the start of the Plant in Alagoas, which began its production this month of April and aims to service the Brazilian Northern and Northeastern markets, which currently account for 25% of the national ceramic market. With specific public and portfolio, the plant will be the engine of the new brand called Pointer, bringing market share gains to the Company.

Portobello Shop, in turn, maintains its plans to expand the number of stores.

The Management remains confident in its strategy and business model, but believes that the year of 2015 is yet to be very challenging, either because of the adverse economic background in the country or because the challenging scenario in the real estate sector.

Performance comment

In thousands of reais, unless otherwise indicated

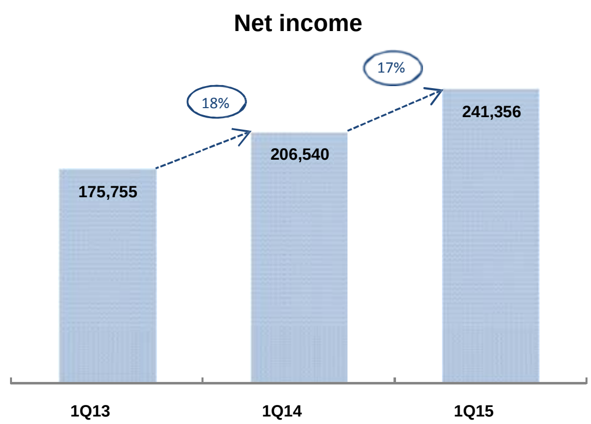
ECONOMIC AND FINANCIAL PERFORMANCE

Consolidated income (loss)	1Q13	1Q14	1Q15	▲%
Gross income	220,446	262,080	305,231	16%
Net income	175,755	206,540	241,356	17%
Gross income	60,044	76,833	91,191	19%
Gross margin	34.2%	37.2%	37.8%	0.6 p.p.
Operating expenses	(34,853)	(48,192)	(60,497)	26%
Sales	(26,121)	(35,332)	(44,851)	27%
General and administrative expenses	(6,251)	(7,349)	(7,534)	3%
Other income (expenses)	(2,481)	(5,511)	(8,112)	47%
EBIT	25,191	28,641	30,694	7%
EBIT margin	14.3%	13.9%	12.7%	-1.1 p.p.
Financial income (loss)	(5,217)	(6,838)	(13,904)	103%
Taxes on income	(6,886)	(7,228)	(5,979)	-17%
Net income	13,065	14,555	10,789	-26%
Net Margin	7.4%	7.0%	4.5%	-2.6 p.p.
EBITDA	28,723	35,065	37,178	6%
EBITDA margin	*16.3%*	*17.0%*	*15.4%*	-1.6 p.p.

Net income

Portobello's consolidated net income totaled R$ 241 million in 1Q15, 17% above the R$ 206 million assessed for the same period in 2014. The main factors contributing for this better performance were the growth of stores and sales for the Portobello Shop network and the growth of sales in the Northeast market. In addition, the Company has been adopting a different business strategy, with sales campaigns contributing for the 1Q15 sales.

The net income from domestic market, which accounted for 88% of the total, has increased by 14% when compared to 1Q14, particularly because of retail sales for renovation works, supported by the real estate market. The net income from foreign market had a 37% growth when compared to 1Q14, influenced by the sales volume and depreciation of the Real.



Performance comment

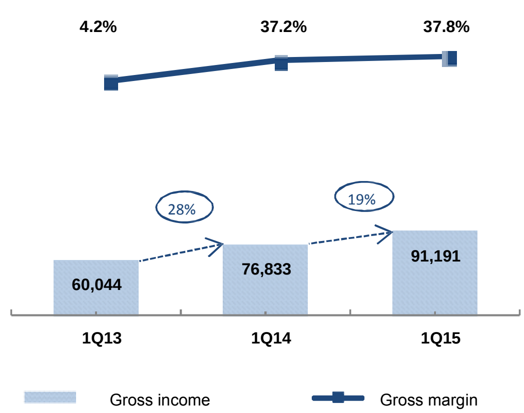
In thousands of reais, unless otherwise indicated

Net income	1Q13	1Q14	1Q15	▲%
Domestic market	160,919	184,947	211,730	14%
Foreign market	14,836	21,593	29,626	37%
Total	175,755	206,540	241,356	17%

Gross income

Gross income totaled R$ 91 million in the quarter ended March 31, 2015, with a 19% growth over the same period in the previous year. Gross margin had a gain of 0.6 p.p.. This is also a result of actions relating to productivity gain and efforts to restrain expenditure.

Gross income



Operating income

Sales expenses totaled R$ 45 million in 1Q15, 27% above the same period in the previous year, particularly as a result of the distribution and logistics projects, with distribution centers opened and expansion of its franchise network - Portobello Shop. CIF sales (Cost, Insurance, and Freight), which account for 2% of the consolidated net revenue, incurred freight business expenses of about R$ 3.6 million, 8% of the total sales expenses. Administrative expenses amounted to R$ 8 million, 3% higher in relation to 2014.

Operating expenses	1Q13	1Q14	1Q15	▲%	%NR
Sales	(26,121)	(35,332)	(44,851)	27%	19%
General and administrative expenses	(6,251)	(7,349)	(7,534)	3%	3%
Other income (expenses)	(2,481)	(5,511)	(8,112)	47%	3%
Total	(34,853)	(48,192)	(60,497)	26%	25%

Other net operating expenses of R$ 8 million relate particularly to a provision for profit sharing to be paid to employees until the end of the year and the pre-operating expenses with the plant in Northeast.

EBITDA

The Company ends the first quarter with cash generation, as measured by the **EBITDA**, amounting to R$ 37 million, having increased by 6% in relation to the same period in 2014, and a 15.4% margin. If the expenses with the new Northeast plant were disregarded, the EBITDA would be R$ 41 million in 1Q15.

Performance comment

In thousands of reais, unless otherwise indicated

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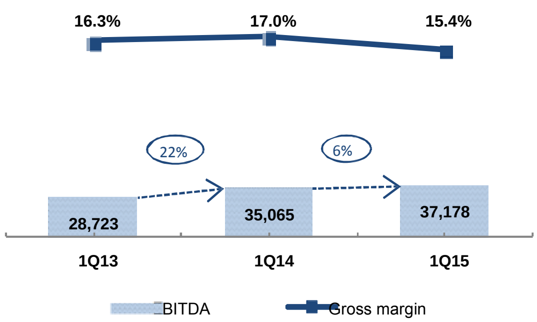
EBITDA	1Q13	1Q14	1Q15	▲%	%NR
Net income	13,062	14,550	10,784	-26%	4%
(+) Financial income	5,217	6,838	13,904	103%	6%
(+) Depreciation and amortization	3,532	6,424	6,484	1%	3%
(+) Income and social contribution taxes	6,886	7,228	5,979	-17%	2%
(+) Other*	26	25	27	8%	0%
EBITDA	28,723	35,065	37,178	6%	15%
(+) Pre-Operational phase of Alagoas Plant	-	734	3,602	391%	1%
Adjusted EBITDA	28,723	35,799	40,780	14%	17%

* Income from discontinued operations and non-controlling shareholders' interest.

EBITDA



Net income

The net income for the year was R$ 11 million, 26% lower than the first quarter in 2014. The results in this quarter are lower than 1Q14 due to higher financial expenses.

INDEBTEDNESS/CAPITAL STRUCTURE

In nominal terms, the Company's net indebtedness was R$ 431 million at the end of March 2015, which is equivalent to 2.42 times EBITDA for the last 12 months and 1,82 of shareholders' equity. This R$ 128 million increase in the indebtedness when compared with 2014 is connected with the expansion investments, particularly in the Northeast plant. Gross indebtedness totaled R$ 659 million; about 42% matures in the short term and 58% in the long term period.

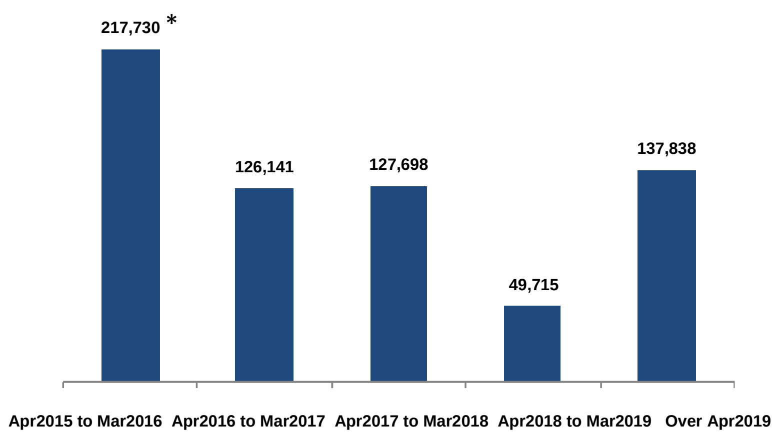
Performance comment

In thousands of reais, unless otherwise indicated

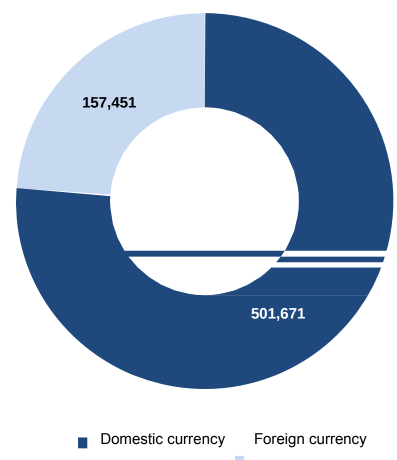
Indebtedness	Mar 2013	Mar-14	Mar-15	▲R$
Bank	206,922	310,805	574,997	264,192
Tax	129,212	112,912	84,125	(28,787)
(=) Total indebtedness	336,134	423,717	659,122	235,405
(+) Cash and cash equivalents and securities	(67,097)	(24,330)	(137,503)	(113,173)
(+) Credits with Refinadora Catarinense	(90,375)	(96,215)	(90,534)	5,681
(=) Total net indebtedness	178,662	303,172	431,085	127,913
EBITDA (last 12 months)	131,503	162,467	178,194	15,727
(=) Current Liquidity	1.23	1.08	1.18	-
(=) ROE (Shareholders' equity / PL)	0.07	0.06	0.05	-
(=) Net debt/ EBITDA	1.36	1.87	2.42	-
(=) Net debt / Income (loss)	1.27	1.46	1.82	-

The balance of the gross bank debts as of March 31, 2015 totals R$ 575 million, compared with the R$ 311 million as of December 31, 2014.

Amortization Schedule (gross indebtedness)



Source of debt



** Based on the adjusted liabilities shown on the Balance Sheet below.*

Financial income (loss)	1Q13	1Q14	1Q15	▲%	%NR
Financial income	5,409	5,874	(6,956)	-	-3%
Financial expenses	(9,644)	(10,425)	(15,259)	46%	6%
Other gains (losses)	(982)	(2,287)	8,311	-	-3%
Total	(5,217)	(6,838)	(13,904)	103%	6%

INVESTMENTS

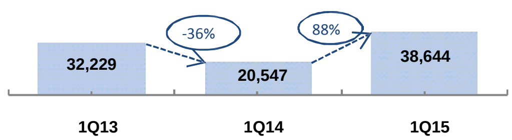
In 1Q15, investments in fixed assets intended for growth projects totaled R$ 76 million and are particularly connected with the expansion program for construction of a plant in the Northeast.

Performance comment

In thousands of reais, unless otherwise indicated

The plant in Northeast has one million square meter of available area for the expansion and in the first phase of operations will generate 1,000 jobs (direct and indirect). Financed by Banco do Nordeste do Brasil S/A, the plant has a budget of R$ 210 million that will be disbursed up to the end of the first half, when its production should start. It is estimated that Capex may reach R$149 million, and in 2015 the plant may produce about 16 million square meters, followed by a gross income of approximately R$ 211 million.

Investments



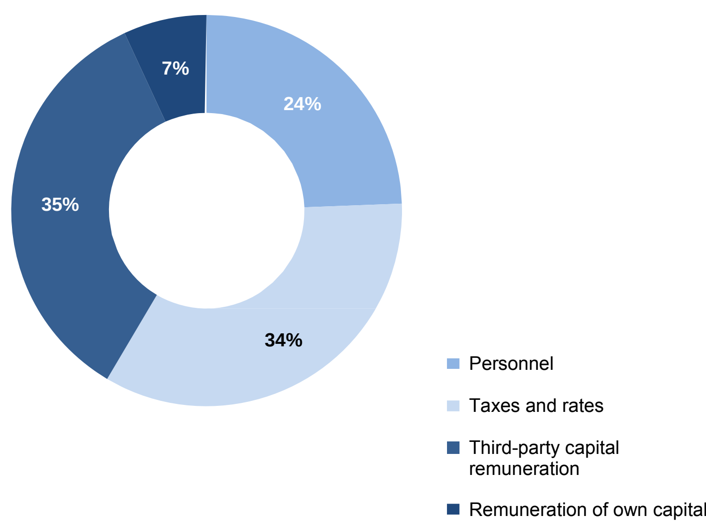
Besides, with aims to support the growth projects, the Company has been investing in a new logistic model, by establishing distribution centers in strategic locations, and it already has one in the state of Pernambuco and three in the state of São Paulo (Rio Claro, Itapecerica, and Jundiaí).

REMUNERATION TO SHAREHOLDERS

The Annual Shareholders' Meeting held on April 30, 2014 approved Management's proposal of distributing additional dividends of 25%, as provided in Shareholders' Agreement in addition to minimum mandatory dividends. The amount payable will be R$ 38,686 thousand, about R$ 0.244 (net of payments made in September 2014). The payment date will be disclosed later.

Added value

The value added in 1Q15 amounted to R$ 193, in 1Q14, it amounted to R$ 137. Of this amount, 34% of total added value was used to pay taxes, tariffs and contributions to Federal, State and Municipal governments, 24% to pay personnel, and 42% to pay shareholders and third parties remuneration.



PERFORMANCE OF PTBL3 SHARES

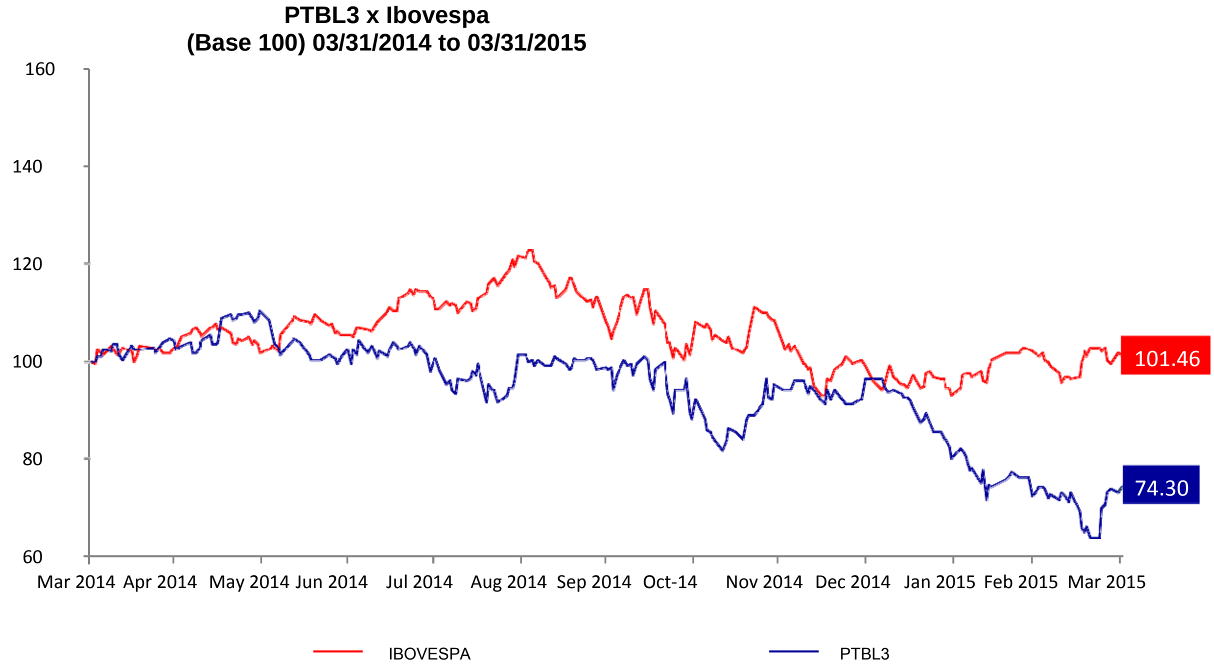
The common shares issued by Portobello, traded on BM&FBovespa under the ticker symbol PTBL3, ended the last trading day of March 2015 quoted at R$ 3.70, an depreciation of 25% in the last twelve months, whereas the Ibovespa index decreased by 1,4%.

Average financial volume traded in the last 12 months was R$ 9.5 million, a decrease of 27% in face of the R$ 13.0 million for the same period of 2014.

Performance comment

In thousands of reais, unless otherwise indicated

In the end of 1Q15, Portobello presented a market value equivalent to R$ 586 million (R$ 761 million as of December 31, 2014).



PROSPECTS

- With lower economic growth, Company's sales are below Management's expectations early in 2015, provoking expenses and costs proportionately higher than levels adequate to current billing. The Company believes that economic scenario of low growth will persist in 2015 and, accordingly, Management has been implementing expense cutting and cost optimization plans, seeking to rearrange its structure to achieve results planned;
- The Company still expects challenges when keeping its costs in 2015 due to high foreign exchange and inflation rate;
- The real estate sector expects slowdown, as several indices have been signaling the downturn, whose impact will be mainly on our engineering channel demand. Management has been implementing actions by means of commercial policies and product mix management in order to mitigate such effects;
- Portobello Shop maintains its expansion plan and believes that it achieve 150 stores at the end of 2015;

INDEPENDENT AUDIT

Portobello's policy towards its auditors with respect to service provision not related to external audits of financial statements, which is covered by the principles that preserve the 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. In the 1Q15, the Company did not hire independent auditors for services other than those related to external auditing.

Performance comment

In thousands of reais, unless otherwise indicated

COMPOSITION OF MANAGEMENT

Board of Directors

Name	Position
Cesar Bastos Gomes	President
Cesar Gomes Júnior	Vice-President (CEO)
Cláudio Ávila da Silva	Board Member (CEO)
Nilton Torres de Bastos Filho	Board Member
Maurício Levi	Board Member (Independent)
Plínio Villares Musetti	Board Member (Independent)
Glauco José Côrte	Board Member (Independent)
Mário José Gonzaga Petrelli	Board Member (Independent)
Geraldo Luciano Mattos Júnior	Board Member (Independent)

Executive Board

Name	Position
Cesar Gomes Júnior	CEO
Cláudio Ávila da Silva	CEO
John Shojiro Suzuki	Financial and Investor Relations Director
Mauro do Valle Pereira	Corporate Director

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

Balance sheet - Assets

R$ thousand	Mar 31, 2015	Dec 31, 2014
Current	585,354	497,839
Cash and cash equivalents	137,503	92,383
Accounts receivable	206,659	187,918
Inventories	195,773	192,292
Recoverable taxes	16,887	15,648
Other accounts receivable	28,532	9,598
Non-current	675,096	634,509
Long-term assets	228,831	220,405
Judicial deposits	50,048	46,581
Recoverable taxes	18,145	15,330
Tax assets	15,808	15,386
Related party credits	90,534	88,893
Receivables - Eletrobrás	48,621	48,621
Other non-current assets	5,675	5,594
Investments	198	198
Property, plant and equipment	424,120	392,585
Intangible assets	21,947	21,321
Total assets	1,260,450	1,132,348

Performance comment

In thousands of reais, unless otherwise indicated

Balance sheet - Liabilities

R$ thousand	Mar 31, 2015 "Adjusted"*	Mar 31, 2015 Current	Dec 31, 2014
Current liabilities	495,358	553,102	460,243
Loans and financing	209,212	266,956	172,722
Suppliers	150,470	150,470	150,373
Taxes and social contributions	26,048	26,048	26,067
Social and labor obligations	26,892	26,892	24,501
Advances from clients	18,620	18,620	15,608
Dividends payable	16,796	16,796	16,895
Provisions	28,373	28,373	24,278
Other	18,947	18,947	29,799
Non-current liabilities	528,271	470,527	434,825
Suppliers	36,642	36,642	33,287
Loans and financing	365,785	308,041	274,646
Deferred income and social contribution taxes	26,690	26,690	30,184
Installment payment of tax liabilities	75,607	75,607	76,402
Provisions	23,217	23,217	20,013
Other	330	330	293
Shareholders' equity	236,821	236,821	237,280
Capital	76,565	76,565	76,565
Treasury shares	-	-	-
Profit reserves	143,749	143,749	143,749
Other comprehensive income	5,408	5,408	16,956
Non-controlling shareholders	15	15	10
Total liabilities	1,260,450	1,260,450	1,132,348

** As of March 31, 2015, minimum covenant clauses were not complied with in one of the loan contracts, and the Company has already sent the request for waiver to the lender, which granted it on a preliminary basis, and is awaiting this waiver to be made official. Therefore, in adjusted liabilities, this liability is classified as non-current, taking the grant of a waiver into consideration.*

Performance comment

In thousands of reais, unless otherwise indicated

Cash flow

R$ thousand	1Q15	1Q14	Var.%
Net cash from operating activities	(14,911)	(28,914)	(48)
Cash generated in operations	(654)	(23,410)	(97)
Other	(14,257)	(5,504)	159
Interest paid	(5,773)	(3,674)	57
Income and social contribution taxes paid	(8,484)	(1,830)	364
Net cash from investment activities	(38,644)	(20,534)	88
Acquisition of property, plant and equipment	(36,950)	(20,536)	80
Acquisition of intangible assets	(1,694)	2	-
Net cash from financing activities	98,675	16,101	513
Funding loans and financing	134,118	31,062	332
Payment of loans and financing	(35,344)	(14,959)	136
Dividends paid	(99)	(2)	4,850
Increase/(Decrease) in cash and cash equivalents	45,120	(33,347)	-
Opening balance of cash and cash equivalents	92,383	57,677	60
Closing balance of cash and cash equivalents	137,503	24,330	465

Notes to the financial statements

In thousands of reais, unless otherwise indicated

1 Operations

Portobello S.A., herein also referred to as "Company" or "Parent Company", is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011 and amended on December 9, 2014, and holds on March 31, 2015 53.99% of the company's shares. Remaining 46.01% of shares are held by several shareholders.

The Company, with head office in Tijucas, Santa Catarina, was incorporated in 1977 engaged in the manufacture and sale of ceramic and porcelain products in general, such as floor tiles, technical porcelain and enameled tiles, decorated and special pieces, mosaic tiles, products for indoor walls, outdoor façades, as well as the provision of supplementary services in the sector of civil construction materials in Brazil and abroad.

In addition, the Company holds shareholding interest in subsidiaries: (i) Portobello América, which was established for the purpose of selling Portobello products in the North-American market and is classified as a discontinued operation, as explained in Note 35; (ii) Mineração Portobello, which is responsible for providing part of raw material used for ceramic coating production; (iii) PBTech, which is responsible for managing own Portobello Shop stores and, currently, manages seven stores; (iv) Portobello Shop, administrator of Portobello Shop and Empório Portobello store franchise chain, chain of 115 franchised stores specialized in porcelain floor tiles (*porcellanato*) and ceramic coatings; and (v) Companhia Brasileira de Cerâmica responsible for the operations in northeast region.

2 Presentation of interim financial statements

The individual and consolidated quarterly information was prepared in compliance with the Accounting Pronouncements Committee - International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), which are in accordance with Brazilian accounting practices (BRGAAP) and are compliant.

Said quarterly information was prepared according to the rules of the Brazilian Securities and Exchange Commission (CVM) applicable to the elaboration of the Quarterly Information (ITR), using the historic cost as a base value, except for the evaluation at fair value of certain financial instruments, when required by applicable rules.

To create quarterly information is necessary the Management of the Company and its subsidiaries make estimates for the recording of certain transactions affecting their assets and liabilities, income and expenses.

The content and values of certain explanatory notes presented in the financial statements for the year ending December 31, 2014, which did not require significant updates, have not been repeated on the notes selected for the quarterly information as of March 31, 2015. Therefore, these two financial statements should be read together.

Accounting practices and calculation methods adopted in the preparation of quarterly information as of March 31, 2015, as well as the main judgments and uncertainties in the estimates used in applying accounting practices are the same as those used in the preparation of the financial statements for the year ended December 31, 2014.

a) New standards, and changes or interpretation of IFRS issued by IASB

Pronouncements applicable to the Company from January 1, 2016

- Review of IAS 16 and IAS 41 – Property, plant and equipment, Biological assets and Agricultural product: The purpose of this change is to define and include the concept of fruit tree in the scope of IAS 16. The Company has no transactions of this nature.

- Review of IAS 16 and IAS 38 – Clarification on accepted depreciation and amortization methods: The purpose of this change is to include information on the concept of expected future reduction in sales price and clarify depreciation method based on income generated by an activity. The Company understands that said review will not impact its financial statements as it only includes clarifications.

- IFRS 11 Review – Accounting recognition of interest in joint operation acquisitions: This change requires the acquirer of an interest in joint operation that forms a business, as defined in IFRS 3, to apply IFRS 3 principles as well as of other pronouncements, except those that conflict with IFRS 11. The Company will evaluate effects deriving from application of said review in case of possible acquisition of joint operations.

Pronouncements applicable to the Company from January 01, 2017

- IFRS 15 – Income from contracts with clients: This pronouncement establishes principles for an entity to recognize income from transfer of products or services in the amount that reflects what the entity expects to receive in exchange for delivered product or rendered service. This rule also establishes five steps for income recognition. In addition, it provides instructions on disclosure of information to users about the nature, quantity, timeliness and uncertainty of income and cash flow deriving from contracts of the entity with clients. The Company is evaluating the possible effects from the implementation of the aforementioned pronouncement.

b) EmpresasNet (ENET) system

It is worth noting that the table “Statement of Changes in Shareholders’ Equity” of the CVM’s “EmpresasNet - ENET” System, the adjustment of equity assessments mentioned in “Other Comprehensive Income,” is presented in the column as such as there is no more appropriate option in the standard CVM statement for the presentation of said transaction.

c) Approval of quarterly information

The quarterly information previously mentioned was approved by the Board of Directors in a meeting held on May 15, 2015.

3 Financial risk management

3.1 Financial risk factors

The activities of the Company and its subsidiaries expose it to various financial risks: market, risk and liquidity risk. The global risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the consolidated financial performance.

The management of risk is conducted by the Treasury and Financial Executive Board, under the policies approved by the Board of Directors. The Treasury and the Finance Division identify, evaluate and protect the Company and its subsidiaries against possible financial risks, in cooperation with the operating units.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

The Board of Directors establishes principles, for global risk management and for specific areas such as exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and cash surplus investment.

a) Market risk

i) Foreign exchange risk

The Company operates globally and is exposed to foreign exchange risk resulting from exposures to some currencies, mainly US dollar and Euro. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities and net investments in transactions abroad.

Shown below are the asset and liability balances exposed to exchange rate variations:

	In reais			
	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Accounts receivable	43,882	34,118	43,882	34,118
Checking account	4,886	19,475	4,886	19,475
Receivables from subsidiaries	65,681	54,383	-	-
Exposed assets	114,449	107,976	48,768	53,593
Provision for loss in investments	(65,398)	(54,128)	-	-
Accounts payable, net of advances	(28,563)	(46,721)	(28,563)	(46,721)
Loans and financing	(161,268)	(136,441)	(161,268)	(136,441)
(-) Swap Transaction 109% CDI (Certificate of Interbank Deposit)	48,185	39,160	48,185	39,160
Exposed liabilities	(207,044)	(198,130)	(141,646)	(144,002)
Net exposure	(92,595)	(90,154)	(92,878)	(90,409)

	In Euros				In Dollars			
	Parent company		Consolidated		Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Accounts receivable	486	293	486	293	9,585	9,387	9,585	9,387
Checking account	-	-	-	-	1,523	7,332	1,523	7,332
Receivables from subsidiaries	-	-	-	-	20,474	20,474	20,474	-
Provision for loss in investments	-	-	-	-	(20,386)	(20,378)	(20,386)	-
Accounts payable, net of advances	(2,320)	(6,193)	(2,320)	(6,193)	(6,495)	(1,010)	(6,495)	(1,010)
Loans and financing	-	-	-	-	(50,271)	(51,659)	(50,271)	(51,659)
(-) Swap transaction 109% CDI	-	-	-	-	15,020	15,026	15,020	15,026
	(1,834)	(5,900)	(1,834)	(5,900)	(30,550)	(20,828)	(30,550)	(20,924)

The strategy adopted to mitigate exchange rate exposure in the Company's assets and liabilities has been to maintain a liability exchange rate exposure at an approximate amount to that of one year of exports.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

The interest rate risk arises from long-term loans and financing and is associated to floating-rate loans that exposed the Company and its subsidiaries to interest rate and cash flow risks. While loans issued at fixed rates expose the entities to fair value risk associated to interest rate.

With basis on several different scenarios, the Company manages the cash flow risk associated with the interest rate by using an interest rate swap transaction which receives variable interest rates and pays fixed interest rates and has the economic effect of converting the floating rate of loans into fixed rates. The fixed rates, which are the result of that swap transaction, are lower than those that would be available if the Company had taken the loans directly at fixed rates. By means of interest rate swap transactions, the Company agrees with other parties to exchange, at specified intervals, the difference between the fixed contractual rates and the amounts of interest at floating rates, calculated by using reference (notional) values agreed upon by the parties.

The Company and its subsidiaries continuously monitor market interest rates in order to assess the possible need to contract new operations to protect against the risk of volatility in these rates.

Regarding interest earning bank deposits, they are mostly made in investment funds as described in Note 4.

b) Credit risk

The Company and its subsidiaries maintain strict controls over credit granting to their clients and adjust the limits whenever a material change in risk is detected.

c) Liquidity risk

It is the risk of the Company and its subsidiaries not having sufficient net funds to honor its financial commitments due to a time or volume mismatch between foreseen receipts and payments.

To manage cash liquidity in domestic and foreign currency, future disbursements and cash inflows assumptions are established and daily monitored by the Treasury and Financial Executive Board.

The chart below analyzes the non-derivative financial liabilities of the Company and its subsidiaries, by ranges of maturity, corresponding to the remaining period in the balance sheet up to the contractual date of maturity. Amounts disclosed in the table are contracted undiscounted cash flows.

	Parent company							
	March 31, 2015				December 31, 2014			
	Loans and financing	Financial leases	Supplier and accounts payable - investment	Installment payment of tax liabilities	Loans and financing	Financial leases	Supplier	Installment payment of tax liabilities
Less than 1 year	267,085	209	143,232	6,271	172,586	476	157,715	8,300
Between one and two years	222,282	-	36,642	17,498	199,094	-	33,287	17,182
Between two and five years	56,817	-	-	26,247	58,704	-	-	25,773
Over 5 years	36,925	-	-	33,540	23,931	-	-	32,932
	583,109	209	179,874	83,556	454,315	476	191,002	84,187

*The variation of the total loans shown on this table relates to Prodec's AVP (current amount adjustment), as seen in note 20 i.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Consolidated							
	March 31, 2015				December 31, 2014			
	Loans and financing	Financial leases	Supplier and accounts payable - investment	Installment payment of tax liabilities	Loans and financing	Financial leases	Supplier	Installment payment of tax liabilities
Less than 1 year	267,085	209	150,748	6,315	172,586	476	158,506	8,358
Between one and two years	223,320	-	36,642	17,616	199,094	-	33,287	17,298
Between two and five years	56,817	-	-	26,424	59,705	-	-	25,947
Over 5 years	36,925	-	-	33,770	23,931	-	-	33,157
	584,147	209	187,390	84,125	455,316	476	191,793	84,760

*The variation of the total loans shown on this table relates to Prodec's AVP (current amount adjustment), as seen in note 20 i.

d) Sensitivity analysis

i) Sensitivity analysis of variations in the interest rates

In the quarter Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by changes in interest rates, such as TJLP and CDI.

On March 31, 2015, the Management considered CDI rate at 12.60% and TJLP of 5.50% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

The scenarios below were estimated for the period of 1 year:

	Consolidated in reais							
	March 31, 2015	Risk		Probable	Possible (25%)		Remote (50%)	
Operation			%		%	R$	%	R$
Investments (remunerated at 101.43% CDI)	129,660	Low CDI	12.60%	16,571	9.45%	12,428	6.30%	8,285
	129,660			16,571		12,428		8,285
Operation								
Loans – Working capital	(32,022)	High CDI	12.60%	(4,035)	15.75%	(5,043)	18.90%	(6,052)
Loans – Export credit note	(200,877)	High CDI	12.60%	(25,311)	15.75%	(31,638)	18.90%	(37,966)
Loans - Trade 4131 Swap	(44,148)	High CDI	12.60%	(5,563)	15.75%	(6,953)	18.90%	(8,344)
Loans – BNDES	(14,490)	High TJLP	5.50%	(797)	6.88%	(996)	8.25%	(1,195)
	(291,537)			(35,706)		(44,630)		(53,557)

ii) Sensitivity analysis of variations in the exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of March 31, 2015 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these interim financial statements as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

Accordingly, the schedule below simulates the effects of currency fluctuations on income (loss):

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Consolidated in reais						
	March 31, 2015	Probable		Possible (25%)		Remote (50%)	
		Rate - US$	Gain (loss)	Rate - US$	Gain (loss)	Rate - US$	Gain (loss)
Accounts receivable	43,882	3.2080	-	4.0100	10,971	4.8120	21,941
Checking account	4,886	3.2080	-	4.0100	1,222	4.8120	2,443
Accounts payable, net of advances	(28,563)	3.2080	-	4.0100	(7,141)	4.8120	(14,282)
Loans and financing	(161,268)	3.2080	-	4.0100	(40,317)	4.8120	(80,634)
(-) Swap transaction 109% CDI	48,185	3.2080	-	4.0100	12,046	4.8120	24,092
Net exposure	(92,878)	3.2080	-	4.0100	(23,219)	4.8120	(46,440)

3.2 Capital management

The Management's objectives in managing its capital are to safeguard its business continuity capacity to offer return to shareholders, besides offering the best cash management maintaining an optimal capital structure to reduce this cost.

The capital is monitored based on the ratio of consolidated financial leverage. That index corresponds to the ratio divided between net debt and total capital. Net debt, in turn, corresponds to total loans and installment payment of tax liabilities less the amount of cash and cash equivalents, receivables with other related credits with related parties and securities. The total capital is calculated through the sum of shareholders' equity, as shown in the consolidated balance sheet, with net debt.

The financial leverage ratios on March 31, 2015 can be summarized as follows:

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Loans and financing	573,959	446,367	574,997	447,368
Installment payment of tax liabilities	83,556	84,187	84,125	84,760
Less: Cash and cash equivalents	(129,840)	(87,803)	(137,503)	(92,383)
Credits with other related parties	(90,534)	(88,893)	(90,534)	(88,893)
Net debt	437,141	353,858	431,085	350,852
Total shareholders' equity	236,806	237,270	236,821	237,280
Total capital	673,947	591,128	667,906	588,132
Leverage ratio (%)	65	60	65	60

On March 31, 2015, the Company has available credit facilities, however unused, amounting to R$ 44,822.

Additionally, the Company had a credit facility approved by the Banco do Nordeste do Brasil S/A in the amount of R$ 147,784, the purpose of which is to invest in the new manufacturing unit in the city of Marechal Deodoro, state of Alagoas. In August 2014, the first release occurred, where the Company raised the amount of R$ 29,221, and in January 2015 the second installment was released, as R$ 45,765, with a balance available of R$ 72,798.

In thousands of reais, unless otherwise indicated

3.3 Financial instruments by category

Shown below is the classification of financial instruments by category on the stated dates:

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Assets, loans and receivables				
Cash and cash equivalents	129,840	87,803	137,503	92,383
Trade accounts receivable	196,097	179,292	206,659	187,918
	325,937	267,095	344,162	280,301
Liabilities, other financial liabilities				
Suppliers	142,954	149,582	150,470	150,373
Accounts payable - Investments	8,932	21,466	8,932	21,466
Loans and financing	573,959	446,367	574,997	447,368
Installment payment of tax liabilities	83,556	84,187	84,125	84,760
	809,401	701,602	818,524	703,967

4 Cash and cash equivalents

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Checking account	6,258	22,329	6,992	24,097
Interest earning bank deposits	123,582	65,474	130,511	68,286
	129,840	87,803	137,503	92,383

Financial investments designated as cash equivalents are shares of investment funds. These funds' average yield in March 2015 was equivalent to 101.43% of the interbank deposit certificate (CDI) rate. The investment can be redeemed at any time without penalties.

On March 31, 2015, from the amount of R$ 6,258 available in a checking account, R$ 4,886 (R$ 19,475 as of December 31, 2014) correspond to the international checking account, held in Citibank in New York, which funds were used to pay investments in equipment imported for the Northeast plant.

5 Derivative financial instruments

The tradable derivatives are classified as current assets or liabilities. The total fair value of a hedge derivative is classified as a noncurrent asset or long-term liability if the remaining time for maturity of the hedged item exceeds 12 months, or as a current asset or current liability if the remaining time for maturity of the hedged item is less than 12 months.

The Company has two Swap operations, which aim to protect the future payments of loans and financing in the modalities below from U.S. dollar fluctuations and interest rates. These operations are classified as non-current liabilities, as shown below:

In thousands of reais, unless otherwise indicated

- In December 2012, the Company entered into a transaction under the rules of Law No. 4131 (exporting trading companies) in the amount of R$ 50,000 at the cost of 9.8% per year as a fixed rate, but using the swap for CDI+1.60 per annum and 60 months for payment and a 24-month grace period. Amortizations are on a half-annually basis and start in December 2014.

The restated of such swap transaction value of R$501 was recorded net in current liabilities and the amount recognized in income for the quarter ended March 31, 2015 totals losses of R$764 (loss of R$366 as of December 31, 2014).

- In November 2014, the Company entered into an Exportation Credit operation (NCE) for the amount of US$ 15,000, equal to R$ 37,650 at the cost of 1.65% per annum + LIBOR-03 + foreign exchange fluctuation, per annum, but with a CDI Swap at the rate of 109% a year and payment deadline of 36 months with a 12-month grace period. Amortizations are quarterly, beginning in November 2015.

The restated amount of this interest rate swap transaction was entered as a net amount, under "Other" in the current assets, as the amount of R$ 9,346, and the installment recognized in the income (loss) for the year ended March 31, 2015 totals an unrealized gain of R$ 8,427.

The Company does not carry out speculative financial transactions with derivatives or any other risk instrument.

6 Trade accounts receivable

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Accounts receivable from third parties:				
Domestic market	151,825	144,640	162,387	153,266
Foreign market	43,882	34,118	43,882	34,118
	195,707	178,758	206,269	187,384
Accounts receivable from related parties				
Entities related to the Management	1,397	1,634	1,397	1,634
	1,397	1,634	1,397	1,634
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(954)	(1,026)	(954)	(1,026)
Recomposition of the nominal value to present value	(53)	(74)	(53)	(74)
	(1,007)	(1,100)	(1,007)	(1,100)
	196,097	179,292	206,659	187,918

Changes in the provision for allowance for doubtful accounts from accounts receivable are as follow:

	Parent company	Consolidated
December 31, 2014	1,026	1,026
Provision (reversal) of impairment of accounts receivable	(72)	(72)
March 31, 2015	954	954

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

In thousands of reais, unless otherwise indicated

The formation and write-off of the allowance to accounts receivable are recorded in income (loss) as business expenses.

a) breakdown of accounts receivable by maturity age with provisioned and not provisioned classification

	Parent company							
	March 31, 2015	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2014	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	180,457	180,457	-	-	169,411	169,411	-	-
Overdue up to 30 days	12,242	-	12,208	34	7,796	-	7,785	11
Overdue, 31 to 90 days	3,170	-	3,053	117	1,899	-	1,777	122
Overdue from 91 to 360 days	723	-	392	331	761	-	348	413
Overdue for more than 360 days	512	-	40	472	525	-	45	480
	197,104	180,457	15,693	954	180,392	169,411	9,955	1,026

	Consolidated							
	March 31, 2015	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2014	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	190,125	190,125	-	-	177,675	177,675	-	-
Overdue up to 30 days	12,450	-	12,416	34	7,979	-	7,968	11
Overdue, 31 to 90 days	3,569	-	3,452	117	2,145	-	2,023	122
Overdue from 91 to 360 days	1,010	-	679	331	692	-	279	413
Overdue for more than 360 days	512	-	40	472	527	-	47	480
	207,666	190,125	16,587	954	189,018	177,675	10,317	1,026

The Company’s receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 20. Its sum is calculated based on a percentage of the residual balance of the debt. On March 31, 2015, the total amount of accounts receivable pledged as collateral was R$ 82,698 (R$ 79,126 on December 31, 2014).

7 Inventories

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Finished goods	171,21	158,259	172,866	158,951
Work in process	5,81	5,407	5,818	5,407
Raw materials and consumption materials	15,30	16,150	18,566	16,150
Provision for inventory appraisal at realizable value	(6,77	(6,675)	(6,770)	(6,675)
Imports in transit	5,29 3	18,459	5,293	18,459
	190,85	191,600	195,773	192,292

In thousands of reais, unless otherwise indicated

8 Advances to suppliers

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Domestic market	6,772	3,136	5,101	1,767
Foreign market	301	21	301	21
	7,073	3,157	5,402	1,788

9 Recoverable taxes

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Current				
ICMS (a)	13,607	13,828	13,857	13,828
IPI (b)	1,084	1,023	1,113	1,023
IRPJ/CSLL	690	-	1,142	452
PIS/COFINS	-	-	358	-
Other	234	166	417	345
	15,615	15,017	16,887	15,648
Non-current *				
ICMS	4,176	4,070	4,176	4,070
PIS/COFINS	13,969	11,260	13,969	11,260
	18,145	15,330	18,145	15,330

* Taxes recoverable from acquisition of fixed assets.

a) Presumed credit from imported products

Since 2012, the Company uses the Pro-employment benefit (TTD - Different Tax Treatment), which reduces the ICMS - Tax on Goods and Services (expected credit) charged for goods imported through the ports of Santa Catarina State.

Conservatively, Portobello understood that the ICMS expected credit would not apply for resale of imported products when they were sent to companies not paying the ICMS tax, particularly to construction companies and real estate developers.

In 2014, the Company hired a consulting company to perform a review on the ICMS tax, and some possibility was identified to use this credit, including for emergency purposes. Thus, as of December 31, 2014, from the amount of R$ 13,828 entered as current assets, R$ 8,743 are connected with recognition of the abovementioned ICMS tax credits.

b) Reduction of IPI rate percentages

The decrease in percentages of the rates of IPI (excise tax) levied on the products produced and traded by Portobello S.A. originally allowed by Decree no. 7,032 of December 14, 2009, was maintained up to March 31, 2014 according to Decree 7796 of August 30, 2012, and was revoked by the Federal Decree 7879 dated December 27, 2012, which establishes zero rate for Excise Tax - IPI of the sector for an indefinite period. This measure originates credits that are used on a quarterly basis to offset federal taxes.

In thousands of reais, unless otherwise indicated

10 Credits with other related parties

Between 2001 and 2003, the Company acquired tax credits against the National Treasury from the related party Refinadora Catarinense S.A. ("Refinadora"). These credits result from a Writ of Mandamus claiming the right to reimbursement of IPI premium credit. The Company used such credited for the settlement of federal taxes. As provided for in the contract between the parties, in the event these credits are not validated by the National Treasury, “Refinadora” should refund the Company.

The Federal Supreme Court made a pronouncement in mid-2009 defining the nullifying milestone of this incentive on October 4, 1990, abolishing the pretensions of use of this credit. Given this fact the Company adhered to the payment scheduling provided for in Law 11941/09, then including the debt resulting from the use of the credit acquired from “Refinadora”.

It is emphasized that “Refinadora” had already entered into a contract with the Company guaranteeing the reimbursement of the amounts used. The aforesaid guarantee was provided with credits also originated on the ‘IPI premium credit’ tax benefit, of calculation period prior to October 4, 1990, running in the Federal Courts of the Federal District, with award calculation decision handed down and favorable to Refinadora.

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and “Refinadora” signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On March 31, 2015, these credits that also originate in proceeding 87.00.00967-9, represent R$ 90,534 (R$ 88,893 on December 31, 2014) and are restated by the SELIC rate, according to the contract.

It should be mentioned that the pledged credits have already become court-ordered debt payment. In fact, the Company received three installments out of a total of 10 annual installments, as provided for in the contract. Receipts occurred in August 2011, March 2013, and April 2014, in the amounts of R$ 8,505, R$ 9,824 and R$ 9,995, respectively.

Refinadora Catarinense S/A was a parent company in the past and currently has shareholders in common, and remains financially liable for the performance of the obligation.

11 Judicial deposits

The Company and its subsidiaries are parties involved in labor, civil and labor lawsuits (see Note 24) and are discussing these issues in both the administrative and judicial scopes and, when applicable, said lawsuits are backed by judicial deposits. These are recorded at the original value restated by the indices relating to the basic remuneration of the savings account, TR (reference rate) + 0.5%.

The judicial deposits are presented according to the nature of the corresponding actions:

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Civil	36,644	33,289	36,665	33,307
Labor	9,379	9,347	9,379	9,347
Tax	4,004	3,928	4,004	3,927
	50,027	46,564	50,048	46,581

The Company, as a result of an untimely and unilateral decision by supplier SC Gás of canceling discount on contracted gas monthly value, benefit called loyalty program, filed a lawsuit postulating maintenance of said benefit, and an injunction was authorized determining that amounts referring to the discount should be deposited in court. For this reason, balance of civil judicial deposit is approximately R$ 36 million.

12 Receivables - Eletrobrás

The Company filed a lawsuit against Centrais Elétricas Brasileira S/A - Eletrobrás aiming at the reimbursement of the compulsory loan paid through the electricity bills between the years 1977 and 1993, based on Law 4156/62.

On December 16, 2005 this lawsuit was considered to have grounds and in February 2006 the Company organized the execution action. On this occasion, Eletrobrás and the Federal Government challenged the proceeding, recognizing as an uncontroversial part the amount of R$ 6,286 (amounts on March 1, 2008), represented (i) by means of a bank deposit in the amount of R$ 4,964, on April 1, 2008 and (ii) by the transfer of 61,209 class “B” nominative preference shares of Eletrobrás that were sold on August 13, 2008 for R$ 1,597.

The Federal Courts determined that the accounting unit should determine the remaining amount due to the Company. The accounting unit then determined the amount of R$ 12,064 on February 1, 2006. The Company recognized the amount calculated by the court expert investigation and keeps these amounts updated by the INPC (National Consumer Price Index) plus 12% p.a. As of September 30, 2010, the remaining balance was R$ 15,613 before the restatement.

Having submitted the calculation to review, the accounting unit of the Federal Courts presented new amounts, determining as ‘net court award’ the amount of R$ 24,749. In September 2010 the Company recognized the difference between the amounts calculated previously and the current calculation of the accounting unit of the federal courts in the amount of R$ 9,136, recorded under the heading “Other operating income”.

As of August 1, 2014, the office of the accountant of the Federal Justice sentenced Eletrobrás to pay an amount assessed by the experts of R$35,395, but with a base date of August 2013. Once it was settled through arbitration, Portobello filed a bill of review against the decision rendered in those case records, requesting that the calculations should be corrected and that criteria to be adopted should be adopted to quantify the amount of the sentence, in view of differences between the parties. Based on this situation, the Company conservatively decided to temporarily interrupt the restatement of the asset, until a new decision is made regarding the value and criteria used in such process.

On March 31, 2015, the value of the assets was restated by the Company, as of July 30, 2014, which is R$ 48,621. It is worth mentioning that the amount assessed by the experts is based on a base date in August 2013, while the value restated by the Company as mentioned before is restated as of July 2014.

13 Income tax and social contribution

a) Income and social contribution taxes on net income

Recoverable and payable deferred income and social contribution is broken down as follows:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Current assets				Current liabilities			
	Parent company		Consolidated		Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Income tax	690	-	1,096	406	(2,252)	(5,490)	(3,205)	(6,103)
Social contribution	-	-	46	46	(833)	(1,961)	(1,176)	(2,169)
	690	-	1,142	452	(3,085)	(7,451)	(4,381)	(8,272)

Taxes are presented net, in assets or liabilities, in case there is a legal right to offset current tax assets and liabilities.

b) Deferred income and social contribution taxes

The deferred income and social contribution taxes are calculated on the corresponding temporary differences between the calculation basis of tax on assets and liabilities, and book values of Interim financial statements. Such tax rates, currently defined to find the deferred taxes, are of 25% for income tax and 9% for social contribution.
Deferred tax liabilities are recognized inasmuch as it is likely that the future taxable income is available for use to offset temporary differences, based on projections of future income prepared and based on internal assumptions and on future economic scenarios that may, however, be subject to change.

The amounts of deferred income tax and social contribution for the parent company and consolidated are as follow:

	March 31, 2015	December 31, 2014
Assets	16,874	17,133
Temporary differences	16,874	17,133
Portobello Private Pension	(1,725)	(1,725)
Provision for adjustment to market value	2,188	2,209
Provision for contingencies	8,941	8,470
Provision for PIS and COFINS with a reduced bases for ICMS	1,212	494
Provision for profit sharing and long-term incentives	6,436	5,284
Other temporary difference - assets	(178)	2,401
Liabilities	(43,564)	(47,317)
Temporary differences	(43,564)	(47,317)
Realization of revaluation reserve	(20,172)	(20,326)
Receivables - Eletrobrás	(16,531)	(16,531)
Contingent assets - IPI premium credit - Phase II	(5,375)	(5,231)
Adjustment to present value	(3,162)	(2,803)
Adjustment of depreciation (for the useful life of assets)	(4,836)	(4,742)
Foreign exchange variation at cash basis	6,512	2,316
Deferred income and social contribution taxes, net	(26,690)	(30,184)

The net changes in income tax and social contribution at March 31, 2015 were as follows:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company and Consolidated
December 31, 2014	(30,184)
Temporary credit differences	(259)
Temporary liability differences	3,599
Revaluation reserve	154
March 31, 2015	(26,690)

The changes in deferred income tax and social contribution assets and liability balances in the period, not considering the offsetting of balances for the parent company and consolidated is as follow:

	March 31, 2015	March 31, 2014
Deferred tax asset charged to (recognized in) income		
Negative basis of CSLL	-	(160)
Portobello Private Pension	-	(32)
Provision for adjustment to market value	(21)	254
Provision for contingencies	471	249
Provision for PIS and COFINS with a reduced bases for ICMS	718	-
Provision for profit sharing and long-term incentives	1,152	(510)
Other temporary difference - assets	(2,579)	214
	(259)	15
Realization of revaluation reserve	154	134
Receivables - Eletrobrás	-	(736)
Contingent assets - IPI premium credit - Phase II	(144)	(115)
Adjustment to present value	(359)	(71)
Adjustment of depreciation (for the useful life of assets)	(94)	-
Foreign exchange variation at cash basis	4,196	(517)
	3,753	(1,305)
	3,494	(1,290)

c) Income and social contribution taxes, income (loss)

Income and social contribution tax expenses are as follow:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Income (loss) before tax	13,569	19,377	16,790	21,803
Tax calculated based on rates of local taxes	(4,614)	(6,588)	(5,709)	(7,413)
Income (loss) of subsidiaries by the equity method	1,035	1,635	-	-
Nondeductible expenses for tax purposes	512	193	512	161
Depreciation of revalued assets	(89)	(134)	(89)	(134)
Tax credits on tax losses and temporary differences	(3,123)	1,357	(4,187)	1,448
Current tax on income for the year	(6,279)	(3,537)	(9,473)	(5,938)
Formation of deferred income and social contribution taxes	3,494	(1,290)	3,494	(1,290)
Income and social contribution tax expense	(2,785)	(4,827)	(5,979)	(7,228)
Effective rate	20.5%	24.9%	35.6%	33.2%

14 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled 'IPI premium credit', in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to March 31, 2015 is R$ 15,808 (R$ 15,386 on December 31, 2014).

15 Contingent assets

The contingent assets refer to lawsuits 1998.34.00.029022-4 and 1984.00.020114-0 and also involve the recognition of tax benefits entitled 'IPI premium credit'. Consequently, proceeding No. 1998.34.00.029022-4 was settled by a judgment made final and unappealable in March 2015. Souza Cescon Barrieu & Flesch law firm, which was asked to assess the value of the lawsuit credits stated, estimated the Company's right against the Brazilian Federal Government as R$ 112,736, based on February 2012. As regards proceeding No. 1984.00.020114-0, submitted to the judicial experts of the Federal Justice of the Federal District (*Distrito Federal*), the amount was estimated to be R$ 5,489, basis on May 2014.

16 Investments

a) Equity in income of subsidiaries

The Company is the parent of five businesses and investments are recorded in non-current assets under the heading "Equity in the income of subsidiaries and associated companies" and in liabilities as "Provision for loss on investments".

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Shareholders' equity	Income (loss) for the year	Ownership interest	December 31, 2014	Exchange variation	Paid-up capital	Equity income (loss)	FACA	March 31, 2015
Provision for loss in investments									
Portobello América Inc. (a)	(65,398)	(22)	100%	(54,130)	(11,248)	-	(22)	-	(65,400)
PBTech Ltda.	(3,578)	499	99.94%	(4,076)	-	-	499	-	(3,577)
Mineração Portobello Ltda.	(168)	117	99.76%	(287)	-	-	117	-	(170)
Companhia Brasileira de Cerâmica S/A	(571)	(2,786)	98.00%	(66)	-	440	(2,729)	-	(2,355)
				(58,559)	(11,248)	440	(2,135)	-	(71,502)
Investments - Interest in subsidiaries									
Portobello Shop S.A.	5,659	5,185	99.90%	480	-	-	5,179	1,787	7,446
				480	-	-	5,179	1,787	7,446
Total investments in subsidiaries				(58,079)	(11,248)	440	3,044	1,787	(64,056)

(a) On March 31, 2015, the Company presents provision for loss on investments of the subsidiary Portobello América Inc. in non-current liabilities. Management's intention is to capitalize the subsidiary's debt.

The subsidiaries are closely-held companies, where the parent company's stake in the assets, liabilities and income for the year is as follows:

	Organization Country	Ownership interest	Assets	Liabilities	Income	Income (loss)
December 31, 2014						
Portobello América Inc.	United States	100.00%	281	54,409	-	(90)
PBTech Ltda.	Brazil	99.94%	6,147	10,224	12,381	2,661
Portobello Shop S/A	Brazil	99.90%	17,300	16,820	65,004	18,382
Mineração Portobello Ltda.	Brazil	99.76%	1,408	1,694	3,856	560
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	162	230	-	(117)
March 31, 2015						
Portobello América Inc.	United States	100.00%	292	65,690	-	(22)
PBTech Ltda.	Brazil	99.94%	6,987	10,565	8,375	499
Portobello Shop S/A	Brazil	99.90%	25,364	19,705	15,564	5,179
Mineração Portobello Ltda.	Brazil	99.76%	1,906	2,074	1,391	117
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	4,971	5,542	102	(2,730)

Notes to the financial statements

In thousands of reais, unless otherwise indicated

17 Property, plant and equipment

a) Breakdown

	Parent company					Consolidated	
	March 31, 201				December 31, 2014	March 31, 2015	December 31, 2014
	Annual average depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount	Net amount	Net amount
Land		12,141	-	12,141	12,141	13,062	13,062
Buildings, civil works and improvements	3%	123,905	(23,949)	99,956	100,944	99,733	100,844
Machinery and equipment	7%	372,840	(241,810)	131,030	135,008	131,030	135,008
Furniture and fixtures	10%	8,832	(7,863)	969	1,018	993	1,041
Computers	20%	15,501	(13,160)	2,341	1,861	2,369	1,891
Other fixed assets	20%	209	(171)	38	41	2,498	1,973
Construction in process (a)		171,275	-	171,275	136,438	174,435	138,766
		704,703	(286,953)	417,750	387,451	424,120	392,585

(a) The balance of construction in progress comprises mainly projects for the construction of manufacturing plant in Alagoas and it represents 97% of the total of construction in progress.

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition (see note 29e).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2013.

b) Changes in property, plant and equipment

	Parent company										
	December 31, 2013	Additions	Transfers	Depreciat ion	Write-offs	December 31, 2014	Additions	Transfers	Depreciati on	Write-offs	March 31, 2015
Land	12,141	-	-	-	-	12,141	-	-	-	-	12,141
Buildings and improvements	99,961	-	4,815	(3,832)	-	100,944	-	-	(988)	-	99,956
Machinery and equipment	139,409	971	10,656	(16,028)	-	135,008	82	-	(4,060)	-	131,030
Furniture and fixtures	960	298	-	(240)	-	1,018	9	-	(58)	-	969
Computers	1,702	779	-	(620)	-	1,861	660	-	(180)	-	2,341
Other fixed assets	15	36	-	(10)	-	41	-	-	(3)	-	38
Construction in process	10,236	141,673	(15,471)	-	-	136,438	34,837	-	-	-	171,275
	264,424	143,757	-	(20,730)	-	387,451	35,588	-	(5,289)	-	417,750

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Consolidated										
	December 31, 2013	Additions	Transfers	Depreciation	Write-offs	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	March 31, 2015
Land	12,518	544	-	-	-	13,062	-	-	-	-	13,062
Buildings and improvements	100,075	-	4,815	(4,046)	-	100,844	-	-	(1,111)	-	99,733
Machinery and equipment	139,409	971	10,656	(16,028)	-	135,008	82	-	(4,060)	-	131,030
Furniture and fixtures	1,045	364	-	(262)	(106)	1,041	11	-	(59)	-	993
Computers	1,747	782	-	(633)	(5)	1,891	660	-	(182)	-	2,369
Other fixed assets	540	270	1,173	(10)		1,973	-	528	(3)	-	2,498
Construction in process	10,238	145,172	(16,644)	-	-	138,766	36,197	(528)	-	-	174,435
	265,572	148,103	-	(20,979)	(111)	392,585	36,950	-	(5,415)	-	424,120

The sums of depreciation were recorded as cost of products sold, business expenses and administrative expenses as follows:

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Cost of goods sold	4,638	4,757	4,638	4,757
Commercial expenses	433	401	556	447
Administrative expenses	218	156	221	162
	5,289	5,314	5,415	5,366

18 Intangible assets

a) Breakdown

	Parent company					Consolidated	
	March 31, 2015				December 31, 2014	March 31, 2015	December 31, 2014
	Annual average rate of amortization	Cost	Accumulated amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,235)	123	139	123	139
Right to exploration of outcrops	20%	2,015	(1,000)	1,015	50	1,445	494
Trademarks and patents	-	150	-	150	150	150	150
Goodwill	-	-	-	-	-	4,240	4,240
Software under development	-	3,483	-	3,483	2,803	3,483	2,803
Management system (a)	21%	18,886	(6,380)	12,506	13,495	12,506	13,495
		36,892	(19,615)	17,277	16,637	21,947	21,321

represented by the Oracle, WMS and Demantra systems and Inventory Optimization and by the developments carried out in the value chain management process.

In thousands of reais, unless otherwise indicated

b) Changes in intangible assets

	Parent company						
	December 31, 2013	Additions	Amortizations	December 31, 2014	Additions	Amortizations	March 31, 2015
Software	208	-	(69)	139	-	(16)	123
Right to exploration of outcrops	250	-	(200)	50	1,015	(50)	1,015
Trademarks and patents	150	-	-	150	-	-	150
Software under development	-	2,803	-	2,803	680	-	3,483
Management system	17,450	-	(3,955)	13,495	-	(989)	12,506
	18,058	2,803	(4,224)	16,637	1,695	(1,055)	17,277

	Consolidated							
	December 31, 2013	Additions	Amortizations	Write-off	December 31, 2014	Additions	Amortizations	March 31, 2015
Software	208	-	(69)	-	139	-	(16)	123
Right to exploration of outcrops	746	-	(252)	-	494	1,014	(63)	1,445
Trademarks and patents	150	-	-	-	150	-	-	150
Goodwill	190	4,130	-	(80)	4,240	-	-	4,240
Software under development	-	2,803	-	-	2,803	680	-	3,483
Management system	17,450	-	(3,955)	-	13,495	-	(989)	12,506
	18,744	6,933	(4,276)	(80)	21,321	1,694	(1,068)	21,947

The amounts of amortization were recorded as cost of products sold, business expenses and administrative expenses as follows:

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Cost of goods sold	51	139	64	139
Commercial expenses	704	704	704	704
Administrative expenses	300	215	300	215
	1,055	1,058	1,068	1,058

c) Plan for the amortization of intangible assets - Consolidated:

	2015	2016	2017	2018	Total
Software	33	40	40	10	123
Right to exploration of outcrops	365	449	449	182	1,445
Management system	3,036	3,949	3,673	1,848	12,506
	3,434	4,438	4,162	2,040	14,074

The brands and patents, goodwill and software items under development in the total amount of R$ 7,873 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

19 Suppliers

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Domestic market	118,482	104,210	125,998	105,001
Foreign market	24,750	45,529	24,750	45,529
Breakdown of the nominal value to present value	(278)	(157)	(278)	(157)
Current	142,954	149,582	150,470	150,373
Domestic market (a)	36,642	33,287	36,642	33,287
Non-current	36,642	33,287	36,642	33,287
	179,596	182,869	187,112	183,660

(a) Provision for payment to gas supplier resulting from matter mentioned in note 11

Notes to the financial statements

In thousands of reais, unless otherwise indicated

20 Loans and financing

	Currency	Maturities		Charges	Parent company March 31, 2015	Parent company December 31, 2014	Consolidated March 31, 2015	Consolidated December 31, 2014
Current								
Working capital (a)	R$	Jun 2015	8.00%	p.a.¹	32,022	3,447	32,022	3,447
Financial leases (b)	R$	Jul 2015	9.57%	p.a.¹	209	476	209	476
Banco do Nordeste S.A (c)	R$	Jun 2025	3.00%	p.a.	5,643	1,468	5,643	1,468
Exim Pre-shipment TJ 462 (d)	R$	Aug 2015	8.00%	p.a.¹	19,228	30,103	19,228	30,103
BNDES (e)	R$	Mar 2016	8.45%	p.a.¹	14,490	15,582	14,490	15,582
Law no. 4,131 (f) - (note 5)	R$	Dec 2017	1.60%	p.a + CDI	15,577	14,589	15,577	14,589
NCE (g)	R$	Dec 2017	12.50%	p.a.¹	54,322	47,237	54,322	47,237
Prepayment (h)	US$	May 2018	4.61%	p.a.¹+EV+Libor	4,029	3,338	4,029	3,338
PRODEC (i)	R$	Sep 2018	4.00%	p.a.	8,969	7,486	8,969	7,486
FINEP (j)	R$	May 2021	5.55%	p.a.¹	5,215	5,215	5,215	5,215
DEG (k)	US$	Oct 2021	4.80%	p.a.+EV+Libor	59,116	524	59,116	524
FINAME (l)	R$	Aug 2023	3.00%	p.a.¹	278	174	278	174
ACC (m)	US$	Dec 2015	1.50%	p.a.+EV	37,099	37,306	37,099	37,306
NCE (n) - (note 5)	US$	Nov 2017	12.61%	p.a.¹	10,759	5,777	10,759	5,777
Total current				9.12% p.a.¹	266,956	172,722	266,956	172,722
Total domestic currency					155,953	125,777	155,953	125,777
Total foreign currency					111,003	46,945	111,003	46,945
Non-current								
Working capital (a)	R$	Jun 2015	8.00%	p.a.¹	-	-	1,038	1,001
Banco do Nordeste S.A (c)	R$	Jun 2025	3.00%	p.a.	69,363	27,760	69,363	27,760
BNDES (e)	R$	Mar 2016	8.45%	p.a.¹	-	2,083	-	2,083
Law no. 4,131 (f) - (note 5)	R$	Dec 2017	1.60%	p.a + CDI	28,571	28,571	28,571	28,571
NCE (g)	R$	Dec 2017	12.50%	p.a.¹	98,370	61,017	98,370	61,017
Prepayment (h)	US$	May 2018	4.61%	p.a.¹+EV+Libor	9,023	8,301	9,023	8,301
PRODEC (i)	R$	Sep 2018	4.00%	p.a.	35,663	34,738	35,663	34,738
FINEP (j)	R$	May 2021	5.55%	p.a.¹	25,506	26,794	25,506	26,794
DEG (k)	US$	Oct 2021	4.80%	p.a.+EV+Libor	-	47,812	-	47,812
FINAME (l)	R$	Aug 2023	3.00%	p.a.¹	3,082	3,186	3,082	3,186
NCE (n) - (note 5)	US$	Nov 2017	12.61%	p.a.¹	37,425	33,383	37,425	33,383
Total non-current				8.33% p.a.¹	307,003	273,645	308,041	274,646
Total domestic currency					260,555	184,149	261,593	185,150
Total foreign currency					46,448	89,496	46,448	89,496
Overall total				8.62% p.a.¹	573,959	446,367	574,997	447,368
Total domestic currency					416,508	309,926	417,546	310,927
Total foreign currency					157,451	136,441	157,451	136,441

¹ Weighted average rate EV -
Exchange variation
CDI - Certificate of Interbank Deposits LIBOR -
London Interbank Offered Rate

a) Working Capital – working capital contracts entered into on:
(i) May 2014, in the amount of R$ 4 million, to be paid in 13 monthly installments with first installment maturing in July 2014. Receivables from Portobello S.A, in the amount of 25% of the debt balance of the contract were pledged as collateral for this contract.
(ii) February 2015, in the amount of R$20 million with principal maturing in February 2016, bullet and clean operation as regards guarantees.
(iii) March 2015, in the amount of R$ 10 million, with a due date in September 2015, bullet and clean operation as regards guarantees.

b) Financial Lease – contracts executed in:
(i) May 2012 with SG Equipment Finance S.A., in the amount of R$2.5 million, to be paid in 36 months; and
(ii) July 2012, with HP Hewlett Packard, in the amount of R$450 thousand to be paid in 36 months. The financed assets were pledged as collateral for both contracts.

c) Banco Nordeste S.A. – contract entered into in June 2013, for the amount of R$ 147.7 million. The first part of the financing was released by the Bank in August 2014, an amount of R$ 29.2 million, and the second installment was released in January 2015, in the amount of R$ 45.7 million. The contract matures after 8 years, with a 2-year grace period, where the first principal installment is to be paid in July 2015. For this contract, real estate mortgages and machinery and equipment were given as guarantees.

d) Exim Pre-shipment – contracts entered into on:
(i) August 2013 in the amount of R$30 million to be paid in 12 monthly installments, with first installment maturing in September 2014 and guaranteed by Portobello S.A. receivables in the amount equivalent to 20% of the contract's debt balance; and
(ii) September 2013, in the amount of R$20 million to be paid in 18 monthly installments, with first installment maturing in April 2014 and 100% guaranteed by pledged assets and real estate mortgage of Portobello S.A.

e) BNDES (Progeren) – contract entered into:
(i) January 2013, in the amount of R$20 million, with one year grace period and to be paid in 24 monthly successive installments (with no covenants or guarantees); and
(ii) March 2013, R$10 million, also with a grace period of one year and 24 monthly and consecutive installments (with no covenants, but receivables of Portobello S.A., corresponding to 40% of the contract's debt balance, were given in guarantee).

f) Law 4131 (Trade Exporter with Swap for CDI) – contract signed in December 2012, in the amount of R$50 million, to be paid in 60 months with grace period of 24 months. Amortizations are semi-annual and receivables of Portobello S.A in the amount of 50% of the debit balance of the contract were pledged as collateral.

g) NCE (Export Credit Note) - contracts entered into on:
(i) January 2013, in the amount of R$20 million, to be paid in 7 half-annual installments, with first installment maturing in January 2015 (Portobello S.A. receivables were given in guarantee, at an amount equivalent to 50% of the contract's debt balance);
(ii) April 2013 - R$30 million, maturing in five half-annual installments (April, October 2014 and 2015 and April 2016) (guarantees: receivables of Portobello S.A, in the amount of 20% of the debit balance of the contract);
(iii) March 2014, in the amount of R$ 28.3 million, to be paid in 36 monthly installments, with first installment maturing in April 2014 (guarantees: receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract);
(iv) April 2014, in the amount of R$ 15 million, to be paid in 35 monthly installments, with first installment maturing in May 2014 (guarantees: receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract); and
(v) May 2014, in the amount of R$ 15 million, to be paid in 35 monthly installments, with first installment maturing in June 2014 (guarantees: receivables of Portobello S.A, in the amount of 25% of the debit balance of the contract.
(vi) September 2014, R$10 million, with principal maturing in September 2017 (with no covenants, a clean operation regarding guarantees).
(vii) February 2015, in the amount of R$ 50 million, with the principal amount due in February 2016 (guarantees: Portobello S.A.'s receivables, corresponding to 15% on debt balance of the contract.

h) Prepayment – contracts entered into on:
(i) June 2013 in the amount of U$5,000; principal will be paid in 16 installments and interest in 20 quarterly installments, with first installment maturing in September 2013, 100% guaranteed by pledged assets.

i) PRODEC (Programa de Desenvolvimento da Empresa Catarinense) - Santa Catarina State special regime obtained in July 2009.

Balance is subject to adjustment to present value and rate used is current working capital average (12.58% p.a.). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with a grace period of 48 months, a term of 120 months and monetary restatement of 4% per annum and changes in the UFIR rate.

j) FINEP - Financing Agency for Studies and Projects - contract entered into on:
(i) May 2010 in the amount of up to R$30 million, bearing interest of 5% p.a. and to be paid in 80 months, being 20 months of grace period. The first installment, in the amount of R$13 million, was fully released in September 2010, and the second portion, in the amount of R$5,572, was released in December 2012.
(ii) July 2014 in the amount of up to R$57.3 million, bearing interest of 4% p.a. and to be paid in 82 months, being 21 months of grace period. The first installment of R$ 12.6 million was fully released in July 2014.
Both contracts required the presentation of a bank guarantee letter at the cost of 0.95% p.a.

k) DEG - Deutsche Investitions – contract executed in May 2014, in the amount of R$40.3 million and maturing in 12 half-annual installments, with first maturity of principal installment in April 2016. Machinery, equipment and promissory notes were given in guarantee of this contract. This contract has minimum covenant clauses that were not complied with, thus, on March 31, 2015, the full amount is recognized as current liabilities. The Company requested a waiver from said financial institution, which, on May 15, 2015, issued a letter informing that acceleration will be suspended until May 30, 2015, the date that said waiver will be granted.

l) FINAME (industrial credit note) - contracts executed on:
(i) May 2013 to September 2013, in the amount of R$5.5 million, to be paid in 96 monthly installments and with grace period of 24 months;
(ii) January 2014, in the amount of R$ 577 thousand, to be paid in 96 monthly installments and with grace period of 17 months. Financed equipment was given in guarantee.

m) ACC (Advance on exchange contract) – contracts entered into on:
(i) December 2014, for the amounts of R$ 17.5 million and maturing after 180 days; and R$ 19.9 million and maturing after 360 days, both contracts are provided with clean guarantees.
(ii) January 2015, in the amount of R$ 5.2 million and maturing after 180 days, the contract is provided with a clean guarantee.

n) NCE (Export Credit Note in USD with a CDI Swap) – contract entered into in November 2014, in the amount of R$ 39.8 million, maturing after 36 monthly installments, where the first principal installment is due in November 2015. Receivables from Portobello S.A, in the amount of 15% of the debit balance of the contract were pledged as collateral for this contract.

For the other loans granted, real estate mortgages, equipment, receivables of the Parent company (Note 6) and of subsidiary (Note 41), and additionally, inventories of finished goods were pledged, in the amount of R$ 30,122.

The long-term loans have the following payment schedule:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
Maturities on April 1	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
2016	106,671	108,351	107,709	109,352
2017	109,266	85,030	109,266	85,030
2018	31,284	29,432	31,284	29,432
2019 to 2025	59,782	50,833	59,782	50,833
	307,003	273,645	308,041	274,646

The carrying amounts and the fair values of loans presented in the following currencies:

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Reais	416,508	309,926	417,546	310,927
US Dollars	157,451	136,441	157,451	136,441
	573,959	446,367	574,997	447,368

Current loans' fair values do not present significant differences in relation to their book values, as book values are recorded at amortized cost and adjusted on a pro rata basis.

Financial lease obligations with the parent company and consolidated are as follows:

Financial leases	March 31, 2015	December 31, 2014
Gross obligations (minimum payments)		
Less than one year	856	856
Total	856	856
Charges from future financing	(647)	(380)
Present value of the obligations	209	476
Present value of obligations		
Less than one year	209	476
Total	209	476

Notes to the financial statements

In thousands of reais, unless otherwise indicated

21 Installment payment of tax liabilities

	Tax liabilities	Application for installment payments		March 31, 2015	December 31, 2014
		Date	Installments falling due		
Portobello S.A.	LAW 11941/09 (a)	Nov 2009	115	83,556	84,187
Total Parent Company				83,556	84,187
Portobello Shop S.A.	LAW 11941/09 (a)	Nov 2009	115	569	573
Total subsidiary				569	573
Total consolidated				84,125	84,760

The payment schedule is as follows:

	Parent company		Consolidated	
Maturity	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
2015	6,271	8,300	6,315	8,358
2016 to 2023 (*)	69,992	68,728	70,464	69,192
2024	7,293	7,159	7,346	7,210
	83,556	84,187	84,125	84,760
Current	8,458	8,300	8,518	8,358
Non-current	75,098	75,887	75,607	76,402

(*) From 2016 to 2023, the annual installments will be R$ 8,749 and R$ 8,591 for the Parent Company and R$ 8,649 for Consolidated.

a) Law 11941/09 (REFIS - Fiscal Recovery Program)

In May 2011 and June 2011, the Company concluded the process of consolidation of installments established by Law 11941/09, which began with the participation in the Tax Recovery Program in November 2009.

Between such participation and the Consolidation, the Company made the payment of minimum installment of R$ 395 as allowed by law. During this period, more precisely in the consolidation, decisions were made that reflected a positive economic adjustment of R$ 3,013, including R$ 3,613 with impact on other operating income and R$ 600 in financial expense. The main reflection occurred in virtue of the non-confirmation of migration of non-deferred debts in the installments of PM 470 to the installments of Law 11941/09 (see Note 22).

After consolidation, the Company undertakes to pay the monthly installments of R$ 734 with no delays exceeding three months, as well as withdrew from lawsuits and waive any claim of rights upon which such suits are based, under penalty of immediate termination of the installment, and consequent loss of the benefits introduced by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in Note 14 and 15.

In thousands of reais, unless otherwise indicated

22 Tax debts - Law 12249/10 (PM 470 and PM 472)

In November 2009, the Company enrolled in the installment program established by Provisional Measure 470 (regarding the improper use of IPI premium credits) with the Federal Revenue Service (SRF) and the General Attorney's Office of the National Treasury (PGFN) In this participation, aside from the installments, there is a reduction of burdens and the Company can utilize tax credits arising from tax losses until 2008, for payment of debts.

Upon conversion of this Provisional Measure into Law (Law 12249/10), in June 2010 the use of tax credits arising from tax losses existing as of December 31, 2009 was authorized. The Company used this benefit and recorded R$ 3,252 in 2Q10 considering the paid installments.

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the “undue use” had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Notes 14 and 15. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of “undue use”, manifestly recognized by the Federal Revenue Service of Brazil in the reporting unit. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12.249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it’s practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit. As clarification, injunction filed to claim court homologation for payment in installments was rejected in the lower court. TRF of the 4th region partially approved the appeal. The Company maintains the proceeding of reversing remaining court dispute in the Higher Court of Justice.

In the remote event that PGFN's decision is maintained through the last legal level, the impact on the Company's results would be a loss of R$ 18,172 at March 31, 2015, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debits as contingent liabilities. This possible tax liability will be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in Note 15.

23 Taxes, rates and contributions

As of March 31, 2015, taxes, rates, and contributions recorded in current liabilities were classified as follows:

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
IRRF	1,168	1,747	1,439	1,997
ICMS	7,886	6,176	7,890	6,166
PIS/COFINS	2,632	169	3,281	739
Other	339	366	539	535
	12,025	8,458	13,149	9,437

In thousands of reais, unless otherwise indicated

24 Provisions for contingencies

The Company and its subsidiaries are parties in lawsuits involving tax, civil and labor claims, and tax administrative proceedings. Supported by the opinion of its legal advisors, Company Management believes that the balance of reserves is sufficient to cover the spending required to settle the obligations.

The opening balance of the reserves can be presented as follows:

	Parent company		Consolidated	
Sum provisioned	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Civil	6,573	6,321	6,666	6,388
Labor	18,367	17,322	18,367	17,322
Tax	6,212	4,020	6,212	4,020
	31,152	27,663	31,245	27,730
Current	19,130	17,925	19,173	17,966
Non-current	12,022	9,738	12,072	9,764

Contingencies classified in current assets derive from court analysis and their realization is expected in less than 12 months.

The provisions are measured at the estimate of the expenditures that shall be necessary to settle the obligation. And the civil and labor-related lawsuits are assessed individually by the Company's legal advisors, who classify them according to the expectations of success of the suits.
Statement of changes in provisions:

	Parent company			Total
	Civil	Labor	Tax	
December 31, 2014	6,321	17,322	4,020	27,663
Debited (credited) to the statement of income:	259	1,079	2,192	3,530
Additional provisions	69	489	2,129	2,687
Reversals for non-use	(27)	(127)	-	(154)
Monetary restatement (Note 34)	217	717	63	997
Reversals by realization	(7)	(34)	-	(41)
March 31, 2015	6,573	18,367	6,212	31,152

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2014	6,388	17,322	4,020	27,730
Debited (credited) to the statement of income:	303	1,079	2,192	3,574
Additional provisions	101	489	2,129	2,719
Reversals for non-use	(27)	(127)	-	(154)
Monetary restatement (Note 34)	229	717	63	1,009
Reversals by realization	(25)	(34)	-	(59)
March 31, 2015	6,666	18,367	6,212	31,245

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 185 lawsuits (185 lawsuits on December 31, 2014), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 11).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 390 labor complaints (378 complaints on December 31, 2014), filed by former employees and third parties. Claims refer mainly to health hazard premium, matter that has already been decided in the TRT (regional labor court) of the 12^{th} Region in favor of the Company. Other claims refer to the payment of severance pay, additional pay, overtime, salary equalization and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company's legal consultants. Some lawsuits are supported by judicial deposits (Note 11).

Also part of the provisions for labor-related suits are tax notification on social security contributions payable by the Company on the remunerations paid to the insured persons, contribution to the financing of benefits on the grounds of working incapacity, and contributions earmarked for third parties (INCRA and SEBRAE), plus late-payment interest and penalty.

Tax

a) INSS (social security national institute) on Cooperatives

These are lawsuits filed by the Company (injunction) against the National Institute of Social Security, which demanded the payment of social security contributions set forth in Article 22, item IV of Law 8212/91 as amended by Law 9879/99.

The Company asserts that in the exercise of its activities, it engages cooperatives in various work areas, which provide specialized services, thus subjecting it to the payment of the contribution, but it is understood that there is no constitutional provision for such collection, since this goes against the principles of legality, equality and protection for cooperatives, based on this it seeks preliminary injunction in order that its right not to be subject to the payment of social security contributions be declared, as well as making compensation of amounts unduly paid for such purposes. On March 31, 2015, the balance of provision totals R$ 2,646 (R$ 2,567 on December 31, 2014).

b) Exclusion of ICMS rate excluded from calculation basis of PIS and COFINS

The Company filed a petition for a writ of mandamus with aims to change the calculation base for the PIS (Social Integration Program) and the COFINS (Social Security Financing Contribution) taxes upon the exclusion of the ICMS tax. The Santa Catarina State Revenue Service rendered a merit judgment in favor of the change to said calculation base, and the amount as of March 31, 2015 is R$ 2,051.

The balance of provisions for tax contingencies are adjusted by the variation in the SELIC rate in the period.

25 Lawsuits with possible loss

It is understood that in addition to the amounts recognized in its financial accounting, classified as probable losses, there are other civil and labor-related lawsuits, which have been classified as possible losses according to the assessment of risks arising from these lawsuits, the Company, based on its legal advisors, estimates the amounts of contingent liabilities shown as follow.

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Civil	2,109	2,109	2,353	2,353
Labor	12,392	11,840	12,392	11,840
	14,501	13,949	14,745	14,193

a) Administrative Proceedings No. 10983.721445/2014-78

On December 08, 2014, Portobello S/A was notified about Tax Assessment Notices that formed tax credits for the IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) taxes (as well as monetary penalties and interest), for the calendar years from 2009 to 2013. As claimed by the Tax Authorities, Portobello would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) improperly excluded taxable income from tax benefits; (a.2) deducted unnecessary expenses related to principal amounts of tax debits (IPI, PIS, and COFINS taxes) involved in the income (loss) for the prior years; (a.3) excluded non-deductible amounts concerning principal amounts of IRPJ and CSLL taxes; (a.4) improperly excluded amounts related to principal amounts contained in temporary additions and that had been involved in the income (loss) for the prior years; and (a.5) less non-deductible expenses related to ex-officio fine; (b) in the years of 2010, 2011, and 2012, it would have allegedly: (b.1) tax losses and negative CSLL bases offset with amounts higher than those assessed; and (b.2) failed to pay IRPJ and CSLL amounts assessed through a monthly estimate, resulting in a fine being assessed in an isolated manner; and (c) in 2013, would have allegedly offset negative CSLL bases with amounts higher than those determined. On January 06, 2015, Portobello submitted an Objection against said entries, challenging all the infractions assigned to it, so ever since then (January 06, 2015) it is waiting for a decision on said Opposition, which, according to the Company's legal advisors, is most likely to be granted, causing the Notice of Infraction to be canceled; in view of that, the Company deems that the possibility of loss is remote and has chosen not to enter the amount of R$ 73 million as potential liabilities.

26 Accounts payable - Investments

The Company has a balance of R$ 8,932 (R$21,466 as of December 31, 2014) under current liabilities, which is connected with the investments being made for the construction of a manufacturing plant in Alagoas. This balance was classified under suppliers, but due to its nature was reassigned to a specific account.

27 Employee benefits

27.1 Private pension plan

The Company and its subsidiaries, since 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência - Banco do Brasil Pension Fund, and has 35 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

The main actuarial assumptions used:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company
	March 31, 2015 and 2014
Economic assumptions	
Discount rate	6% p.a. (real)
Estimated rate of return for assets	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years
Growth of private pension benefits and limits	2% p.a. (real) as of 48 years
Inflation	Disregarded
Capacity factor	
Salaries	100%
Benefits	100%
Demographic assumptions	
Mortality Table	AT 83
Mortality table of individuals with permanent disability	Exp. IAPC
Table of new disability benefit vested	Hunter and Álvaro Vindas

27.2 Employee benefit expenses

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Remuneration	27,504	23,509	30,380	25,192
Benefits				
Pension plan	269	229	286	247
FGTS	2,280	1,921	2,561	2,131
Other	3,551	2,743	3,785	2,839
Total	33,604	28,402	37,012	30,409

28 Long-term incentive

Faced with the prospect of creating business value, the long-term incentive (LTI) was established and approved by the Company's Board of Directors on May 10, 2012. This consists of a meritocracy program that aims to attract, retain and recognize the performance of professionals working at the Company, to align the interests of Company executives to those of its shareholders, and to stimulate the professionals to remain at their jobs.

Directors and managers with above-average performance ratings are eligible for the LTI, pursuant to the Company's internal policies on performance assessment, and by signing a contract of adhesion become participants in the program.

The adhesion contract defines the number of securities that each participant will receive. The securities are figuratively called “reference shares” and are not traded in the OTC market. The "appreciation" of the securities is calculated annually by the performance of EBITDA[1] and the ratio between EBITDA and net debt[2].

Payment will be made in three annual installments (2015, 2016, 2017) with two-year deferment at the beginning of the period (2013 and 2014). Settlement will be completed after five years of initial recognition (2017) and the Company will make the payment at an amount proportional to amounts calculated using the plan's metrics.

The first group of participants joined in the year 2012 and the present value of the obligation on March 31, 2015 is R$ 10,368 at the parent company and R$ 11,145 at the consolidated (R$ 9,565 at the parent company and R$ 10,249 at the consolidated on December 31, 2014).

[1]income before interest and net financial expenses, taxes, depreciation and amortization
[2] loans and financing plus installment payment of tax liabilities with discount of cash and cash equivalents, as well as securities.

29 Shareholders' equity

a) Capital

Thus, on March 31, 2015, the Company had a capital subscribed and paid in the amount of R$ 76,565 (R$ 76,565 on December 31, 2014) comprising 158,488,517 common shares, nominative and with no par value.

Each common share carries one vote at the General Meetings, according to the rights and privileges established by law and the statutes for the respective kind.

The Company is authorized to increase the share capital up to 1,000,000,000 (one billion) new common shares, nominative and without par value, totaling a capital stock represented by 1,158,488,517 shares, and the issuance of preferred shares or certificates of participation.

On March 31, 2015 there were 72,799,371 outstanding shares, equivalent to 45.93% of total shares issued (72,819,371 on December 31, 2014, equivalent to 45,95% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

b) Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses and increase capital. As of March 31, 2015, the balance of legal reserve amounts to R$ 12,481 (the same as of December 31, 2014), as provided for by article 193 of the Corporation Law.

c) Profit retention reserve

The amount of R$ 66,201 refers to the business growth project established in the Company's investment plan, approved in the Annual Shareholders' Meeting on April 30, 2014, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

d) Profit reserves to be allocated

"Profit reserves to be allocated" amount, which, on March 31, 2015, is R$42,869 refers to accumulated earnings remaining balance for 2014, after allocation of 5% to legal reserve, of 25% to minimum mandatory dividends, and proposed additional dividends in the amount of R$ 22,198 approved in the Annual General Meeting held on April 30, 2015.

In Shareholders' Meeting, the Company's management proposed the allotment of reserves in accordance with Article 199 of Law no. 6,404/76 (Brazilian Corporate Law).

e) Equity evaluation adjustment - Deemed cost

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition.

It was formed as a result of the revaluation of land, buildings and improvements, supported by an appraisal report prepared by an independent appraisal company, which determined the values of re-appraised assets, as well as established the new period of remaining useful life, which became the new base for depreciation to the net book value of such assets.

It is being realized according to the depreciation of re-appraised buildings and improvements recorded against retained earnings. The same effect of realization of the asset appraisal adjustment is reflected in P/L for the period, by the depreciation of the re-appraised assets.

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of income tax and social contribution on the re-appraised balance of land, since in 2006 when the re-appraisal was performed, the legislation did not allow incidence. ICPC 10 instructs Companies to constitute the provision of taxes on land re-appraisal when "it is likely that the economic benefits associated with the non-depreciable asset will revert to the entity itself, whether derived from current sale, the future sale or the very use of the asset." The deferred income tax and social contribution corresponding to the adjustments to appraisal of land, buildings and improvements are classified as non-current liabilities, as per Note 13(b).

Considering the complement of the asset appraisal adjustment, approved by the Special Shareholders' Meeting on December 29, 2006, the balance of the adjustment to company assets, net of deferred taxes, amounted to R$ 39,157 on March 31, 2015 (R$ 39,457 on December 31, 2014), the expense of depreciation of the re-appraisal, in the quarter ended March 31, 2015, was R$ 300 (R$ 393 on March 31, 2014), and the balance of deferred income tax and social contributions adjustments to equity evaluation recorded in non-current liabilities is R$ 20,172 (R$ 20,326 on December 31, 2014), see Note 13(b).

30 Income

The reconciliation of gross income to net income, presented in the statement of income for the quarter ended March 31, 2015, is as follows.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Gross income from sales	284,389	245,621	305,231	262,080
Deductions from gross income	(60,994)	(53,716)	(63,875)	(55,540)
Sales tax	(54,544)	(47,034)	(57,092)	(48,819)
Returns	(6,450)	(6,682)	(6,783)	(6,721)
Net sales	223,395	191,905	241,356	206,540
Domestic market	195,405	171,903	211,730	184,947
Foreign market	27,990	20,002	29,626	21,593

31 Expenses per type

The cost of goods sold, selling expenses and administrative expenses for the quarter ended March 31, 2015 are as follow:

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Changes in inventories of finished products and work in process (a)	(6,863)	(22,925)	(6,861)	(22,925)
Direct production costs (raw materials and inputs)	74,388	74,310	72,993	73,332
General production expenses (including maintenance)	10,979	9,195	10,979	9,195
Cost of goods resold	43,197	43,480	44,028	43,898
Transportation of goods sold	1,194	743	1,194	743
Salaries, charges and benefits to employees	37,923	32,256	42,076	34,685
Third-party labor and services	7,626	4,869	8,459	6,732
Amortization and depreciation	6,344	6,237	6,484	6,289
Rentals and operating leases	1,982	2,433	2,773	2,581
Sales commissions	5,611	5,173	5,905	5,225
Marketing and advertising expenses	1,251	1,798	2,687	3,570
Other commercial expenses	8,649	7,305	10,485	8,062
Other administrative expenses	1,296	950	1,348	1,001
Total	193,577	165,824	202,550	172,388

(a) The changes in inventories of finished products and work in process is the difference between the cost of goods produced and the cost of goods sold (COGS), and could result in a negative balance due to the write-off of COGS related to products that were produced in prior periods which were included in the inventories account.

32 Other operating income and (expenses), net

Other individual and consolidated operating income and expenses for the quarter ended March 31, 2015 are as follow:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Other operating income				
Income from services	36	532	33	157
Other income	129	151	133	154
Total	165	683	166	311
Other operating expenses				
Provision for contingencies (Note 24)	(492)	(342)	(534)	(352)
Provision for long-term incentive (note 28)	(802)	(1,106)	(931)	(1,200)
Provision for profit sharing (a)	(2,587)	(3,026)	(3,028)	(3,314)
Pre-operating expenses – Alagoas Plant	(1,453)	(734)	(3,602)	(734)
Other expenses	(219)	(218)	(183)	(222)
Total	(5,553)	(5,426)	(8,278)	(5,822)
Net total	(5,388)	(4,743)	(8,112)	(5,511)

(a) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

33 Other gains (losses), net

Operating net foreign exchange variation recorded under caption “other net gains (losses) - parent company and consolidated for the quarter ended March 31, 2015 and 2014 corresponds, respectively, to gain of R$ 8,311 and loss of R$2,287.

34 Financial income (loss)

The individual and consolidated financial income for the quarter ended March 31, 2015 is as follows:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Financial income				
Interest	2,887	1,009	3,051	1,088
Restatement of assets	2,473	4,201	2,473	4,201
Gain from derivative transactions (a)	7,840	-	7,840	-
Other	181	145	206	152
Total	13,381	5,355	13,570	5,441
Financial expenses				
Interest	(7,985)	(6,253)	(8,041)	(6,355)
Finance charges on taxes	(1,594)	(2,128)	(1,606)	(2,146)
Decomposition of discount of provisions for contingencies (note 24)	(1,008)	(734)	(1,011)	(736)
Income tax on interests and IOF - Tax on Financial Transactions (b)	(2,558)	(603)	(2,561)	(621)
Other	(1,926)	(553)	(2,040)	(567)
Total	(15,071)	(10,271)	(15,259)	(10,425)
Net exchange variation				
Loans and financing	(20,526)	433	(20,526)	433
Total	(20,526)	433	(20,526)	433
Net total	(22,216)	(4,483)	(22,215)	(4,551)

(a) Provision for the result from derivatives operations, as detailed in note 5.
(b) Provision for interests on income tax, taking the gain from derivatives operations into account.

35 Income from discontinued operations

In August 2010, the Board approved the discontinuation of the operational activities of the subsidiary Portobello América, given that demand in the U.S. market will remain contained for the coming years. The asset demobilization and main assets and liabilities of this unit, for the quarter ended March 31, 2015, are cash and cash equivalents of R$ 292 (R$281 as of December 31, 2014), debts with related parties of R$ 65,690 (R$54,490 as of December 31, 2014), and negative shareholders' equity of R$ 65,398 (R$54,128 as of December 31, 2014).

The results of discontinued operations are presented on a consolidated basis, therefore, aside from the results of the subsidiary Portobello América, Inc., (Note 16), considers the portion of the Parent Company's operations in the discontinued operations. In the first quarter of 2015, result of discontinued operations was losses of R$22 (losses of R$20 on March 31, 2014), represented by some administrative expenses incurred during the quarter.

36 Earnings per share

a) Basic

In accordance with the CPC 41 (Earnings per share), the basic profit per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the period, excluding common shares purchased by the Company and maintained as treasury shares.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Profit attributable to shareholders of the Company	10,784	14,550	10,784	14,550
Weighted average number of common shares	158,489	158,489	158,489	158,489
Basic earnings per share	0.07	0.09	0.07	0.09
Income from continued operations	10,784	14,550	10,806	14,570
Income from discontinued operation	-	-	(22)	(20)
Weighted average number of common shares	158,489	158,489	158,489	158,489
Result from discontinued operations per share	0.06804	0.09180	0.06818	0.09193
Result from discontinued operations per share	-	-	(0.00014)	(0.00013)

The consolidated profit attributable to shareholders does not include the non-controlling interest. The same criteria was used for net income (loss) of continued and discontinued operations.

b) Diluted

Diluted earnings per share is equal to basic, as the Company's common shares have no diluting factors.

37 Dividends

The Company's Board of Directors decided upon and approved, on August 07, 2014, an early payment in 2014 of R$ 6,447 (R$ 5,710 net of income tax), as interest on own capital. The payments began on September 26, 2014, corresponding to the amount of R$ 0.040674 per common share (R$ 0.036028 net of income tax).
On April 30, 2015, the Annual Shareholders' Meeting approved the payment of additional dividends in the amount of R$22,198. Thus, the full amount distributed in 2014 was R$ 44,396 corresponding to 50% of the adjusted net income of 2014. The amount that is yet to be paid to shareholders is R$ 38,686 thousand, which corresponds to R$ 0.244090 per share, due on a date to be timely decided through a notice to the shareholders.

38 Information per business segment

Management defined the operating areas based on reports employed to make strategic decisions, reviewed by Executive Board.

The Executive Board carries out its business analysis, segmenting it from the perspective of the markets in which it operates: Domestic (Domestic market - Brazil) and Exports (Foreign market- Other countries).

The income generated by the operating segments is derived exclusively from the manufacture and sale of ceramic tiles used in the construction industry.

The Executive Board assesses the performance of the operational segments based on the measurement of operating income (income before net interest and income taxes - EBIT) and does not take into account the assets for analysis of the performance of the segments, since the Company's assets are not segregated.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

Information per business segment, reviewed by the Executive Board:

	March 31, 2015			March 31, 2014		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	211,730	29,626	241,356	184,947	21,593	206,540
Cost of goods sold	(131,695)	(18,470)	(150,165)	(116,153)	(13,554)	(129,707)
Gross operating income	80,035	11,156	91,191	68,794	8,039	76,833
Operating income (expenses), net	(45,767)	(6,419)	(52,186)	(45,204)	(5,275)	(50,479)
Sales, general and administrative	(45,942)	(6,443)	(52,385)	(38,221)	(4,460)	(42,681)
Other operating income (expenses), net	(7,114)	(998)	(8,112)	(4,935)	(576)	(5,511)
Other gains (losses), net	7,289	1,022	8,311	(2,048)	(239)	(2,287)
Operating income (loss) before financial income (loss)	34,268	4,737	39,005	23,590	2,764	26,354
% on ROL	16%	16%	16%	13%	13%	13%

The Company has no clients that individually represent more than 10% of net sales.

39 Commitments

a) Commitments for the acquisition of assets

Expenditures contracted on the balance sheet date but not yet incurred referring to Property, plant and equipment on March 31, 2015 totaled R$ 684.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on March 31, 2015 and December 31, 2014, amount to R$ 891 and R$ 1,168, respectively, for less than one year. For more than one year and less than five years, R$ 316 and R$367, respectively.

40 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On March 31, 2015, coverage for fire, ray and explosion of any nature was R$84,000, for windstorm and smoke with impact of vehicles, R$25,000, for loss of profit, R$51,115, and for electric damage, riots and civil liabilities, R$5,600. Policy is valid from April 14, 2015 to April 13, 2016.

The Company also has Civil Liability Insurance for Management (D&O), contracted from AIG Seguros Brasil S/A to cover losses and damages to third parties resulting from actions related to the exercise of their functions and attributions, up to the amount of R$ 10 million, with validity from August 26, 2014 to August 26, 2015.

In addition, the Company contracted a policy from Fairfax Brasil to guarantee labor claim no. 0234100-60.1998.5.05.0015 totaling R$33,548, effective from June 24, 2014 to June 24, 2017.

41 Related companies and parties

Products and raw materials purchase and sale and service contracting transactions, as well as loans and fund raising financial transactions between the Parent company and subsidiaries were realized as detailed below.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

Nature	Transactions with subsidiaries and associated companies	March 31, 2015	December 31, 2014
Assets			
Dividends receivable	Portobello Shop S.A.	9,472	9,472
Accounts receivable	Portobello América, Inc.	65,681	54,383
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	5,099	5,947
Loans	PBTech Com. Serv. Cer. Ltda.	-	1,092
Amounts receivable	Portobello Shop S.A.	-	3
Receivables from subsidiaries - Non-current		70,780	61,425
Credits with other related parties	Refinadora Catarinense S.A.	90,534	88,893
Liabilities			
Dividends paid in advance	Portobello Shop S.A.	-	6,461
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,741	1,451
Accounts receivable - net of advances	Solução Cerâmica Com. Ltda.	406	44
Accounts receivable - net of advances	Flooring Revest. Cer. Ltda.	334	293
		2,481	1,788

Nature	Transactions with subsidiaries and associated companies	March 31, 2015	March 31, 2014
Income			
Rendering of services	Portobello Shop S.A.	-	1,497
Sale of products	Solução Cerâmica Com. Ltda.	4,785	4,354
Sale of products	Flooring Revest. Cer. Ltda.	1,925	2,181
Sale of products	PBTech Com. Serv. Cer. Ltda.	3,726	686
Expenses			
Cost of services rendered	Portobello Shop S.A.	-	(1,124)
Purchase of products	Mineração Portobello Ltda.	(1,394)	(978)
Rent	Gomes Participações Societárias Ltda.	(114)	(105)
		8,928	6,511

The subsidiary Portobello Shop is guarantor of the Company in certain financing operations (see Note 20).

Related party transactions

Portobello Shop presents accounts receivable and income from services related to royalties of four franchises that are related parties. One subsidiary of the Company and two of its related companies comprise the network of franchises. Transactions:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

Transactions with subsidiaries and	Nature	March 31, 2015	December 31, 2014	Nature	March 31, 2015	March 31, 2014
	Assets			Income		
Solução Cerâmica Com. Ltda.	Accounts receivable	484	353	Royalties	1,197	1,139
Flooring Revest. Cer. Ltda.	Accounts receivable	194	149	Royalties	516	575
		678	502		1,713	1,714

Remuneration of key management personnel

The remuneration of the key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended March 31, 2015 and 2014 are:

	Parent company		Consolidated	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Fixed Compensation				
Salaries	2,586	2,344	3,059	2,813
Fees	1,078	926	1,078	926
Variable compensation	355	4,150	421	4,405
Direct and indirect short-term benefits				
Pension plan	217	183	229	197
Other	354	312	418	374
Termination benefits	51	-	51	-
	4,641	7,915	5,256	8,715

The fluctuation of the variable compensation follows its payment periods, which occurred respectively in March 2014 and April 2015.

Comments on the Behavior of the Business Projections

In thousands of reais, unless otherwise indicated

CORPORATE PROJECTIONS

Disclosed projections and assumptions

a) Purpose of prospect

Investments in expansion and modernization of the Tijucas manufacturing unit by replacing a production line for producing large-format enameled porcelain.

b) Period projected and expiration of projection Projected growth

beginning in the second quarter in 2013.

c) Prospect assumptions, indicating which ones can be influenced by the Issuer's management and which are beyond its control

The increase in the projected production volume for the second half of 2013 is based on the installation of a new furnace that will increase production by approximately 4.6 million m2 per year.
It is estimated that, in 2014, when the line will be operating at its full production capacity, the new unit will generate an income of R$141 million per year.
Portobello's growth target for 2013, which is based on the data on the last five years, is 20%, since, according to data disclosed by entities of the sector (ABRAMAT, ANFACER, ANAMACO and IBGE), the ceramic tile industry is expected to grow by 6 to 7% in 2013.
All the assumptions considered are subject to external influencing factors, which are beyond the Company Management's control and may affect the projections disclosed.

d) Value of the indicators that are the subject matter of the prospect

Projections	Estimated value
Investment in the expansion and modernization of the manufacturing	R$ 86 million
Productive capacity of the new line	4.6 million m²/year
Net income of the new line estimated for 2014	R$ 141 million
Growth target in 2013	20%

In addition to the projections disclosed above, Portobello is studying the implementation of a manufacturing unit, which is expected to be located in the State of Alagoas. Initially, an investment of approximately R$205 million is expected, although the aforementioned study has not yet been concluded.

It should be mentioned that the amounts presented above are only estimates and under no circumstances are they to be construed as a performance promise by the Company or its management.

Comments on the Behavior of the Business Projections

In thousands of reais, unless otherwise indicated

Monitoring and changes in disclosed projections

a) State which of them are being replaced by new projections included in the form and which are being repeated in the form.

There were no changes in the prospects previously disclosed.

b) As regards the projections related to elapsed periods, compare the projected data with the actual performance of the indicators, clearly demonstrating the reasons that caused the distortions in the projections.

The projections reported have been fully realized:

Projections	Estimated value	Amounts realized
Investment in the expansion and modernization of the manufacturing unit in Tijucas	R$ 86 million	R$ 87 million
Growth target in 2013	20%	20%
Productive capacity of the new line	4.6 million m²/year	4.2 million m²/year
Net income of the new line estimated for 2014	R$ 141 million	R$ 115 million

The investments in the Tijucas plant expansion and modernization did not exceed the Company's planning and the variation arises from market fluctuations.

The Company's performance in 2013 achieves a new level of gross income, and reached a historical mark of R$ 1 billion while sustaining consistent growth maintained in 2014, averaging 20%, when we compare the net income for the last five years.

The production capacity of the new manufacture line, estimated to be 4.6 million square meters/year, remains as its full capacity, and in 2014 we reached the amount of 4.2 million. Net income amounted to R$ 115 million, where fluctuations are due to prices charged in relation to the initial projections, based on market factors.

c) In relation to the projections for periods still in progress, state whether the projections remain valid as of the date of presentation of this form, and, when applicable, explain why the projections have been abandoned or replaced.

The projection regarding the industrial plant in the state of Alagoas, which is being built yet, remains valid, once the project has not yet been completed.

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information - ITR to the

Board members and Directors and Shareholders of

Portobello S.A. Tijucas

- SC Introduction

We have reviewed the interim, individual and consolidated accounting information of Portobello S.A. ("Company") contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2015, which comprise the balance sheet on March 31, 2015 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the quarter then ended, including explanatory notes.

Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21(R1) - Interim Statement and of the consolidated interim accounting information in accordance with CPC 21 (R1) and with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of the review

Our review was carried out in accordance with the Brazilian and international review standards for interim 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 in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures 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 individual interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Conclusion on the consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by IASB, applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues

Statements of added value

We also reviewed the individual and consolidated value-added statements for the quarter ended on March 31, 2015, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Florianópolis, May 15, 2015. KPMG

Auditores Independentes CRC SC-

000071/F-8

Claudio Henrique Damasceno Reis -

Accountant CRC SC-024494/O-1

Opinions and Statements / Statement of the Executive Officers on the Financial Statements

Statement of the Executive Officers on the Financial Statements and Report of Independent Auditors

Pursuant to CVM Instruction No. 480/09, item I of Article 28, in compliance with items V and VI of Article 25 of this Instruction, the management of Portobello S.A. declares that:

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended March 31, 2015; and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended March 31, 2015.

Composition of the Executive Board

Cesar Gomes Júnior – CEO Cláudio Ávila da

Silva – Vice-President

John Shojiro Suzuki – Financial and Investor Relations Director Mauro Valle

Pereira - Director

Tijucas, May 15, 2015.

Cesar Gomes Júnior

Cláudio Ávila da Silva

John Shojiro Suzuki

Mauro do Valle Pereira

Opinions and Statements / Statement of the Executive Officers on the Independent auditors' report

Statement of the Executive Officers on the Financial Statements and Report of Independent Auditors

Pursuant to CVM Instruction No. 480/09, item I of Article 28, in compliance with items V and VI of Article 25 of this Instruction, the management of Portobello S.A. declares that:

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended March 31, 2015; and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended March 31, 2015.

Composition of the Executive Board

Cesar Gomes Júnior – CEO Cláudio Ávila da

Silva – Vice-President

John Shojiro Suzuki – Financial and Investor Relations Director Mauro Valle

Pereira - Director

Tijucas, May 15, 2015.

Cesar Gomes Júnior

Cláudio Ávila da Silva

John Shojiro Suzuki

Mauro do Valle Pereira