Portobello

**Portobello S.A.**

# Report on the review of quarterly information - ITR

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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 financial information of Portobello S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended September 30, 2014, which comprise the balance sheet as of September 30, 2014 and related statements of income, of comprehensive income for the 3 and 9-month periods then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21 (RI) - Interim Statement and of the consolidated interim accounting information in accordance with CPC 21 (R1) and with international standard 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 this 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 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 nine-month period ended on September 30, 2014, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange 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 accounting information taken as a whole.

Florianópolis, November 07, 2014

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 09/30/2014 |
|---|---|
| **Paid-in capital** | |
| Common | 158.489 |
| Preferred | 0 |
| **Total** | 158.489 |
| **Treasury** | |
| Common | 0 |
| Preferred | 0 |
| **Total** | 0 |

## Individual financial statements / Balance sheet - Assets

## (In thousand of reais)

| Code of account | Account description | Current quarter 09/30/2014 | Prior year 12/31/2013 |
|---|---|---|---|
| 1 | Total assets | 1,084,816 | 953,107 |
| 1.01 | Current assets | 464,157 | 427,954 |
| 1.01.01 | Cash and cash equivalents | 74,923 | 55,389 |
| 1.01.03 | Accounts receivable | 188,504 | 158,522 |
| 1.01.03.01 | Trade accounts receivable | 188,504 | 158,522 |
| 1.01.04 | Inventories | 183,967 | 177,666 |
| 1.01.06 | Recoverable taxes | 6,675 | 17,281 |
| 1.01.06.01 | Current taxes recoverable | 6,675 | 17,281 |
| 1.01.06.01.01 | Income and social contribution tax recoverable | 0 | 10,522 |
| 1.01.06.01.02 | Other current taxes recoverable | 6,675 | 6,759 |
| 1.01.08 | Other current assets | 10,088 | 19,096 |
| 1.01.08.03 | Others | 10,088 | 19,096 |
| 1.01.08.03.01 | Dividends receivable | 0 | 2,934 |
| 1.01.08.03.03 | Advances to suppliers | 5,200 | 11,388 |
| 1.01.08.03.04 | Others | 4,888 | 4,774 |
| 1.02 | Non-current assets | 620,659 | 525,153 |
| 1.02.01 | Long term assets | 269,169 | 241,993 |
| 1.02.01.08 | Related party credits | 144,269 | 149,871 |
| 1.02.01.08.02 | Receivables from subsidiaries | 57,005 | 55,331 |
| 1.02.01.08.04 | Other related party credits | 87,264 | 94,540 |
| 1.02.01.09 | Other non-current assets | 124,900 | 92,122 |
| 1.02.01.09.03 | Judicial deposits | 42,111 | 20,721 |
| 1.02.01.09.04 | Receivables - Eletrobrás | 48,621 | 43,555 |
| 1.02.01.09.05 | Recoverable taxes | 9,124 | 3,884 |
| 1.02.01.09.06 | Tax assets | 14,978 | 13,896 |
| 1.02.01.09.07 | Actuarial assets | 9,547 | 9,547 |
| 1.02.01.09.08 | Others | 519 | 519 |
| 1.02.02 | Investments | 14,534 | 678 |
| 1.02.02.01 | Equity interest | 14,534 | 678 |
| 1.02.02.01.02 | Interest in subsidiaries | 14,336 | 480 |
| 1.02.02.01.04 | Other equity interest | 198 | 198 |
| 1.02.03 | Property, plant and equipment | 320,878 | 264,424 |
| 1.02.04 | Intangible assets | 16,078 | 18,058 |

## Individual financial statements/ Balance sheet – Liabilities

## (In thousand of reais)

| Code of account | Account description | Current quarter 09/30/2014 | Prior year 12/31/2013 |
|---|---|---|---|
| 2 | Total liabilities | 1.084.816 | 953.107 |
| 2.01 | Current liabilities | 370.919 | 347.351 |
| 2.01.01 | Social and labor obligations | 29.654 | 19.398 |
| 2.01.02 | Suppliers | 130.356 | 152.441 |
| 2.01.03 | Tax liabilities | 30.084 | 24.415 |
| 2.01.03.01 | Federal tax liabilities | 30.084 | 24.415 |
| 2.01.03.01.01 | Income and social contribution tax payable | 5.559 | 0 |
| 2.01.03.01.02 | Installment payment of tax liabilities | 11.308 | 17.674 |
| 2.01.03.01.03 | Taxes, rates and contributions | 13.217 | 6.741 |
| 2.01.04 | Loans and financing | 133.337 | 91.068 |
| 2.01.04.01 | Loans and financing | 133.337 | 91.068 |
| 2.01.05 | Other liabilities | 26.492 | 39.458 |
| 2.01.05.02 | Others | 26.492 | 39.458 |
| 2.01.05.02.04 | Advances from clients | 12.187 | 18.047 |
| 2.01.05.02.06 | Dividends payable | 397 | 15.224 |
| 2.01.05.02.07 | Dividends paid in advance | 6.461 | 0 |
| 2.01.05.02.08 | Others | 7.447 | 6.187 |
| 2.01.06 | Provisions | 20.996 | 20.571 |
| 2.01.06.02 | Other provisions | 20.996 | 20.571 |
| 2.01.06.02.05 | Provision for contingencies | 17.356 | 14.600 |
| 2.01.06.02.06 | Provision for profit sharing | 3.640 | 5.971 |
| 2.02 | Non-current liabilities | 492.105 | 413.907 |
| 2.02.01 | Loans and financing | 262.942 | 201.100 |
| 2.02.01.01 | Loans and financing | 262.942 | 201.100 |
| 2.02.02 | Other liabilities | 126.167 | 116.667 |
| 2.02.02.02 | Others | 126.167 | 116.667 |
| 2.02.02.02.03 | Suppliers | 27.895 | 15.966 |
| 2.02.02.02.04 | Related party debts | 2.261 | 2.544 |
| 2.02.02.02.06 | Installment payment of tax liabilities | 95.565 | 98.082 |
| 2.02.02.02.08 | Others | 446 | 75 |
| 2.02.03 | Deferred taxes | 29.300 | 29.154 |
| 2.02.03.01 | Deferred income and social contribution taxes | 29.300 | 29.154 |
| 2.02.04 | Provisions | 73.696 | 66.986 |
| 2.02.04.02 | Other provisions | 73.696 | 66.986 |
| 2.02.04.02.04 | Provision for loss in investments | 56.414 | 55.231 |
| 2.02.04.02.05 | Provisions for contingencies | 8.095 | 5.887 |
| 2.02.04.02.06 | Provision for long-term incentive | 9.187 | 5.868 |
| 2.03 | Shareholders' equity | 221.792 | 191.849 |
| 2.03.01 | Realized capital | 76.565 | 46.065 |
| 2.03.02 | Capital reserves | 0 | -2.545 |
| 2.03.02.05 | Treasury shares | 0 | -2.545 |
| 2.03.04 | Profit reserves | 74.009 | 115.651 |
| 2.03.04.01 | Legal reserve | 7.808 | 7.808 |
| 2.03.04.05 | Profit retention reserve | 66.201 | 41.786 |
| 2.03.04.08 | Additional dividend proposed | 0 | 8.597 |
| 2.03.04.10 | Profit reserves to be allocated | 0 | 57.460 |

## Individual financial statements/ Balance sheet – Liabilities

### (In thousand of reais)

| Code of account | Account description | Current quarter 09/30/2014 | Prior year 12/31/2013 |
|---|---|---|---|
| 2.03.05 | Retained Earnings/Losses | 41.928 | 0 |
| 2.03.08 | Other comprehensive income | 29.290 | 32.678 |

## Individual financial statements / Statement of

## (In thousand of reais)

| Code of account | Account description | Current quarter 07/01/2014 - 09/30/2014 | Accumulated of the current year 01/01/2014 - 09/30/2014 | Same quarter of the prior year 07/01/2013 - 09/30/2013 | Accumulated of the prior year 01/01/2013 - 09/30/2013 |
|---|---|---|---|---|---|
| 3.01 | Income from sales of goods and/or services | 234,295 | 643,490 | 206,937 | 565,916 |
| 3.02 | Cost of goods and/or services sold | -160,491 | -438,079 | -139,846 | -391,070 |
| 3.03 | Gross income | 73,804 | 205,411 | 67,091 | 174,846 |
| 3.04 | Operating expenses/income | -29,051 | -112,615 | -33,656 | -88,444 |
| 3.04.01 | Sales expenses | -34,562 | -100,052 | -27,299 | -75,394 |
| 3.04.02 | General and administrative expenses | -6,723 | -19,713 | -6,360 | -17,258 |
| 3.04.04 | Other operating income | 12,068 | 8,549 | 1,248 | 5,814 |
| 3.04.04.01 | Other operating income | 819 | 2,496 | 987 | 4,738 |
| 3.04.04.02 | Other gains (losses), net | 11,249 | 6,053 | 261 | 1,076 |
| 3.04.05 | Other operating expenses | -5,301 | -16,233 | -4,818 | -10,554 |
| 3.04.05.01 | Other operating expenses | -5,301 | -16,233 | -4,818 | -10,554 |
| 3.04.06 | Equity income (loss) | 5,467 | 14,834 | 3,573 | 8,948 |
| 3.05 | Income (loss) before financial income (loss) and taxes | 44,753 | 92,796 | 33,435 | 86,402 |
| 3.06 | Financial income (loss) | -17,545 | -30,189 | -6,317 | -19,307 |
| 3.06.01 | Financial income | 4,180 | 15,157 | 4,298 | 12,954 |
| 3.06.01.01 | Financial income | 4,180 | 15,157 | 4,298 | 12,954 |
| 3.06.02 | Financial expenses | -21,725 | -45,346 | -10,615 | -32,261 |
| 3.06.02.01 | Financial expenses | -15,986 | -41,130 | -9,974 | -28,051 |
| 3.06.02.02 | Net exchange variation | -5,739 | -4,216 | -641 | -4,210 |
| 3.07 | Income (loss) before income tax | 27,208 | 62,607 | 27,118 | 67,095 |
| 3.08 | Income and social contribution taxes | -7,155 | -15,411 | -5,257 | -15,917 |
| 3.08.01 | Current | -7,398 | -15,265 | -4,869 | -15,780 |
| 3.08.02 | Deferred assets | 243 | -146 | -388 | -137 |
| 3.09 | Net income (loss) of continued operations | 20,053 | 47,196 | 21,861 | 51,178 |
| 3.11 | Income/loss for the period | 20,053 | 47,196 | 21,861 | 51,178 |
| 3.99 | Earnings per share - (Reais / Shares) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | ON | 0,12653 | 0,29779 | 0,13748 | 0,32186 |

## Individual financial statements / Statement of

## (In thousand of reais)

| Code of account | Account description | Current quarter 07/01/2014 - 09/30/2014 | Accumulated of the current year 01/01/2014 - 09/30/2014 | Same quarter of the prior year 07/01/2013 - 09/30/2013 | Accumulated of the prior year 01/01/2013 - 09/30/2013 |
|---|---|---|---|---|---|
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | ON | 0,12653 | 0,29779 | 0,13748 | 0,32186 |

## Individual financial statements / Statement of comprehensive income

### (In thousand of reais)

| Code of account | Account description | Current quarter 07/01/2014 - 09/30/2014 | Accumulated of the current year 01/01/2014 - 09/30/2014 | Same quarter of the prior year 07/01/2013 - 09/30/2013 | Accumulated of the prior year 01/01/2013 - 09/30/2013 |
|---|---|---|---|---|---|
| 4.01 | Net income for the period | 20.053 | 47.196 | 21.861 | 51.178 |
| 4.02 | Other comprehensive income | -5.060 | -2.209 | -292 | -3.789 |
| 4.02.02 | Exchange variation of foreign subsidiary | -5.060 | -2.209 | -292 | -3.789 |
| 4.03 | Comprehensive income for the period | 14.993 | 44.987 | 21.569 | 47.389 |

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

### (Rea In thousand of reais)

| Code of account | Account description | Accumulated of the current year 01/01/2014 - 09/30/2014 | Accumulated of the prior year 01/01/2013 - 09/30/2013 |
|---|---|---|---|
| 6.01 | Net cash from operational activities | 11.854 | 3.652 |
| 6.01.01 | Cash generated in operations | 91.062 | 96.951 |
| 6.01.01.01 | Profit or loss for the year before taxes | 62.607 | 67.095 |
| 6.01.01.02 | Depreciation and amortization | 18.673 | 12.178 |
| 6.01.01.03 | Equity in net income of subsidiaries | -14.834 | -8.948 |
| 6.01.01.04 | Unrealized exchange variation | 1.996 | 7.751 |
| 6.01.01.05 | Provision for inventory at market value | -1.284 | 1.159 |
| 6.01.01.06 | Allowance for doubtful accounts | -231 | -122 |
| 6.01.01.07 | Provision for contingencies | 2.568 | 909 |
| 6.01.01.08 | Provision for labor obligations | -9.473 | 6.838 |
| 6.01.01.09 | Reserve for long-term incentive and profit-sharing | 988 | -700 |
| 6.01.01.10 | Other provisions | -265 | -2.766 |
| 6.01.01.12 | Restatement of Eletrobras compulsory loan | -5.066 | -4.886 |
| 6.01.01.13 | Adjustments to tax assets | -1.082 | -717 |
| 6.01.01.14 | Restatements of credits with other related parties | 7.276 | -3.852 |
| 6.01.01.15 | Finance charges on tax installments | 5.971 | 5.174 |
| 6.01.01.16 | Decomposition of discount of provisions for contingencies | 2.396 | 3.483 |
| 6.01.01.18 | Accrued interest on loans | 20.479 | 12.953 |
| 6.01.01.19 | Negative goodwill on receivables received from related | 2.032 | 1.431 |
| 6.01.01.20 | Others | -1.689 | -29 |
| 6.01.02 | Changes in assets and liabilities | -54.258 | -74.832 |
| 6.01.02.01 | (Increase)/Decrease in accounts receivable | -29.770 | -20.438 |
| 6.01.02.02 | Increase /(Decrease) in Advances from clients | -5.860 | -2.276 |
| 6.01.02.04 | (Increase)/Decrease in inventories | -5.017 | -28.180 |
| 6.01.02.05 | (Increase)/Decrease in recoverable taxes | -5.156 | -3.067 |
| 6.01.02.06 | (Increase)/Decrease in legal deposits | -21.390 | -8.553 |
| 6.01.02.07 | (Increase) Decrease in receivables from related parties | -2.032 | 9.824 |
| 6.01.02.08 | (Increase)/Decrease in other assets | -114 | -1.592 |
| 6.01.02.09 | Increase/(Decrease) in accounts payable | -10.209 | 6.520 |
| 6.01.02.10 | (Increase) Decrease advance to suppliers | 6.188 | -3.759 |
| 6.01.02.11 | Increase/(Decrease) in installment payments | -14.854 | -17.086 |
| 6.01.02.12 | Increase /(Decrease) in Tax and labor liabilities | 32.343 | -5.807 |
| 6.01.02.13 | Increase/(Decrease) in other accounts payable | 1.613 | -418 |
| 6.01.03 | Others | -24.950 | -18.467 |
| 6.01.03.01 | Interest paid | -19.628 | -7.329 |
| 6.01.03.02 | Income and social contribution taxes paid | -5.322 | -11.138 |
| 6.02 | Net cash used in investment activities | -63.254 | -90.761 |
| 6.02.01 | Acquisition of property, plant and equipment | -71.958 | -86.581 |
| 6.02.02 | Acquisition of intangible assets | -1.189 | -4.584 |
| 6.02.03 | Dividends received | 9.395 | 9.173 |
| 6.02.04 | Paid-up capital in subsidiaries | -48 | 0 |
| 6.02.05 | Proceeds from sales of permanent assets | 0 | 192 |
| 6.02.06 | Loans (granted to) repaid by related parties | 546 | -8.961 |

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

### (Rea In thousand of reais)

| Code of account | Account description | Accumulated of the current year 01/01/2014 - 09/30/2014 | Accumulated of the prior year 01/01/2013 - 09/30/2013 |
|---|---|---|---|
| 6.03 | Net cash from financing activities | 70.934 | 148.621 |
| 6.03.01 | Funding loans and financing | 167.451 | 247.392 |
| 6.03.02 | Payment of loans and financing | -66.646 | -83.820 |
| 6.03.03 | Dividends paid | -29.871 | -14.951 |
| 6.05 | Increase (decrease) in cash and cash equivalents | 19.534 | 61.512 |
| 6.05.01 | Opening balance of cash and cash equivalents | 55.389 | 56.576 |
| 6.05.02 | Closing balance of cash and cash equivalents | 74.923 | 118.088 |

# Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2014 - 09/30/2014

## (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 |
| 5.04 | Capital transactions with partners | 0 | 2.545 | -2.545 | -6.447 | 0 | -6.447 |
| 5.04.07 | Interest on own capital | 0 | 0 | 0 | -6.447 | 0 | -6.447 |
| 5.04.08 | Cancelled treasury shares | 0 | 2.545 | -2.545 | 0 | 0 | 0 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 48.375 | -3.388 | 44.987 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 47.196 | 0 | 47.196 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 1.179 | -3.388 | -2.209 |
| 5.05.02.06 | Realization of revaluation reserve | 0 | 0 | 0 | 1.179 | -1.179 | 0 |
| 5.05.02.07 | Exchange variation of foreign subsidiary | 0 | 0 | 0 | 0 | -2.209 | -2.209 |
| 5.06 | Internal changes in shareholders' equity | 30.500 | 0 | -39.097 | 0 | 0 | -8.597 |
| 5.06.04 | Capital increase | 30.500 | 0 | -30.500 | 0 | 0 | 0 |
| 5.06.05 | Approval of additional dividends | 0 | 0 | -8.597 | 0 | 0 | -8.597 |
| 5.07 | Closing balances | 76.565 | 0 | 74.009 | 41.928 | 29.290 | 221.792 |

# Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2013 - 09/30/2013

## (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 | 40.798 | 267 | 50.069 | 0 | 35.985 | 127.119 |
| 5.03 | Adjusted opening balances | 40.798 | 267 | 50.069 | 0 | 35.985 | 127.119 |
| 5.04 | Capital transactions with partners | 0 | 0 | 0 | -3.658 | 0 | -3.658 |
| 5.04.07 | Interest on own capital | 0 | 0 | 0 | -3.658 | 0 | -3.658 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 52.363 | -4.974 | 47.389 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 51.178 | 0 | 51.178 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 1.185 | -4.974 | -3.789 |
| 5.05.02.06 | Realization of revaluation reserve | 0 | 0 | 0 | 1.185 | -1.185 | 0 |
| 5.05.02.07 | Exchange variation of foreign subsidiary | 0 | 0 | 0 | 0 | -3.789 | -3.789 |
| 5.06 | Internal changes in shareholders' equity | 5.267 | -267 | -5.000 | 0 | 0 | 0 |
| 5.06.01 | Formation of reserves | 267 | -267 | 0 | 0 | 0 | 0 |
| 5.06.04 | Capital increase | 5.000 | 0 | -5.000 | 0 | 0 | 0 |
| 5.07 | Closing balances | 46.065 | 0 | 45.069 | 48.705 | 31.011 | 170.850 |

## Individual financial statements or Statement of added value

## (In thousand of reais)

| Code of account | Account description | Accumulated of the current year, 01/01/2014 - 09/30/2014 | Accumulated of the prior year, 01/01/2013 - 09/30/2013 |
|---|---|---|---|
| 7.01 | Income | 843.088 | 711.657 |
| 7.01.01 | Sale of merchandise, products and services | 805.667 | 703.154 |
| 7.01.02 | Other income | 6.798 | 8.381 |
| 7.01.03 | Revenues from construction of own assets | 30.854 | 0 |
| 7.01.04 | Allowance for /reversal of doubtful accounts | -231 | 122 |
| 7.02 | Inputs acquired from third parties | -446.929 | -366.011 |
| 7.02.01 | Cost of products, goods and services sold | -325.839 | -300.914 |
| 7.02.02 | Materials, Energy, Third-party services and other | -121.000 | -67.163 |
| 7.02.03 | Loss/recovery of asset values | -90 | 2.066 |
| 7.03 | Gross added value | 396.159 | 345.646 |
| 7.04 | Retentions | -18.671 | -12.178 |
| 7.04.01 | Depreciation, amortization and depletion | -18.671 | -12.178 |
| 7.05 | Net added value produced | 377.488 | 333.468 |
| 7.06 | Added value received as transfer | 55.583 | 51.867 |
| 7.06.01 | Equity income (loss) | 14.834 | 8.950 |
| 7.06.02 | Financial income | 40.749 | 42.917 |
| 7.07 | Total added value payable | 433.071 | 385.335 |
| 7.08 | Distribution of added value | 433.071 | 385.335 |
| 7.08.01 | Personnel | 122.149 | 100.457 |
| 7.08.01.01 | Direct remuneration | 105.071 | 87.677 |
| 7.08.01.02 | Benefits | 10.389 | 7.280 |
| 7.08.01.03 | F.G.T.S. | 6.689 | 5.500 |
| 7.08.02 | Taxes, rates and contributions | 191.409 | 166.145 |
| 7.08.02.01 | Federal | 101.105 | 90.454 |
| 7.08.02.02 | State | 90.031 | 75.368 |
| 7.08.02.03 | Municipal | 273 | 323 |
| 7.08.03 | Third-party capital remuneration | 72.317 | 67.555 |
| 7.08.03.01 | Interest | 64.885 | 61.147 |
| 7.08.03.02 | Rents | 7.432 | 6.408 |
| 7.08.04 | Remuneration of own capital | 47.196 | 51.178 |
| 7.08.04.03 | Retained earnings / Loss for the period | 47.196 | 51.178 |

## Consolidated financial statements or Balance sheet - Assets

### (In thousand of reais)

| Code of account | Account description | Current quarter 09/30/2014 | Prior year 12/31/2013 |
|---|---|---|---|
| 1 | Total assets | 1.034.174 | 904.908 |
| 1.01 | Current assets | 477.192 | 433.732 |
| 1.01.01 | Cash and cash equivalents | 78.636 | 57.677 |
| 1.01.03 | Accounts receivable | 196.544 | 163.801 |
| 1.01.03.01 | Trade accounts receivable | 196.544 | 163.801 |
| 1.01.04 | Inventories | 184.355 | 177.847 |
| 1.01.06 | Recoverable taxes | 7.362 | 17.883 |
| 1.01.06.01 | Current taxes recoverable | 7.362 | 17.883 |
| 1.01.06.01.01 | Income and social contribution tax recoverable | 452 | 10.978 |
| 1.01.06.01.02 | Other current taxes recoverable | 6.910 | 6.905 |
| 1.01.08 | Other current assets | 10.295 | 16.524 |
| 1.01.08.03 | Others | 10.295 | 16.524 |
| 1.01.08.03.03 | Advances to suppliers | 3.901 | 9.975 |
| 1.01.08.03.04 | Others | 6.394 | 6.549 |
| 1.02 | Non-current assets | 556.982 | 471.176 |
| 1.02.01 | Long term assets | 212.257 | 186.662 |
| 1.02.01.08 | Related party credits | 87.264 | 94.540 |
| 1.02.01.08.04 | Other related party credits | 87.264 | 94.540 |
| 1.02.01.09 | Other non-current assets | 124.993 | 92.122 |
| 1.02.01.09.03 | Judicial deposits | 42.204 | 20.721 |
| 1.02.01.09.04 | Receivables - Eletrobras | 48.621 | 43.555 |
| 1.02.01.09.05 | Recoverable taxes | 9.124 | 3.884 |
| 1.02.01.09.06 | Tax assets | 14.978 | 13.896 |
| 1.02.01.09.07 | Actuarial assets | 9.547 | 9.547 |
| 1.02.01.09.08 | Others | 519 | 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 | 327.882 | 265.572 |
| 1.02.04 | Intangible assets | 16.645 | 18.744 |

## Consolidated financial statements or Balance sheet – Liabilities

## (In thousand of reais)

| Code of account | Account description | Current quarter 09/30/2014 | Prior year 12/31/2013 |
|---|---|---|---|
| 2 | Total liabilities | 1.034.174 | 904.908 |
| 2.01 | Current liabilities | 374.504 | 352.485 |
| 2.01.01 | Social and labor obligations | 31.679 | 20.483 |
| 2.01.02 | Suppliers | 134.697 | 153.842 |
| 2.01.03 | Tax liabilities | 31.865 | 25.853 |
| 2.01.03.01 | Federal tax liabilities | 31.865 | 25.853 |
| 2.01.03.01.01 | Income and social contribution tax payable | 6.456 | 461 |
| 2.01.03.01.02 | Installment payment of tax liabilities | 11.391 | 18.080 |
| 2.01.03.01.03 | Taxes, rates and contributions | 14.018 | 7.312 |
| 2.01.04 | Loans and financing | 133.337 | 91.068 |
| 2.01.04.01 | Loans and financing | 133.337 | 91.068 |
| 2.01.05 | Other liabilities | 21.360 | 40.003 |
| 2.01.05.02 | Others | 21.360 | 40.003 |
| 2.01.05.02.04 | Advances from clients | 13.400 | 18.440 |
| 2.01.05.02.06 | Dividends payable | 397 | 15.239 |
| 2.01.05.02.07 | Others | 7.563 | 6.324 |
| 2.01.06 | Provisions | 21.566 | 21.236 |
| 2.01.06.02 | Other provisions | 21.566 | 21.236 |
| 2.01.06.02.05 | Provision for contingencies | 17.395 | 14.635 |
| 2.01.06.02.06 | Provision for profit sharing | 4.171 | 6.601 |
| 2.02 | Non-current liabilities | 437.855 | 360.566 |
| 2.02.01 | Loans and financing | 263.911 | 202.066 |
| 2.02.01.01 | Loans and financing | 263.911 | 202.066 |
| 2.02.02 | Other liabilities | 126.687 | 117.200 |
| 2.02.02.02 | Others | 126.687 | 117.200 |
| 2.02.02.02.03 | Suppliers | 27.895 | 15.966 |
| 2.02.02.02.05 | Private pension plan | 2.261 | 2.544 |
| 2.02.02.02.06 | Installment payment of tax liabilities | 96.085 | 98.616 |
| 2.02.02.02.08 | Others | 446 | 74 |
| 2.02.03 | Deferred taxes | 29.300 | 29.154 |
| 2.02.03.01 | Deferred income and social contribution taxes | 29.300 | 29.154 |
| 2.02.04 | Provisions | 17.957 | 12.146 |
| 2.02.04.02 | Other provisions | 17.957 | 12.146 |
| 2.02.04.02.05 | Provision for contingencies | 8.118 | 5.908 |
| 2.02.04.02.06 | Provision for long-term incentive | 9.839 | 6.238 |
| 2.03 | Consolidated shareholders' equity | 221.815 | 191.857 |
| 2.03.01 | Realized capital | 76.565 | 46.065 |
| 2.03.02 | Capital reserves | 0 | -2.545 |
| 2.03.02.05 | Treasury shares | 0 | -2.545 |
| 2.03.04 | Profit reserves | 74.009 | 115.651 |
| 2.03.04.01 | Legal reserve | 7.808 | 7.808 |
| 2.03.04.05 | Profit retention reserve | 66.201 | 41.786 |
| 2.03.04.08 | Additional dividend proposed | 0 | 8.597 |
| 2.03.04.10 | Profit reserves to be allocated | 0 | 57.460 |
| 2.03.05 | Retained Earnings/Losses | 41.928 | 0 |
| 2.03.08 | Other comprehensive income | 29.290 | 32.678 |

## Consolidated financial statements or Balance sheet – Liabilities

## (In thousand of reais)

| Code of account | Account description | Current quarter 09/30/2014 | Prior year 12/31/2013 |
|---|---|---|---|
| 2.03.09 | Interest of non-controlling shareholders | 23 | 8 |

## Consolidated financial statements or Statement of income

### (In thousands of reais)

| Code of account | Account description | Current quarter 07/01/2014 - 09/30/2014 | Accumulated of the current year 01/01/2014 - 09/30/2014 | Same quarter of the prior year 07/01/2013 - 09/30/2013 | Accumulated of the prior year,01/01/2013 - 09/30/2013 |
|---|---|---|---|---|---|
| 3.01 | Income from sales of goods and/or services | 251.486 | 691.070 | 220.945 | 604.301 |
| 3.02 | Cost of goods and/or services sold | -159.998 | -436.511 | -139.566 | -390.418 |
| 3.03 | Gross income | 91.488 | 254.559 | 81.379 | 213.883 |
| 3.04 | Operating expenses/income | -44.131 | -154.237 | -46.203 | -122.264 |
| 3.04.01 | Sales expenses | -42.028 | -120.748 | -33.914 | -92.018 |
| 3.04.02 | General and administrative expenses | -8.153 | -23.934 | -7.478 | -21.397 |
| 3.04.04 | Other operating income | 11.754 | 7.762 | 638 | 4.265 |
| 3.04.04.01 | Other operating income | 505 | 1.709 | 377 | 3.189 |
| 3.04.04.02 | Other gains (losses), net | 11.249 | 6.053 | 261 | 1.076 |
| 3.04.05 | Other operating expenses | -5.704 | -17.317 | -5.449 | -13.114 |
| 3.04.05.01 | Other operating expenses | -5.704 | -17.317 | -5.449 | -13.114 |
| 3.05 | Income (loss) before financial income (loss) and taxes | 47.357 | 100.322 | 35.176 | 91.619 |
| 3.06 | Financial income (loss) | -17.362 | -30.131 | -5.978 | -18.910 |
| 3.06.01 | Financial income | 4.738 | 15.929 | 4.969 | 13.984 |
| 3.06.01.01 | Financial income | 4.738 | 15.929 | 4.969 | 13.984 |
| 3.06.02 | Financial expenses | -22.100 | -46.060 | -10.947 | -32.894 |
| 3.06.02.01 | Financial expenses | -16.361 | -41.844 | -10.306 | -28.684 |
| 3.06.02.02 | Net exchange variation | -5.739 | -4.216 | -641 | -4.210 |
| 3.07 | Income (loss) before income tax | 29.995 | 70.191 | 29.198 | 72.709 |
| 3.08 | Income and social contribution taxes | -9.919 | -22.921 | -7.318 | -21.478 |
| 3.08.01 | Current | -10.162 | -22.775 | -6.930 | -21.341 |
| 3.08.02 | Deferred assets | 243 | -146 | -388 | -137 |
| 3.09 | Net income (loss) of continued operations | 20.076 | 47.270 | 21.880 | 51.231 |
| 3.10 | Net income (loss) of discontinued operations | -18 | -59 | -15 | -42 |
| 3.10.01 | Net income (loss) of discontinued operations | -18 | -59 | -15 | -42 |
| 3.11 | Income/loss for the period | 20.058 | 47.211 | 21.865 | 51.189 |
| 3.11.01 | Attributed to the Parent company's partners | 20.053 | 47.196 | 21.861 | 51.178 |
| 3.11.02 | Attributed to non-controlling partners | 5 | 15 | 4 | 11 |

# Consolidated financial statements or Statement of income

## (In thousands of reais)

| Code of account | Account description | Current quarter 07/01/2014 - 09/30/2014 | Accumulated of the current year 01/01/2014 - 09/30/2014 | Same quarter of the prior year 07/01/2013 - 09/30/2013 | Accumulated of the prior year,01/01/2013 - 09/30/2013 |
|---|---|---|---|---|---|
| 3.99 | Earnings per share - (Reais / Shares) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | ON | 0,12653 | 0,29779 | 0,13748 | 0,32186 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | ON | 0,12653 | 0,29779 | 0,13748 | 0,32186 |

## Consolidated financial statements or Statement of comprehensive income

## (In thousand of reais)

| Code of account | Account description | Current quarter 07/01/2014 - 09/30/2014 | Accumulated of the current year 01/01/2014 - 09/30/2014 | Same quarter of the prior year 07/01/2013 - 09/30/2013 | Accumulated of the prior year,01/01/2013 - 09/30/2013 |
|---|---|---|---|---|---|
| 4.01 | Consolidated net income for the period | 20.058 | 47.211 | 21.865 | 51.189 |
| 4.02 | Other comprehensive income | -5.060 | -2.209 | -292 | -3.789 |
| 4.02.02 | Exchange variation of foreign subsidiary | -5.060 | -2.209 | -292 | -3.789 |
| 4.03 | Consolidated comprehensive income for the period | 14.998 | 45.002 | 21.573 | 47.400 |
| 4.03.01 | Attributed to the Parent company's partners | 14.993 | 44.987 | 21.569 | 47.389 |
| 4.03.02 | Attributed to non-controlling partners | 5 | 15 | 4 | 11 |

# Consolidated financial statements or Statement of comprehensive income

## (In thousand of reais)

| Code of account | Account description | Accumulated of the current year, 01/01/2014 - 09/30/2014 | Accumulated of the prior year, 01/01/2013 - 09/30/2013 |
|---|---|---|---|
| 6.01 | Net cash from operational activities | 29.114 | 4.443 |
| 6.01.01 | Cash generated in operations | 113.230 | 104.449 |
| 6.01.01.01 | Profit or loss for the year before taxes | 70.132 | 72.709 |
| 6.01.01.02 | Depreciation and amortization | 18.866 | 12.241 |
| 6.01.01.04 | Unrealized exchange variation | 2.007 | 119 |
| 6.01.01.05 | Provision for inventory at market value | -1.284 | 1.164 |
| 6.01.01.06 | Allowance for doubtful accounts | -237 | -130 |
| 6.01.01.07 | Provision for contingencies | 2.568 | 1.406 |
| 6.01.01.08 | Provision for labor obligations | -10.115 | 6.838 |
| 6.01.01.09 | Provision for profit sharing | 1.171 | -813 |
| 6.01.01.10 | Other provisions | -241 | -2.767 |
| 6.01.01.12 | Restatement of Eletrobras compulsory loans | -5.066 | -4.886 |
| 6.01.01.13 | Adjustments to tax assets | -1.082 | -717 |
| 6.01.01.14 | Restatements of credits with other related parties | 7.276 | -3.852 |
| 6.01.01.15 | Finance charges on tax installments | 6.011 | 5.233 |
| 6.01.01.16 | Decomposition of discount of provisions for contingencies | 2.402 | 3.551 |
| 6.01.01.18 | Accrued interest on loans | 20.479 | 12.953 |
| 6.01.01.19 | Negative goodwill on receivables received from related | 2.032 | 1.431 |
| 6.01.01.20 | Others | -1.689 | -31 |
| 6.01.02 | Changes in assets and liabilities | -57.850 | -75.905 |
| 6.01.02.01 | (Increase)/Decrease in accounts receivable | -32.525 | -21.522 |
| 6.01.02.02 | Increase /(Decrease) in Advances from clients | -5.040 | -1.793 |
| 6.01.02.04 | (Increase)/Decrease in inventories | -5.224 | -28.303 |
| 6.01.02.06 | (Increase)/Decrease in legal deposits | -21.483 | -8.516 |
| 6.01.02.07 | (Increase) Decrease in receivables from related parties | -2.032 | 9.824 |
| 6.01.02.08 | (Increase)/Decrease in recoverable taxes | -5.245 | -3.380 |
| 6.01.02.09 | Increase/(Decrease) in other assets | 155 | -2.255 |
| 6.01.02.10 | Increase/(Decrease) in accounts payable | -7.269 | 7.307 |
| 6.01.02.11 | (Increase) Decrease advance to suppliers | 6.074 | -3.537 |
| 6.01.02.12 | Increase/(Decrease) in installment payments | -15.231 | -17.796 |
| 6.01.02.13 | Increase /(Decrease) in Tax and labor liabilities | 28.401 | -5.426 |
| 6.01.02.14 | Increase/(Decrease) in other accounts payable | 1.569 | -508 |
| 6.01.03 | Others | -26.266 | -24.101 |
| 6.01.03.01 | Interest paid | -19.628 | -7.329 |
| 6.01.03.02 | Income and social contribution taxes paid | -6.638 | -16.772 |
| 6.02 | Net cash used in investment activities | -79.077 | -91.490 |
| 6.02.01 | Acquisition of property, plant and equipment | -77.968 | -86.586 |
| 6.02.02 | Acquisition of intangible assets | -1.109 | -5.096 |
| 6.02.04 | Proceeds from sales of permanent assets | 0 | 192 |
| 6.03 | Net cash from financing activities | 70.922 | 148.621 |
| 6.03.01 | Funding loans and financing | 167.454 | 247.392 |
| 6.03.02 | Payment of loans and financing | -66.646 | -83.820 |
| 6.03.03 | Dividends paid | -29.886 | -14.951 |
| 6.05 | Increase (decrease) in cash and cash equivalents | 20.959 | 61.574 |

## Consolidated financial statements or Statement of comprehensive income

## (In thousand of reais)

| Code of account | Account description | Accumulated of the current year, 01/01/2014 - 09/30/2014 | Accumulated of the prior year, 01/01/2013 - 09/30/2013 |
|---|---|---|---|
| 6.05.01 | Opening balance of cash and cash equivalents | 57.677 | 58.870 |
| 6.05.02 | Closing balance of cash and cash equivalents | 78.636 | 120.444 |

# Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2014 - 09/30/2014

## (In thousand of reais)

| Code of account | Account description | Capital paid-up | 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 |
| 5.04 | Capital transactions with partners | 0 | 2.545 | -2.545 | -6.447 | 0 | -6.447 | 0 | -6.447 |
| 5.04.07 | Interest on own capital | 0 | 0 | 0 | -6.447 | 0 | -6.447 | 0 | -6.447 |
| 5.04.08 | Cancelled treasury shares | 0 | 2.545 | -2.545 | 0 | 0 | 0 | 0 | 0 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 48.375 | -3.388 | 44.987 | 15 | 45.002 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 47.196 | 0 | 47.196 | 15 | 47.211 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 1.179 | -3.388 | -2.209 | 0 | -2.209 |
| 5.05.02.06 | Realization of revaluation reserve | 0 | 0 | 0 | 1.179 | -1.179 | 0 | 0 | 0 |
| 5.05.02.07 | Exchange variation of foreign subsidiary | 0 | 0 | 0 | 0 | -2.209 | -2.209 | 0 | -2.209 |
| 5.06 | Internal changes in shareholders' equity | 30.500 | 0 | -39.097 | 0 | 0 | -8.597 | 0 | -8.597 |
| 5.06.04 | Capital increase | 30.500 | 0 | -30.500 | 0 | 0 | 0 | 0 | 0 |
| 5.06.05 | Approval of additional dividends | 0 | 0 | -8.597 | 0 | 0 | -8.597 | 0 | -8.597 |
| 5.07 | Closing balances | 76.565 | 0 | 74.009 | 41.928 | 29.290 | 221.792 | 23 | 221.815 |

# Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2013 - 09/30/2013

## (In thousand of reais)

| Code of account | Account description | Capital paid-up | 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 | 40.798 | 267 | 50.069 | 0 | 35.985 | 127.119 | 8 | 127.127 |
| 5.03 | Adjusted opening balances | 40.798 | 267 | 50.069 | 0 | 35.985 | 127.119 | 8 | 127.127 |
| 5.04 | Capital transactions with partners | 0 | 0 | 0 | -3.658 | 0 | -3.658 | 0 | -3.658 |
| 5.04.07 | Interest on own capital | 0 | 0 | 0 | -3.658 | 0 | -3.658 | 0 | -3.658 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 52.363 | -4.974 | 47.389 | 11 | 47.400 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 51.178 | 0 | 51.178 | 11 | 51.189 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 1.185 | -4.974 | -3.789 | 0 | -3.789 |
| 5.05.02.06 | Realization of revaluation reserve | 0 | 0 | 0 | 1.185 | -1.185 | 0 | 0 | 0 |
| 5.05.02.07 | Exchange variation of foreign subsidiary | 0 | 0 | 0 | 0 | -3.789 | -3.789 | 0 | -3.789 |
| 5.06 | Internal changes in shareholders' equity | 5.267 | -267 | -5.000 | 0 | 0 | 0 | 0 | 0 |
| 5.06.01 | Formation of reserves | 267 | -267 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5.06.04 | Capital increase | 5.000 | 0 | -5.000 | 0 | 0 | 0 | 0 | 0 |
| 5.07 | Closing balances | 46.065 | 0 | 45.069 | 48.705 | 31.011 | 170.850 | 19 | 170.869 |

# Consolidated financial statements or Statement of added value

## (In thousand of reais)

| Code of account | Account description | Accumulated of the current year, 01/01/2014 - 09/30/2014 | Accumulated of the prior year 01/01/2013 - 09/30/2013 |
|---|---|---|---|
| 7.01 | Income | 891.434 | 749.617 |
| 7.01.01 | Sale of merchandise, products and services | 861.440 | 747.496 |
| 7.01.02 | Other income | -623 | 1.990 |
| 7.01.03 | Revenues from construction of own assets | 30.854 | 0 |
| 7.01.04 | Allowance for /reversal of doubtful accounts | -237 | 131 |
| 7.02 | Inputs acquired from third parties | -457.304 | -378.554 |
| 7.02.01 | Cost of products, merchandise and services sold | -324.172 | -300.211 |
| 7.02.02 | Materials, Energy, Third-party services and other | -132.983 | -80.362 |
| 7.02.03 | Loss/recovery of asset values | -90 | 2.061 |
| 7.02.04 | Others | -59 | -42 |
| 7.02.04.01 | Income from discontinued operations | -59 | -42 |
| 7.03 | Gross added value | 434.130 | 371.063 |
| 7.04 | Retentions | -18.863 | -12.241 |
| 7.04.01 | Depreciation, amortization and depletion | -18.863 | -12.241 |
| 7.05 | Net added value produced | 415.267 | 358.822 |
| 7.06 | Added value received as transfer | 41.521 | 43.948 |
| 7.06.02 | Financial income | 41.521 | 43.948 |
| 7.07 | Total added value payable | 456.788 | 402.770 |
| 7.08 | Distribution of added value | 456.788 | 402.770 |
| 7.08.01 | Personnel | 130.307 | 106.147 |
| 7.08.01.01 | Direct remuneration | 112.167 | 92.606 |
| 7.08.01.02 | Benefits | 10.795 | 7.647 |
| 7.08.01.03 | F.G.T.S. | 7.345 | 5.894 |
| 7.08.02 | Taxes, rates and contributions | 205.597 | 176.896 |
| 7.08.02.01 | Federal | 115.150 | 101.162 |
| 7.08.02.02 | State | 90.115 | 75.373 |
| 7.08.02.03 | Municipal | 332 | 361 |
| 7.08.03 | Third-party capital remuneration | 73.673 | 68.538 |
| 7.08.03.01 | Interest | 65.601 | 61.785 |
| 7.08.03.02 | Rents | 8.072 | 6.753 |
| 7.08.04 | Remuneration of own capital | 47.211 | 51.189 |
| 7.08.04.03 | Retained earnings / Loss for the period | 47.196 | 51.178 |
| 7.08.04.04 | Interest of non-controlling shareholders in retained earnings | 15 | 11 |

## COMMENT ON THE CONSOLIDATED PERFORMANCE IN 3Q14

Portobello S.A. (BM&FBovespa: PTBL3 NM) presents its income for the 3Q14 then ended. 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 gross income exceeding R$ 1 billion. Its production, which is close to 30 million square meters, caters for countries on the five continents, as well as for the domestic market, through Portobello Shop channels and the sales channel for engineers.

# HIGHLIGHTS

- Net income totaling R$251 million, 14% higher than in the 2013 quarter;
- Gross income (loss) in R$ 91 million, 12% higher than in 3Q13, with 36.4% margin;
- EBITDA of R$42 mi in the 3Q14, 6% higher than the 3Q13 and margin of 16.8%;
- Portobello Shop franchise network now has 124 stores;
- Continued construction work of its Northeast Unit whose operations are expected to start in the 1st quarter of 2015.

### MANAGEMENT COMMENTS

In the third quarter of 2014, elections heated political scenario and economy entered a period of technical recession after two consecutive quarters of reduction and an annual inflation higher than official goal of 6.5%.

This economic slowdown was felt in the industry by ABRAMAT (finishing), which monitors performance of construction material industries with a decrease when comparing 9M14 with 2013 and a fall in expectations for the year. Portobello has maintained a significantly higher performance, but it is aware of growing difficulties felt by the industry that may affect its earnings up to the end of this year.

With its capacity of adjusting to market variables using its product portfolio and distribution model, Portobello maintained the income increasing and obtained a net income of R$ 251 million in this quarter, 14% higher than the same period of 2013, the same percentage was verified when comparing the 9M14 with the 9M13, which had a net income totaling R$691 million.

The Management maintains the distinct model of own and outsourced production, with smaller participation in products acquired from third parties and internal rationalization actions, both for operating costs and by strictly analyzing its investment plan.

Based on these actions, the Company obtained EBITDA of R$ 42 million in the 3Q14, with margin of 16.8%, 1.3 p.p. lower than in the third quarter of 2013. During the nine-month period of 2014, EBITDA totaled R$ 113 million, 10% higher than in the same period of 2013, with margin of 16.4%, 0.6 p.p. lower than in 9M13.

Note that the Company's net indebtedness of R$ 339 million corresponds to two times the EBITDA of the last 12 months. This increase of R$ 92 million in relation to the 3Q13 occurred mainly due to investments in the Northeast plant.

However, the net income was a little less when comparing 3Q14 with 9M14 in the same periods of 2013.

In thousands of reais, unless otherwise indicated

## ECONOMIC AND FINANCIAL PERFORMANCE

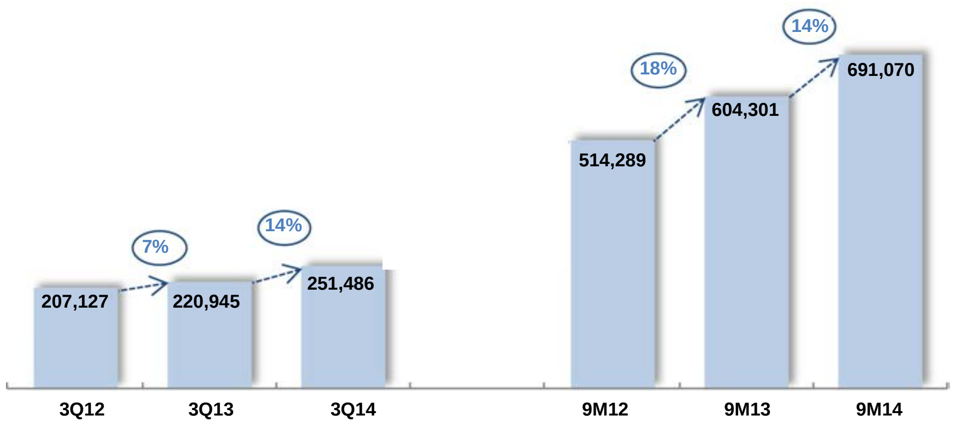
| Consolidated income (loss) | 3Q12 | 3Q13 | 3Q14 | ▲ % | 9M12 | 9M13 | 9M14 | ▲ % |
|---|---|---|---|---|---|---|---|---|
| Gross income | 257,093 | 279,433 | 321,667 | 15% i | 643,916 | 765,476 | 881,920 | 15% |
| Net income | 207,127 | 220,945 | 251,486 | 14% | 514,289 | 604,301 | 691,070 | 14% |
| Gross income | 75,002 | 81,379 | 91,488 | 12% | 181,363 | 213,883 | 254,559 | 19% |
| *Gross margin* | 36.2% | 36.8% | 36.4% | -0.4 p.p. | 35.3% | 35.4% | 36.8% | 1.4 p.p. |
| Operating expenses | (37,847) | (46,464) | (55,380) | 19% | (99,679) | (123,340) | (160,290) | 30% |
| Sales | (27,366) | (33,914) | (42,028) | 24% | (75,102) | (92,018) | (120,748) | 31% |
| General and administrative expenses | (6,508) | (7,478) | (8,153) | 9.0% | (18,071) | (21,397) | (23,934) | 12% |
| Other income (expenses) | (3,973) | (5,072) | (5,199) | 2.5% | (6,506) | (9,925) | (15,608) | 57% |
| EBIT | 37,155 | 34,915 | 36,108 | 3.4% | 81,684 | 90,543 | 94,269 | 4.1% |
| *EBIT margin* | 17.9% | 15.8% | 14.4% | -1.4 p.p. | 15.9% | 15.0% | 13.6% | -1.3 p.p. |
| Financial income (loss) | (4,161) | (5,717) | (6,113) | 6.9% | (14,351) | (17,834) | (24,078) | 35% |
| Taxes on income | (11,380) | (7,318) | (9,919) | 36% | (22,285) | (21,478) | (22,921) | 6.7% |
| Net income | 21,702 | 21,865 | 20,058 | -8.3% | 45,498 | 51,189 | 47,211 | -7.8% |
| *Net Margin* | 10.5% | 9.9% | 8.0% | -1.9 p.p. | 8.8% | 8.5% | 6.8% | -1.6 p.p. |
| EBITDA | 41,215 | 39,959 | 42,317 | 5.9% | 93,910 | 102,784 | 113,135 | 10% |
| *EBITDA margin* | *19.9%* | *18.1%* | *16.8%* | -1.3 p.p. | *18.3%* | *17.0%* | *16.4%* | -0.6 p.p. |

### Net income

In the 3Q14, Portobello's consolidated net income increased 14% when compared to income earned in the same period of 2013, totaling R$ 251 million, and accumulated income reached R$ 691 million, 14% higher than that of the 9M13. This result derives from the 8% increase in physical sales volume plus a product mix that leveraged sales using a distinguished strategy, considering the most restrictive economic scenario. Of total accumulated net income, 26% refer to products acquired from third parties.

Domestic market's net income, which represented 90% of total, increased 14% in relation to the 3Q13 and had an important participation in Portobello Shop and Engineering channels. While external market presented growth of 11% compared to the 3Q13, influenced by sales volume and appreciation of US dollar in relation to Brazilian Real.

**Net income**



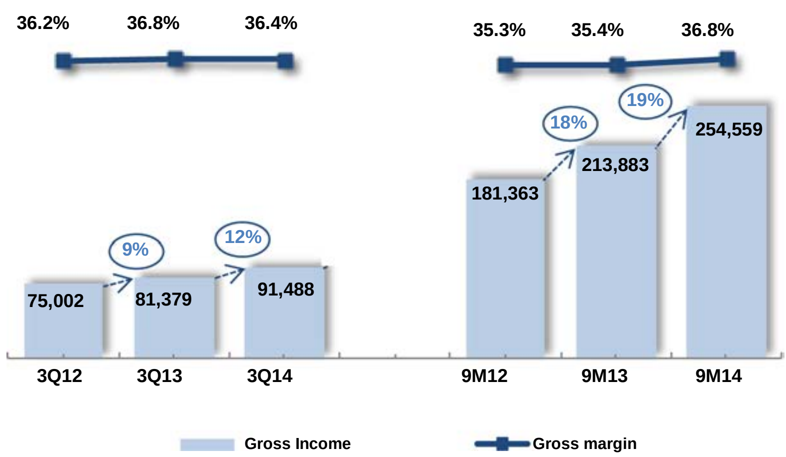
In thousands of reais, unless otherwise indicated

| Net income | 3Q12 | 3Q13 | 3Q14 | ▲ % | 9M12 | 9M13 | 9M14 | ▲ % |
|---|---|---|---|---|---|---|---|---|
| Domestic market | 191,165 | 198,816 | 227,029 | 14% | 476,293 | 550,604 | 622,532 | 13% |
| Foreign market | 15,962 | 22,129 | 24,479 | 11% | 37,996 | 53,697 | 68,560 | 28% |
| Total | 207,127 | 220,945 | 251,508 | 14% | 514,289 | 604,301 | 691,092 | 14% |

## Gross income

Gross profit was R$ 91 million in 3Q14 and presented a 12% growth over the same period in the previous year, accumulating a gain of 19% in the nine-month period of 2014. During the quarter, the gross margin presented a decrease of 0.4 p.p. and a growth of 1.4 p.p. in the accumulated. Performance of gross margin in the quarter reflects a more restrictive market, although the goal of maintaining growth contributed to sales volume, as well as a product mix with better profitability. Accumulated income maintained its growth as a result of productivity, quality and cost reduction gains.

**Gross income**




## Operating income

In the 3Q14, sales expenses totaled R$ 43 million and in the 9M14 totaled R$ 120 million, respectively 24% and 31% higher than the same periods in the prior year, a result mainly due to the expenditures with distribution and logistics projects, opening of another distribution center in São Paulo State and expansion of its franchise chain - Portobello Shop. These extraordinary expenditures should be rearranged with the Company's billing level up to the end of 2014.

In the 3Q14, administrative expenses totaled R$ 8 million and R$24 million in the 9M14, respectively 9% and 12% higher than the same period of the prior year. Increases mainly derive from expenses with contracting of advisors to maintain the Company's growth and structuring of new areas, such as management and meritocracy, projects and process improvement.

| Operating expenses | 3Q12 | 3Q13 | 3Q14 | ▲ % | %NR | 9M12 | 9M13 | 9M14 | ▲ % | %NR |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales | (27,366) | (33,914) | (42,028) | 24% | 17% | (75,102) | (92,018) | (120,748) | 31% | 17% |
| General and administrative expenses | (6,508) | (7,478) | (8,153) | 9% | 3.2% | (18,071) | (21,397) | (23,934) | 12% | 3.5% |
| Other income (expenses) | (3,973) | (5,072) | (5,199) | 3% | 2.1% | (6,506) | (9,925) | (15,608) | 57% | 2.3% |
| Total | (37,847) | (46,464) | (55,380) | 19% | 22% | (99,679) | (123,340) | (160,290) | 30% | 23% |

Other operating expenses, net, of R$ 5 million in 3Q14 and R$ 15 million in 9M14 refer specially to provision for judicial contingencies, to the long-term incentive program (with full settlement five years after initial recognition), and a reserve for employee profit sharing, for payment after the end of the year, and pre-operating expenses in the plant of the Northeast region.

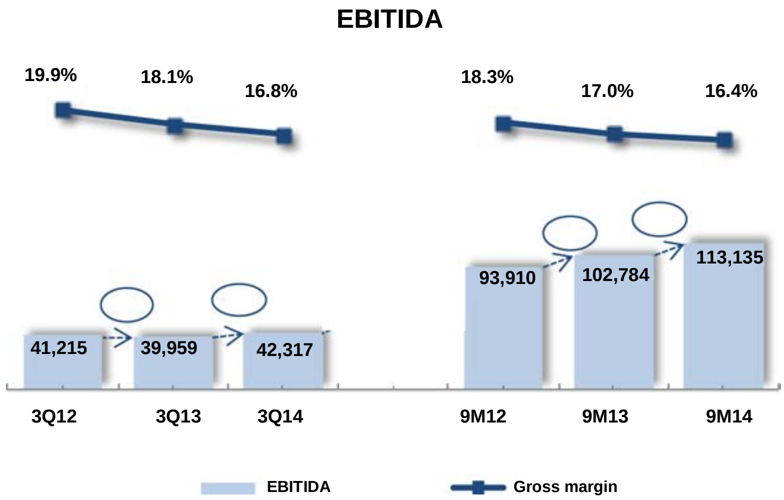
In thousands of reais, unless otherwise indicated

## EBITDA

As a result of previously mentioned effects, cash generation measured by EBITDA was R$ 42 million in the third quarter and accumulated R$ 113 million in the 9M14, with growth of 5.9% and 10%, respectively, in relation to the same period of 2013. EBITDA margin was 16.8% and 16.4%, respectively. If expenditures with the Northeast plant are isolated, EBITDA would total R$44 million in the quarter and R$ 117 million in the 9M14.

| EBITDA | 3Q12 | 3Q13 | 3Q14 | ▲ % | %NR | 9M12 | 9M13 | 9M14 | ▲ % | %NR |
|---|---|---|---|---|---|---|---|---|---|---|
| Net income | 21,700 | 21,861 | 20,053 | -8.3% | 8.0% | 45,490 | 51,178 | 47,196 | -7.8% | 6.8% |
| (+) Financial income | 4,161 | 5,717 | 6,113 | 6.9% | 2.4% | 14,351 | 17,834 | 24,078 | 35% | 3.5% |
| (+) Depreciation and amortization | 4,060 | 5,044 | 6,209 | 23% | 2.5% | 12,226 | 12,241 | 18,866 | 54% | 2.7% |
| (+) Income and social contribution taxes | 11,380 | 7,318 | 9,919 | 36% | 3.9% | 22,285 | 21,478 | 22,921 | 6.7% | 3.3% |
| (+) Others* | (86) | 19 | 23 | 21% | 0.0% | (442) | 53 | 74 | 40% | 0.0% |
| EBITDA | 41,215 | 39,959 | 42,317 | 5.9% | 17% | 93,910 | 102,784 | 113,135 | 10% | 16% |
| (+) Pre-Operational phase of Alagoas Plant | - | - | 1,267 | - | - | - | - | 3,532 | - | - |
| Adjusted EBITDA | 41,215 | 39,959 | 43,584 | 9.1% | 17% | 93,910 | 102,784 | 116,667 | 14% | 17% |

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



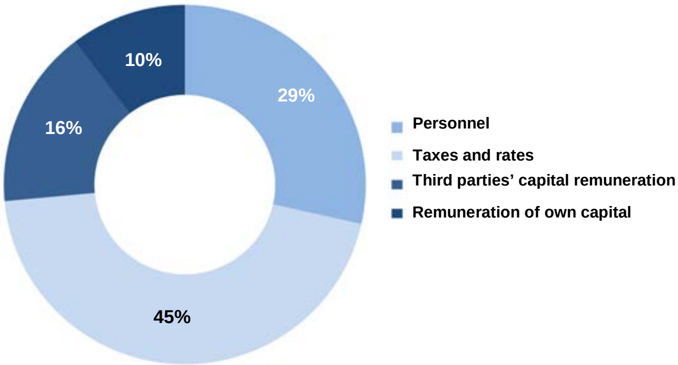

## Net income

Net income for the quarter was R$ 20 million, 8.3% lower than that referring to the same quarter of 2013. While accumulated income totaled R$ 47 million, 7.8% lower than the R$ 51 million presented in the 9M13. Income for this has been lower than that of the 9M13 due to said expenditures and to higher financial expenses resulting from increased indebtedness.

In thousands of reais, unless otherwise indicated

## Added value

In the quarter, added value totaled R$ 171 million, accumulating R$ 456. Of this amount, 45% of total added value was used to pay taxes, tariffs and contributions to Federal, State and Municipal governments, 29% to pay personnel, and 26% to pay shareholders and third parties remuneration.

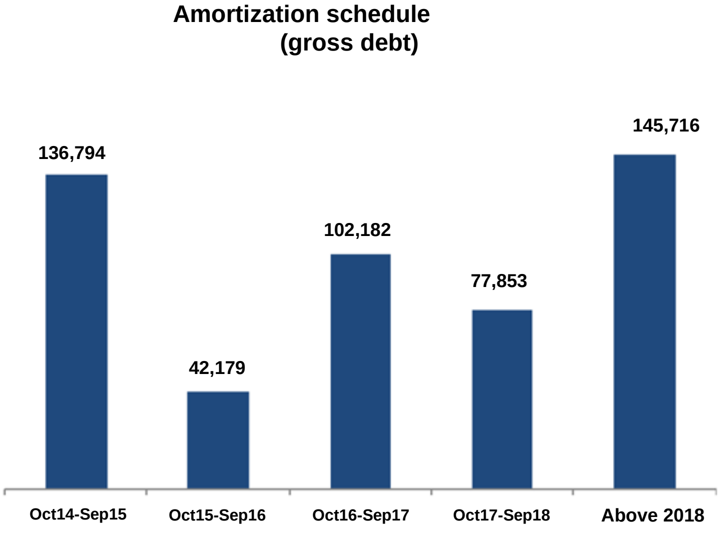


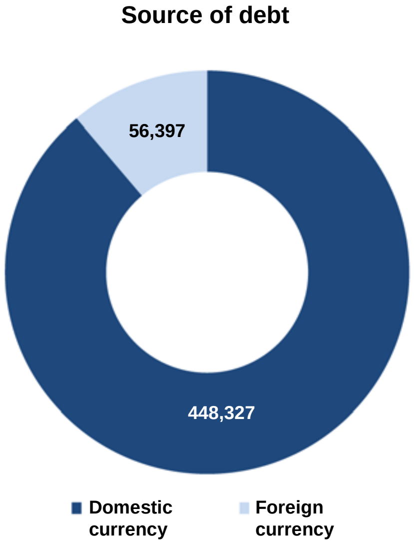

## INDEBTEDNESS/CAPITAL STRUCTURE

In nominal terms, the Company's net indebtedness was R$ 339 million at the end of September 2014, against R$ 247 million in 2013, which is equivalent to 2.0 times EBITDA for the last 12 months and 53% of shareholders' equity. This growth of indebtedness level, which increased financial expenses, is related to expanding investments, mainly in the Northeast plant. Gross indebtedness totaled R$ 505 million; 29% matures in the short term and 71% in the long term period.

| Indebtedness | Sep 2012 | Sep 2013 | Sep 2014 | ▲ R$ |
|---|---|---|---|---|
| Bank | 110,123 | 339,307 | 397,248 | 57,941 |
| Tax | 137,411 | 120,844 | 107,476 | (13,368) |
| (=) Total indebtedness | 247,534 | 460,151 | 504,724 | 44,573 |
| (+) Cash and cash equivalents and securities | (15,609) | (120,444) | (78,636) | 41,808 |
| (+) Credits with Refinadora Catarinense | (99,078) | (92,995) | (87,264) | 5,731 |
| (=) Total net indebtedness | 132,847 | 246,712 | 338,824 | 92,112 |
| EBITDA (last 12 months) | 115,588 | 138,127 | 166,476 | 28,349 |
| (=) Net debt/ EBITDA | 1.1 | 1.8 | 2.0 | - |
| (=) Net debt / Income (loss) | 7% | 44% | 53% | |

| Financial income (loss) | 3Q12 | 3Q13 | 3Q14 | ▲% | %NR | 9M12 | 9M13 | 9M14 | ▲% | %NR |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial income | 3,387 | 4,328 | (1,001) | -123% | -0.4% | 8,725 | 9,774 | 11,713 | 20% | 1.7% |
| Financial expenses | (7,783) | (10,306) | (16,361) | 59% | 6.5% | (26,353) | (28,684) | (41,844) | 46% | 6.1% |
| Other gains (losses) | 235 | 261 | 11,249 | 4210% | -4.5% | 3,277 | 1,076 | 6,053 | 463% | -0.9% |
| Total | (4,161) | (5,717) | (6,113) | 7% | 2.4% | (14,351) | (17,834) | (24,078) | 35% | 3.5% |




## INVESTMENTS

In the third quarter of 2014, investments in fixed assets intended to growth projects totaled R$ 39 million, accumulating R$ 79 million in the 9M14. The expansion program provides for investments in a plant in the Northeast, which is already in the construction stage.

*In November 2013, the milestone for construction of the manufacturing plant in Alagoas was laid. The unit 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 of 2015, 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 211 million. The investment seeks to meet the public in the Northern and Northeastern region of Brazil, which currently accounts for 25% of domestic ceramics market. With specific public and portfolio, the joint venture will be the leverage of a new brand - Pointer.*

The Company maintains its investments in a new logistics model, as previously mentioned, to serve growth projects with the same service quality level, and aiming at lower costs. To this effect, the Company will create at strategic locations, distribution centers, and it already has one in the state of Pernambuco and two in the state of São Paulo.

## REMUNERATION TO SHAREHOLDERS

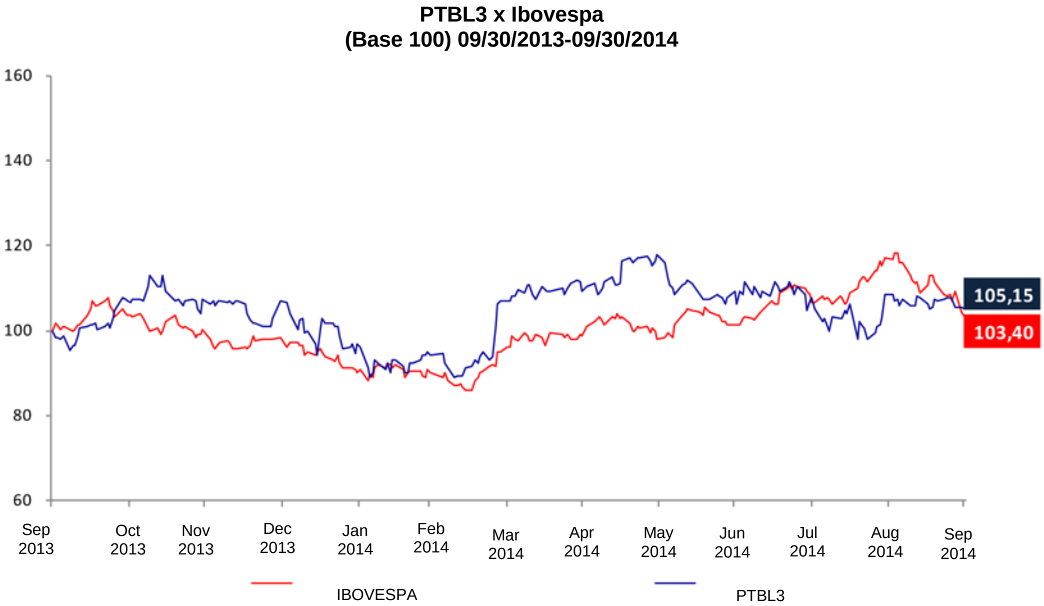
On August 7, 2014, the Company's Board of Directors decided and approved the amount of R$6,446 to be paid in 2014 as interest on own capital, which started on September 26, 2014, corresponding to R$0.040674 per common share. Distributed total represents yield (dividend per share divided by final share quotation) of 0.74%.

## 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 June 2014 quoted at R$ 4.90, an appreciation of 5% in the last twelve months, whereas the Ibovespa index increased by 3%.

Average financial volume traded in the last 12 months was R$ 14.1 million, an increase of 30% in face of the R$ 10.8 million for the same period of 2013.

At the end of the third quarter of 2014, Portobello presented a market value equivalent to R$ 777 million (R$ 741 million as of September 30, 2013).




## PROSPECTS

- With lower economic growth, Company's sales are below Management's expectations, provoking expenses and costs proportionately higher than levels adequate to current billing. The Company believes that economic scenario of low growth will persist in 2014 and, accordingly, Management has been implementing expense cutting and cost optimization plans, seeking to rearrange its structure to achieve results planned for 2014;
- The Company still expects pressure on 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 will exceed 130 stores at the end of the year.
- The estimate for the start of operations of Northeast plant is 1H15 and Management maintains its confidence regarding new operation's potential.

## 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 3Q14, the Company did not hire independent auditors for services other than those related to external auditing.

## 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 | Director |

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

Portobello

**Statement of the Executive Officers on the Financial Statements and Review Report Special on 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 September 30, 2014; 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 September 30, 2014.

**Members of the Executive Board**

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Director Vice-president

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira - Director

Tijucas, November 11, 2014

____________________________
Cesar Gomes Júnior

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Cláudio Ávila da Silva

____________________________
John Shojiro Suzuki

____________________________
Mauro do Valle Pereira

## 1 Operations

Portobello S.A., also referred to on these financial statements as “Company” or “Parent Company”, is a public corporation whose shares are traded on the New Market of São Paulo Stock, Mercantile and Futures Exchange (BM&FBOVESPA S.A.) under code PTBL3. The Company is controlled by a group of shareholders, which was formally set up by an agreement entered into on April 15, 2011 and amended on September 29, 2014 and as of September 30, 2014 holds 56.23% of the Company's shares. The remaining 43.77% portion is held by various shareholders.

The Company, headquartered in Tijucas, Santa Catarina, was founded in 1977 and is mainly engaged in manufacturing and marketing ceramic and porcelain products in general, such as floors, enameled and non-enameled porcelain flooring tiles, decorated and special pieces, mosaics, products used for covering internal walls and facades, and in rendering supplemental services in the segment of construction work materials in Brazil and abroad.

In addition, the Company has ownership interest in the following subsidiaries: (i) Portobello América, which was set up with the purpose of selling Portobello products in the US market and is classified as a discontinued operation, as described in note 34; (ii) Mineração Portobello, which supplies part of the raw material used for producing ceramic coating; (iii) PBTech, which manages Portobello Shop store chain and currently manages five stores; (iv) Portobello Shop, which manages the Portobello Shop and Empório Portobello franchise networks, with a network of 124 franchise stores that sell porcelain flooring tiles and ceramic coating, and (v) Companhia Brasileira de Cerâmica, in charge of the activities in the Northeast Region.

## 2 Presentation of the Interim Financial Statements

The consolidated quarterly financial information, referred to as consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and Brazilian accounting practices (BRGAAP), which match them.

The individual quarterly financial information of Portobello S.A., referred to as Company financial statements, have been prepared in accordance with Brazilian accounting practices. These practices differ from international accounting standards applicable to Portobello S.A. only with respect to the valuation of investments under the equity method of accounting. Under the IFRS, investments should be measured and presented at acquisition cost or fair value.

The quarterly financial information has been prepared in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR), on the historical cost basis, except for the fair value measurement of certain financial instruments, when required on the standards.

The preparation of the quarterly financial statements requires Management to make estimates to recognize certain transactions that affect the reported amounts of assets, liabilities, income and expenses.

The contents and amounts of certain notes presented in the financial statements for the year ended December 31, 2013 which did not require material restatements were not repeated on the notes selected for the quarterly financial statements as of September 30, 2014. Therefore, these financial statements should be read together.

The accounting practices and calculation methods adopted to prepare the quarterly financial statements of September 30, 2014, as well as the main judgments and uncertainties about the estimates made to apply accounting practices, are the same as those applied to the preparation of the financial statements for the year ended December 31, 2013.

### a) New standards, amendments to standards and interpretations issued by IASB

Pronouncements applicable to the Company for annual periods beginning after 1 January 2014.

- Amendment to IAS 32 - Financial Instruments: This amendment is an integral part of IASB's "offsetting of financial assets and financial liabilities" project, whereby in order to be effective, the right to set off the amounts must be current and attributable to all parties over the ordinary course of business. This amendment also explains under which circumstances some gross settlements that take place though clearing houses meet the offsetting requirements set by IAS 32. The Company's adoption of that standard did not have material impacts on its financial statements.

- Amendment to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets: The standard modifies the requirement to disclose the recoverable amount of an asset, when this is determined as the fair value less costs of disposal. The Company's adoption of that standard did not cause the need to change the Company's disclosure.

- Amendment to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting: The amendment to IAS 39 has provided relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Company does not have transactions related to the novation of derivatives.

- IFRIC 21 - Levies: IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government that is accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The procedure followed by the Company to recognize those obligations complies with the standard. The Company's adoption of that standard did not cause the need to change the Company's disclosure.

Pronouncements applicable to the Company for annual periods beginning after 1 January 2016.

- Amendments to IAS 16 and IAS 41 - Property, Plant and Equipment, Biological Assets and Agriculture: The purpose of the amendment is to define bearer plants and bring them into the scope of IAS 16. The Company does not have transactions of that nature.

- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization: The purpose of the amendment is to explain that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset and to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The Company understands that those amendments will not have an impact on its financial statements given that they are only about including some explanations.

- Amendment to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations: The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The Company will assess the effects of the application of that amendment in the case of a possible acquisition of joint operations.

Pronouncements applicable to the Company for annual periods beginning after 1 January 2017.

- IFRS 15 - Revenue from Contracts with Customers: IFRS 15 establishes the principles for an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Moreover, the standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company is assessing the possible effects of the application of that pronouncement.

### b) EmpresasNet (ENET) System

The equity valuation adjustment, although it is not "Other comprehensive income", is reported in that column in the “Statement of Changes in Equity” of CVM's “EmpresasNet - ENET” System. The reason for that is that there is no more appropriate option to present that transaction in CVM's standard statement.

### c) Approval of quarterly financial statements

These quarterly financial statements was approved by the Board of Directors in a meeting held on November 7, 2014.

## 3 Financial risk management

### 3.1 Financial risk factors

The Company and its subsidiaries are exposed to several financial risks: market risk, credit risk and liquidity risk. The Company’s global management risk program focuses on the unpredictability of finance markets and aims to reduce possible adverse effects on the consolidated financial performance.

The Treasury and Finance Departments are in charge of risk management, according to the policies approved by the Board of Directors. The Treasury and Finance Departments identify, assess and protect the Company and its subsidiaries against possible financial risks in cooperation with their operating units. The Board of Directors lays down principles for global risk management and for specific areas, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investments of cash surpluses.

### a) Market risk

### i) Exchange rate risk

The Company acts internationally and is exposed to the exchange rate risk arising from exposures to certain currencies, basically the US dollar and the euro. Exchange rate risk results from future business transactions, assets and liabilities recognized in the Company's books of account and net investments in foreign transactions.

We show below the asset and liability balances exposed to exchange rate variation:

Amounts in thousands of Brazilian real, except when otherwise indicated

| | In reais | | | |
|---|---|---|---|---|
| | Company | | Consolidated | |
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Trade receivables | 33,114 | 24,254 | 33,114 | 24,254 |
| Checking account | 51,179 | - | 51,179 | - |
| Receivables from subsidiaries | 50,182 | 47,962 | - | - |
| Exposed assets | 134,475 | 72,216 | 84,293 | 24,254 |
| Provision for loss in investments | (49,917) | (47,649) | - | - |
| Accounts payable, net of advances | (22,613) | (41,989) | (22,613) | (41,989) |
| Loans and financing | (56,397) | (17,551) | (56,397) | (17,551) |
| Exposed liabilities | (128,927) | (107,189) | (79,010) | (59,540) |
| Net exposure | 5,548 | (34,973) | 5,283 | (35,286) |

| | In Euros | | | | In US$ | | | |
|---|---|---|---|---|---|---|---|---|
| | Company | | Consolidated | | Company | | Consolidated | |
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Accounts receivable | 298 | 341 | 298 | 341 | 9,678 | 8,082 | 9,678 | 8,082 |
| Checking account | - | - | - | - | 20,881 | - | 20,881 | - |
| Receivables from subsidiaries | - | - | - | - | 20,474 | 20,474 | - | - |
| Provision for loss in investments | - | - | - | - | (20,366) | (20,340) | - | - |
| Accounts payable, net of advances | (1,605) | (2,111) | (1,605) | (2,111) | (7,231) | (15,016) | (7,231) | (15,016) |
| Loans and financing | - | (88) | - | (88) | (23,010) | (7,371) | (23,010) | (7,371) |
| | (1,307) | (1,858) | (1,307) | (1,858) | 426 | (14,171) | 318 | (14,305) |

The strategy followed by the Company to mitigate the exchange rate exposure of its assets and liabilities has been to keep the exchange rate exposure of its liabilities at amounts approximate to one year of exports.

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

Interest rate risk results from long-term loans and financing and is associated with loans issued at floating rates which expose the Company and its subsidiaries to interest rate and cash flow risk. Loans taken at fixed rates expose the entities to fair value risk associated with interest rates.

Considering different scenarios, the Company manages the cash flow risk associated with interest rates by entering into interest rate swap contracts, which bear floating interest rates and pay fixed-rate interest. Their economic effect is to convert loans held at floating rates to fixed rates. Fixed rates resulting from these swap transactions are lower than those available if the Company were to take out the loans directly at fixed rates. By conducting interest rate swap transactions the Company agrees with other parties to exchange, at set intervals, the difference between fixed contract rates and floating rate interest, calculated according to the notional amounts agreed by the parties.

The Company and its subsidiaries continually monitor market interest rates to assess the possible need of entering into new contracts as a hedge against the fluctuation of these rates.

Financial investments are basically made in investment funds, as described in note 4.

### b) Credit risk

The Company and its subsidiaries keep tight controls over the credit granted to their clients, and adjust limits whenever they detect a significant change in the level of perceived risk.

### c) Liquidity risk

Amounts in thousands of Brazilian real, except when otherwise indicated

Liquidity risk is the risk of the Company and its subsidiaries not having sufficient liquidity to meet their financial obligations due to a mismatch between expected receipts and payments in terms of maturity and volume.

To manage cash liquidity in domestic and foreign currency, the Company and its subsidiaries make assumptions about future disbursements and receipts which are daily monitored by the Treasury and Finance Departments.

The table below analyzes Company and Consolidated non-derivative financial liabilities, according to maturity ranges corresponding to the remaining period from balance sheet date to maturity date. The amounts disclosed on the table are the undiscounted cash flows.

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | | | | December 31, 2013 | | | |
| | Loans and financing | Finance lease | Trade payables | Taxes in installments | Loans and financing | Finance lease | Trade payables | Taxes in installments |
| Less than a year | 132,915 | 737 | 130,489 | 11,310 | 90,277 | 1,007 | 152,521 | 17,674 |
| Between one and two y | 125,312 | - | 27,895 | 21,042 | 156,043 | 476 | 15,966 | 19,947 |
| Between two and five ye | 107,541 | - | - | 31,563 | 46,996 | - | - | 29,922 |
| Over five years | 36,710 | - | - | 42,958 | 2,545 | - | - | 48,213 |
| | 402,478 | 737 | 158,384 | 106,873 | 295,861 | 1,483 | 168,487 | 115,756 |

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | | | | December 31, 2013 | | | |
| | Loans and financing | Finance lease | Trade payables | Taxes in installments | Loans and financing | Finance lease | Trade payables | Taxes in installments |
| Less than a year | 132,915 | 737 | 134,830 | 11,391 | 90,277 | 1,007 | 153,922 | 18,080 |
| Between one and two y | 125,312 | - | 27,895 | 21,158 | 156,043 | 737 | 15,966 | 20,055 |
| Between two and five ye | 108,510 | - | - | 31,737 | 47,962 | - | - | 30,084 |
| Over five years | 36,710 | - | - | 43,190 | 2,545 | - | - | 48,477 |
| | 403,447 | 737 | 162,725 | 107,476 | 296,827 | 1,744 | 169,888 | 116,696 |

## d) Sensitivity analysis

### i) Sensitivity analysis of interest rate fluctuations

Gains from the Company's financial investments, as well as finance costs resulting from the Company’s loans and financing agreements, are affected by changes in interest rates, such as TJLP (long-term interest rate) and CDI (interbank deposit certificate) rate.

On September 30, 2014 Management considered as probable scenario a CDI rate of 10.80% and a TJLP of 5.00%. The probable rate was then increased by 25% and 50%, being used as a parameter for possible and remote scenarios, respectively.

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

Amounts in thousands of Brazilian real, except when otherwise indicated

| | Consolidated in Reais | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | Risk | Probable | | Possible (25%) | | Remote (50%) | |
| Operation | | | % | R$ | % | R$ | % | R$ |
| Investments (remunerated at 99.34% CDI) | 25,905 | Low CDI | 10.81% | 2,782 | 8.11% | 2,086 | 5.41% | 1,391 |
| | 25,905 | | | 2,782 | | 2,086 | | 1,391 |
| Operação | | | | | | | | |
| Loans – Working capital | (4,989) | High CDI | 10.81% | (539) | 13.51% | (674) | 16.22% | (809) |
| Loans – Export credit note | (114,384) | High CDI | 10.81% | (12,365) | 13.51% | (15,456) | 16.22% | (18,547) |
| Loans - Trade 4131 Swap | (51,582) | High CDI | 10.81% | (5,576) | 13.51% | (6,970) | 16.22% | (8,364) |
| Loans - BNDES | (22,648) | High TJLP | 5.00% | (1,132) | 6.25% | (1,416) | 7.50% | (1,699) |
| | (193,603) | | | (19,612) | | (24,516) | | (29,419) |

## ii) Sensitivity analysis of exchange rate fluctuations

The Company has assets and liabilities denominated in foreign currency as of September 30, 2014, and for sensitivity analysis purposes it adopted as probable scenario the future market interest in effect during the period that these interim financial statements were prepared. The probable rate was then increased by 25% and 50%, being used as a parameter for possible and remote scenarios, respectively.

Therefore, the table below simulates the effects of the exchange rate variation on future results:

| | Consolidated in Reais | | | | | | |
|---|---|---|---|---|---|---|---|
| | September 30, 2014 | Probable | | Possible (25%) | | Remote (50%) | |
| | | US$ rate | Gain (Loss) | US$ rate | Gain (Loss) | US$ rate | Gain (Loss) |
| Trade and other receivables | 33,114 | 2.4510 | - | 3.0638 | 8,279 | 3.6765 | 16,557 |
| Chekcing account | 51,179 | 2.4510 | - | 3.0638 | 12,795 | 3.6765 | 25,590 |
| Trade and other payables, net of advances | (22,613) | 2.4510 | - | 3.0638 | (5,653) | 3.6765 | (11,307) |
| Loans and financing | (56,397) | 2.4510 | - | 3.0638 | (14,099) | 3.6765 | (28,199) |
| Net exposure | 5,283 | 2.4510 | - | 3.0638 | 1,322 | 3.6765 | 2,641 |

## 3.2 Capital management

Management's policy is to maintain the capacity of the Company and its subsidiaries to create value for shareholders and other stakeholders, and to allow a better cash management. The purpose is to incur lower funding costs by combining equity and debt capital.

Capital is monitored according to the consolidated financial leverage index. This index consists of net debt divided by total capital. Net debt in turn consists of total loans and taxes in installments, less cash and cash equivalents, receivables from other related parties and securities. Total capital is the sum of the shareholders' equity disclosed in the consolidated balance sheet and net debt.

Financial leverage indexes as of September 30, 2014 can be summarized as follows:

Amounts in thousands of Brazilian real, except when otherwise indicated

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Loans and financing | 396,279 | 292,168 | 397,248 | 293,134 |
| Installment payment of tax liabilities | 106,873 | 115,756 | 107,476 | 116,696 |
| Less: Cash and cash equivalents | (74,923) | (55,389) | (78,636) | (57,677) |
| Credits with other related parties | (87,264) | (94,540) | (87,264) | (94,540) |
| Net debt | 340,965 | 257,995 | 338,824 | 257,613 |
| Total shareholders' equity | 221,792 | 191,849 | 221,815 | 191,857 |
| Total capital | 562,757 | 449,844 | 560,639 | 449,470 |
| Financial leverage index (%) | 61 | 57 | 60 | 57 |

The Company has unused credit facilities in the amount of R$44,822 as of September 30, 2014. (R$57,450 at June 30, 2014 ). Amounts available in June, R$ 12,479 was raised through the FINEP during the second quarter.

Moreover, the Company has R$147,784 in credit facilities approved by Banco do Nordeste do Brasil S/A to invest in its new manufacturing facilities in the city of Marechal Deodoro (state of Alagoas). In August 2014, R$29,221 was released, and R$118,563 remains available.

### 3.3 Financial instruments by category

The table below shows a classification of financial instruments by category on each of the presented dates:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Assets, loans and receivables | | | | |
| Cash and cash equivalents | 74,923 | 55,389 | 78,636 | 57,677 |
| Trade receivables | 188,504 | 158,522 | 196,544 | 163,801 |
| | 263,427 | 213,911 | 275,180 | 221,478 |
| Liabilities, other financial liabilities | | | | |
| Trade payables | 130,356 | 152,441 | 134,697 | 153,842 |
| Loans and financing | 396,279 | 292,168 | 397,248 | 293,134 |
| Taxes in installments | 106,873 | 115,756 | 107,476 | 116,696 |
| | 633,508 | 560,365 | 639,421 | 563,672 |

Amounts in thousands of Brazilian real, except when otherwise indicated

## 4 Cash and cash equivalents

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Checking account | 52,056 | 6,410 | 52,728 | 6,979 |
| Financial investments | 22,867 | 48,979 | 25,908 | 50,698 |
| | 74,923 | 55,389 | 78,636 | 57,677 |

Financial investments designated as cash equivalents are investment fund shares which bore average interest of 99.34% of CDI (interbank deposit certificate) rate in the third quarter of 2014. The investment may be redeemed at any moment, with no penalties.
As of September 30, 2014, R$51,178 of the R$52,056 available in the checking account is held in an international checking account in the Citibank in New York, resources used to pay for investments

## 5 Derivative financial instruments

Derivatives for trading are classified as current assets or liabilities. The total fair value of a hedging instrument is classified as non-current asset or liability if the remaining period to maturity of the hedged item is higher than twelve months, and as a current asset or liability if the remaining period to maturity of the hedged item is lower than twelve months.

In December 2012 the Company conducted a transaction according to the rules set by Law 4.131 (Trade Exportador) in the amount of R$50,000 which bears fixed rate of 9.8% per year, but with an interest rate (CDI) swap detailed in item (a) below, payment term of 60 months and grace period of 24 months. This transaction is classified in non-current liabilities as loans and financing. Repayments occur every six months starting in December 2014.

a) *Interest rate swaps*

The notional values of the interest rate swap contract as of September 30, 2014 total R$50,000 at the CDI rate + 1.60% per year. Repayments are made every six months.

The transaction's amount adjusted for inflation was recorded net in current liabilities in the amount of R$432 and the portion recognized in profit or loss in the quarter ended September 30, 2014 totals a loss of R$342 (R$161 as of December 31, 2013).

Amounts in thousands of Brazilian real, except when otherwise indicated

## 6 Trade receivables

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Trade and other receivables from third parties: | | | | |
| Local market | 154,541 | 133,795 | 162,587 | 139,074 |
| Foreign market | 33,114 | 24,254 | 33,114 | 24,254 |
| | 187,655 | 158,049 | 195,701 | 163,328 |
| Trade and other receivables from related parties: | | | | |
| Management-related entities | 1,633 | 1,045 | 1,633 | 1,045 |
| | 1,633 | 1,045 | 1,633 | 1,045 |
| Impairment loss on trade receivables: | | | | |
| Allowance for doubtful accounts | (751) | (520) | (757) | (520) |
| Adjustment of nominal value to present value | (33) | (52) | (33) | (52) |
| | (784) | (572) | (790) | (572) |
| | 188,504 | 158,522 | 196,544 | 163,801 |

Changes in the allowance for impairment loss on trade receivables are as follows:

| | Company | Consolidated |
|---|---|---|
| As of December 31, 2013 | 520 | 520 |
| Allowance for impairment loss (reversal) on trade and other receiva | 231 | 237 |
| As of September 30, 2014 | 751 | 757 |

Management understands that the allowance for impairment is sufficient to cover probable losses on the settlement of trade receivables considering each client's situation and related pledged guarantees. Its amount represents the estimated risk that overdue receivables will not be realized according to the analysis of the responsible manager.

The recognition and reversal of the allowance for impairment loss on trade receivables are recorded in profit or loss as selling expenses.

### a) Breakdown of trade receivables by maturity with classification as provided for and not provided for

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | Falling due trade bills not provided for | Overdue trade bills not provided for | Allowance for doubtful accounts | December 31, 2013 | Falling due trade bills not provided for | Overdue trade bills not provided for | Allowance for doubtful accounts |
| Falling due | 177,957 | 177,957 | - | - | 150,724 | 150,724 | - | - |
| Overdue up to 30 days | 9,206 | - | 9,199 | 7 | 6,027 | - | 6,027 | - |
| Overdue from 31 to 90 days | 698 | - | 610 | 88 | 1,286 | - | 1,276 | 10 |
| Overdue from 91 to 360 days | 811 | - | 577 | 234 | 978 | - | 652 | 326 |
| Overdue for more than 360 days | 616 | - | 194 | 422 | 79 | - | (105) | 184 |
| | 189,288 | 177,957 | 10,580 | 751 | 159,094 | 150,724 | 7,850 | 520 |

Amounts in thousands of Brazilian real, except when otherwise indicated

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | Falling due trade bills not provided for | Overdue trade bills not provided for | Allowance for doubtful accounts | December 31, 2013 | Falling due trade bills not provided for | Overdue trade bills not provided for | Allowance for doubtful accounts |
| Falling due | 185,820 | 185,820 | - | - | 155,936 | 155,936 | - | - |
| Overdue up to 30 days | 9,269 | - | 9,262 | 7 | 6,047 | - | 6,047 | - |
| Overdue from 31 to 90 days | 736 | - | 648 | 88 | 1,319 | - | 1,309 | 10 |
| Overdue from 91 to 360 days | 885 | - | 645 | 240 | 992 | - | 666 | 326 |
| Overdue for more than 360 days | 624 | - | 202 | 422 | 79 | - | (105) | 184 |
| | 197,334 | 185,820 | 10,757 | 757 | 164,373 | 155,936 | 7,917 | 520 |

The Company's receivables secure some of the loans and financing, as described in note 20. Their amount is calculated according to a percentage of the debt's residual balance. As of September 30, 2014, total trade receivables pledged as security were R$77,213 (R$57,065 as of December 31, 2013).

## 7 Inventories

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Finished goods | 158,923 | 135,728 | 159,311 | 135,909 |
| Work in progress | 7,143 | 6,808 | 7,143 | 6,808 |
| Raw materials and consumables | 15,301 | 14,851 | 15,301 | 14,851 |
| Allowance for the measurement of inventories at realizable value | (6,686) | (5,402) | (6,686) | (5,402) |
| Imports in progress | 9,286 | 25,681 | 9,286 | 25,681 |
| | 183,967 | 177,666 | 184,355 | 177,847 |

## 8 Advances to suppliers

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Local market | 5,035 | 11,170 | 3,736 | 9,757 |
| Foreign market | 165 | 218 | 165 | 218 |
| | 5,200 | 11,388 | 3,901 | 9,975 |

Amounts in thousands of Brazilian real, except when otherwise indicated

## 9 Recoverable taxes

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Current | | | | |
| ICMS | 5,437 | 5,006 | 5,437 | 5,006 |
| IPI | 1,083 | 1,313 | 1,083 | 1,313 |
| IRPJ/CSLL | - | 10,522 | 452 | 10,978 |
| Other | 155 | 440 | 390 | 586 |
| | 6,675 | 17,281 | 7,362 | 17,883 |
| Non-current * | | | | |
| ICMS | 3,890 | 3,400 | 3,890 | 3,400 |
| PIS/COFINS | 5,234 | 484 | 5,234 | 484 |
| | 9,124 | 3,884 | 9,124 | 3,884 |

* Property, plant and equipment

The reduction in the IPI rates levied on products produced and marketed by Portobello S.A. originally allowed by Decree 7.032 of December 14, 2009, was kept until March 31, 2014 according to Decree 7.796 of August 30, 2012, and was revoked by Federal Decree 7.879 of December 27, 2012, which sets a zero IPI (Excise Tax) rate for the industry for an indeterminate term.

This measure originates credits that will be quarterly used to offset federal taxes.

## 10 Receivables from other related parties

Between 2011 and 2013 the Company acquired from related party Refinadora Catarinense S.A. ("Refinery") tax credits against the Brazilian Treasury arising from a writ of mandamus whereby the plaintiff claimed the right for reimbursement of the IPI premium credit. The Company used these credits to settle federal taxes. As provided for in the agreement between the parties, if these credits are not validated by the Brazilian Treasury, the "Refinery" should reimburse the Company.

The Federal Supreme Court issued a decision in mid 2009 putting an end to this incentive on October 4, 1990, therefore making any claims for the utilization of this credit impossible to be pursued. Accordingly, the Company joined the tax installment payment scheme established by Law 11.941/09, including the debt resulting from the utilization of the credit acquired from the "Refinery".

The “Refinery” had already entered into an agreement with the Company guaranteeing the reimbursement of the utilized amounts. The guarantee consisted of credits also originated from the IPI premium credit tax benefit referring to a computation period prior to October 4, 1990. The demand for the recognition of the tax credit is being handled at the Federal Court of the Federal District, which passed a final judgment on the calculation of the award that is favorable to the Refinery and bars relitigation.

When the Company joined the tax installment payment scheme established by Law 11.941/09, the Company and the “Refinery” entered into an agreement confirming that these credits would be pledged as security and would be sufficient to settle all tax debts repayable in installments. As of September 30, 2014 these credits, which also originate from lawsuit 87.00.00967-9, total R$87,264 (R$94,540 as of December 31, 2013) and are adjusted for inflation using the SELIC (Central Bank overnight rate), according to the agreement.

Amounts in thousands of Brazilian real, except when otherwise indicated

The credits pledged as security have already been transformed into bonds issued to cover court-ordered debt payments. The Company received three out of ten annual installments, as established by contract. R$8,505, R$9,824 and R$9,995 were received in August 2011, March 2013 and April 2014, respectively.

Refinadora Catarinense S/A used to be the parent company in the past and currently has shareholders in common. It remains liable for the fulfillment of the obligation.

## 11 Court deposits

The Company and its subsidiaries are parties to tax, civil and labor legal proceedings (see note **Erro! Fonte de referência não encontrada.**) and are discussing these issues at administrative and judicial levels. When applicable, court deposits have been made to support proceedings. They are recognized at the original amount adjusted for inflation using the benchmark savings-account rate (TR) + 0.5%.

Court deposits are presented in accordance with the nature of the related cases:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Civel | 28,445 | 16,030 | 28,463 | 16,030 |
| Labor | 9,824 | 2,657 | 9,824 | 2,657 |
| Tax | 3,842 | 2,034 | 3,917 | 2,034 |
| | 42,111 | 20,721 | 42,204 | 20,721 |

The Company, due to a untimely and unilateral decision by supplier SC Gás to suspend the discount granted on the monthly price of the gas bought by the Company, a benefit called loyalty program, filed a demand in court for the maintenance of that benefit and obtained an injunction to make the deposit of the discount amount in court. For that reason the balance of the civil court deposit is approximately R$28 million.

## 12 Receivables from Eletrobrás

The Company filed a lawsuit against Centrais Elétricas Brasileira S/A - Eletrobrás to be reimbursed of the compulsory loan paid on electricity bills between 1977 and 1993, according to Law 4.156/62.

On December 16, 2005 the Company got a favorable decision and in February 2006 filed a demand for enforcement. On that occasion Eletrobrás and the Federal Government filed a challenge recognizing as undisputed an amount of R$6,286 (amounts on March 1, 2008) consisting of a (i) bank deposit of R$4,964 on April 1, 2008 and a (ii) transfer of 61,209 class B registered preferred shares of Eletrobrás which were sold on August 13, 2008 for R$1,597.

The Federal Court ordered its award calculation department to determine the remaining amount due to the Company. The award calculation department calculated the amount of R$12,064 on February 1, 2006. The Company recognized the amount calculated by the judicial expert and keeps these amounts adjusted for inflation using the National Consumer Price Index (INPC) plus 12% p.a. On September 30, 2010, the remaining balance was R$15,613 before the inflation adjustment.

The calculation was reviewed and the Federal Court's award calculation department produced new amounts and net damages of R$24,749. In September 2010, the Company recognized the difference between the amounts previously calculated and the current amount calculated by the Justice Court's award calculation department totaling R$9,136, which was recorded under the caption "Other operating revenues".

Amounts in thousands of Brazilian real, except when otherwise indicated

On August 1, 2014, the Federal Court's award calculation department condemned Eletrobrás to pay an amount calculated by experts of R$35,395, with base date of August 2013. After this discretionary settlement by judicial authorities, Portobello filed an appeal against the decision, requesting the calculations to be made again and criteria to be adopted to determine the damages, due to disputes between the parties. Accordingly, the Company decided to conservatively stop adjusting the asset for inflation for the moment, until a new amount and the criteria applied to make the calculation are decided.

As of July 30, 2014 the value of the asset adjusted by the Company totals R$48,621 (R$43,555 as of December 31, 2013). It should say that the value determined by the expertise is on the base date August 2013, while the value updated by the Company as mentioned above, is updated to July 2014.

## 13 Income and social contribution taxes

### a) Income and social contribution taxes

Recoverable and repayable income and social contribution taxes can be broken down as follows:

| | Current assets | | | | Current liabilities | | | |
|---|---|---|---|---|---|---|---|---|
| | Company | | Consolidated | | Company | | Consolidated | |
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Income tax | - | 7,156 | 406 | 7,565 | (4,086) | - | (4,743) | (339) |
| Social contribution tax | - | 3,366 | 46 | 3,413 | (1,473) | - | (1,713) | (122) |
| | - | 10,522 | 452 | 10,978 | (5,559) | - | (6,456) | (461) |

Taxes are offset and the net amount presented in assets or liabilities when the Company has a legal right to offset current tax assets and liabilities.

### b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the interim financial statements for financial reporting purposes and the amounts used for taxation purposes. Those taxes' rates, currently set to determine deferred taxes, are 25% for income tax and 9% for social contribution tax.
Deferred tax assets are recognized for temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized according to future income projections made and grounded in internal assumptions and future economic scenarios which may therefore change.

Deferred income and social contribution taxes in the Company and Consolidated financial statements are as follows:

Amounts in thousands of Brazilian real, except when otherwise indicated

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Assets | 15,023 | 12,198 |
| Social contribution tax loss | - | 160 |
| Temporary differences | 15,023 | 12,038 |
| Portobello pension plan | (2,477) | (2,381) |
| Allowance for market value adjustment | 2,045 | 1,553 |
| Provision for contingencies | 8,344 | 6,966 |
| Provision for profit sharing and long-term incentive | 4,361 | 4,025 |
| Other temporary differences receivable | 2,750 | 1,875 |
| Liabilities | (44,323) | (41,352) |
| Temporary differences | (44,323) | (41,352) |
| Realization of revaluation reserve | (16,995) | (17,396) |
| Receivables from Eletrobrás | (16,532) | (14,809) |
| Contingent assets - IPI premium credit - phase II | (5,092) | (4,725) |
| Present value adjustment | (2,296) | (1,713) |
| Depreciation adjustment (according to useful lives of assets) | (4,647) | (4,464) |
| Exchange rate fluctuations on a cash basis | 1,239 | 1,755 |
| Deferred income and social contribution taxes - net | (29,300) | (29,154) |

Net changes in deferred income and social contribution taxes as of September 30, 2014 are as follows:

| | Company and Consolidated |
|---|---|
| In December 31, 2013 | (29,154) |
| Social contribuiton tax loss | (160) |
| Receivable temporary differences | 2,985 |
| Payable temporary differences | (3,372) |
| Revaluation reserve | 401 |
| In September 30, 2014 | (29,300) |

Changes in deferred income and social contribution tax assets and liabilities during the period, without considering the offset of Company and Consolidated balances, are as follows:

| | 3rd quarter | | Acumulated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Deferred income tax assets charged (credited) to profit or loss | | | | |
| Social contribution tax loss | - | - | (160) | - |
| Portobello pension plan | (33) | (33) | (96) | (100) |
| Allowance for market value adjustment | 168 | 100 | 492 | 559 |
| Provision for contingencies | 650 | 166 | 1,378 | 414 |
| Provision for profit sharing and long-term incentive | (56) | 334 | 336 | (238) |
| Other temporary differences receivable | 63 | (138) | 875 | 62 |
| | 792 | 429 | 2,825 | 697 |
| Realization of revaluation reserve | 134 | 134 | 401 | 403 |
| Receivables from Eletrobrás | (193) | (422) | (1,723) | (1,662) |
| Contingent assets - IPI premium credit - phase II | (132) | (93) | (367) | (244) |
| Present value adjustment | (222) | (344) | (583) | 40 |
| Depreciation adjustment (according to useful lives of assets) | (92) | 44 | (183) | 131 |
| Exchange rate fluctuations on a cash basis | (44) | (136) | (516) | 498 |
| | (549) | (817) | (2,971) | (834) |
| | 243 | (388) | (146) | (137) |

Amounts in thousands of Brazilian real, except when otherwise indicated

## c) Income and social contribution taxes in profit or loss

Income and social contribution tax expenses are as follows:

### Changes in the third quarter of 2014 and 2013:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Pre-tax profit | 27,208 | 27,118 | 29,995 | 29,198 |
| Tax calculated according to local tax rates | (9,251) | (9,220) | (10,198) | (9,927) |
| Share of profit of equity-accounted investees | 1,859 | 1,215 | - | - |
| Non-deductible expenses for tax purposes | 214 | 1,730 | 214 | 1,730 |
| Depreciation of revalued assets | (134) | (134) | (134) | (134) |
| Tax credits on tax losses and temporary differences | (86) | 1,540 | (44) | 1,401 |
| Current tax on year's profit | (7,398) | (4,869) | (10,162) | (6,930) |
| Recognition of deferred income and social contribution taxes | 243 | (388) | 243 | (388) |
| Income and social controbuiton tax expenses | (7,155) | (5,257) | (9,919) | (7,318) |
| Effective rate | 26.3% | 19.4% | 33.1% | 25.1% |

Amounts in thousands of Brazilian real, except when otherwise indicated

### Changes in the accumulated amounts in 2014 and 2013:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Pre-tax profit | 62,607 | 67,095 | 70,191 | 72,709 |
| Tax calculated according to local tax rates | (21,286) | (22,812) | (23,864) | (24,721) |
| Share of profit of equity-accounted investees | 5,044 | 3,042 | - | - |
| Non-deductible expenses for tax purposes | 577 | 2,574 | 545 | 2,574 |
| Depreciation of revalued assets | (402) | (403) | (402) | (403) |
| Tax credits on tax losses and temporary differences | 802 | 1,819 | 946 | 1,209 |
| Current tax on year's profit | (15,265) | (15,780) | (22,775) | (21,341) |
| Recognition of deferred income and social contribution taxes | (146) | (137) | (146) | (137) |
| Income and social controbuiton tax expenses | (15,411) | (15,917) | (22,921) | (21,478) |
| Effective rate | 24.6% | 23.7% | 32.7% | 29.5% |

## 14 Tax assets

The Company has filed a demand for the recognition of tax benefits called IPI premium credits in different computation periods. A decision favorable to the Company has already been rendered on lawsuit number 1987.0000.645-9 referring to the period from April 1, 1981 to April 30, 1985 and the amount of damages to be paid has already been calculated by the Federal Court's award calculation department. The Company expects to realize this asset in the medium term. Therefore, in November 2009 the Company recognized an unchallenged amount which adjusted for inflation totals R$14,978 as of September 30, 2014 (R$13,896 as of December 31, 2013).

## 15 Contingent assets

Contingent assets consist of lawsuits number 1998.34.00.029022-4 and 1984.00.020114-0, which also address the recognition of tax benefits called IPI premium credits. The awards granted to the Company under these proceedings are being calculated. However, the amounts due by the Federal Government have not yet been calculated by the Federal Court and may not and have not yet been recognized as assets. However, the Company asked for the lawyers to calculate the damages repayable and they have estimated credits net of accruals adjusted for inflation through December 2009 in the respective amounts of R$54,605 and R$1,848, respectively.

## 16 Investments

### a) Interest in subsidiaries

The Company controls five companies and investments are recognized in non-current assets under the caption "Equity-accounted subsidiaries" and in liabilities as "Impairment loss on investments".

Amounts in thousands of Brazilian real, except when otherwise indicated

| | Equity | Profit (loss) for the year | Interest percentage | December 31, 2013 | Exchange rate fluctuations | Paid-in capital | Share of profit (loss) of equity-accounted investees | September 30, 2014 |
|---|---|---|---|---|---|---|---|---|
| Impairment loss on investments | | | | | | | | |
| Portobello América Inc. (a) | (49,917) | (59) | 100% | (47,649) | (2,209) | - | (59) | (49,917) |
| PBTech Ltda. | (6,149) | 594 | 99.94% | (6,736) | - | - | 594 | (6,142) |
| Mineração Portobello Ltda. | (352) | 492 | 99.76% | (846) | - | - | 491 | (355) |
| | | | | (55,231) | (2,209) | - | 1,026 | (56,414) |
| Investments - equity-acocunted subsidiaries | | | | | | | | |
| Portobello Shop S.A. | 14,301 | 13,822 | 99.90% | 480 | - | - | 13,808 | 14,288 |
| Companhia Brasileira de Cerâmica S/A (b) | 50 | - | 98.00% | - | - | 48 | - | 48 |
| | | | | 480 | - | 48 | 13,808 | 14,336 |
| Total investments in subsidiaries | | | | (54,751) | (2,209) | 48 | 14,834 | (42,078) |

(a) As of September 30, 2014 the Company has impairment loss on investments of subsidiary Portobello América Inc. in non-current liabilities. Management intends to capitalize the subsidiary's debt.

(b) Companhia Brasileira de Cerâmica is a subsidiary set up to manage the Company's activities in the Northeast Region. As of September 30, 2014 it has a share capital of R$50, already paid in.

Subsidiaries are closed companies. The parent company's equity in their assets, liabilities and profit is as follows:

| | Country of origin | Interest percentage | Assets | Liabilities | Receita | Profit (loss) |
|---|---|---|---|---|---|---|
| In December 31, 2013 | | | | | | |
| Portobello América Inc. | United States | 100.00% | 327 | 47,976 | - | (75) |
| PBTech Ltda. | Brazil | 99.94% | 1,966 | 8,704 | 5,700 | (1,810) |
| Portobello Shop S/A | Brazil | 99.90% | 8,775 | 8,295 | 55,255 | 15,134 |
| Mineração Portobello Ltda. | Brazil | 99.76% | 891 | 1,735 | 2,707 | 62 |
| In September 30, 2014 | | | | | | |
| Portobello América Inc. | United States | 100.00% | 280 | 50,197 | - | (59) |
| PBTech Ltda. | Brazil | 99.94% | 3,209 | 9,354 | 6,593 | 593 |
| Portobello Shop S/A | Brazil | 99.90% | 23,621 | 9,334 | 49,357 | 13,808 |
| Mineração Portobello Ltda. | Brazil | 99.76% | 1,379 | 1,731 | 2,924 | 492 |
| Companhia Brasileira de Cerâmica S/A | Brazil | 98.00% | 49 | - | - | - |

Amounts in thousands of Brazilian real, except when otherwise indicated

## 17 Property, plant and equipment

### a) Breakdown

| | | Company | | | | Consolidated | |
|---|---|---|---|---|---|---|---|
| | | September 30, 2014 | | | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| | Annual average depreciation rate | Cost | Accumulated depreciation | Net amount | Net amount | Net amount | Net amount |
| Land | | 12,141 | - | 12,141 | 12,141 | 13,051 | 12,518 |
| Buildings, construction contracts and impro | 3% | 120,872 | (21,836) | 99,036 | 99,961 | 99,025 | 100,075 |
| Machinery and equipment | 7% | 367,015 | (235,681) | 131,334 | 139,409 | 131,334 | 139,409 |
| Fixtures and fittings | 10% | 8,807 | (7,743) | 1,064 | 960 | 1,197 | 1,045 |
| Computers | 20% | 14,468 | (12,825) | 1,643 | 1,702 | 1,680 | 1,747 |
| Other | 20% | 219 | (213) | 6 | 15 | 5,011 | 540 |
| Under construction (a) | | 75,654 | - | 75,654 | 10,236 | 76,584 | 10,238 |
| | | 599,176 | (278,298) | 320,878 | 264,424 | 327,882 | 265,572 |

(a) The balance of property, plant and equipment under construction basically consists of the maunufacturing facility that is being built in Alagoas, which accounts for 87% of the total "Under construction" caption.

In 2010, when the Company first adopted international standards CPC 37 and IFRS 1, as well as CPC 43 and ICPC 10, the Company chose to consider the revaluation of property, plant and equipment made in 2006 as attributable cost because it understood that the revaluation was basically the fair value on the date of transition (see note28g).

According to Technical Pronouncement ICPC 10 of the Committee of Accounting Pronouncements, approved by Resolution 619/09 issued by the Brazilian Securities and Exchange Commission (CVM) and effective as from January 1, 2009, the Company reviewed and changed the useful economic lives of its property, plant and equipment items in 2008, following a technical report issued by the Company's engineers, since then, periodically makes revisions to the rates, and the last change was made in 2013

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

| | Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2012 | Additions | Transfers | Depreciation | December 31, 2013 | Additions | Transfers | Depreciation | September 30, 2014 |
| Land | 11,111 | 1,030 | - | - | 12,141 | - | - | - | 12,141 |
| Buildings, construction contracts and improvements | 82,836 | - | 20,307 | (3,182) | 99,961 | - | 1,938 | (2,863) | 99,036 |
| Machinery and equipment | 78,986 | 939 | 72,250 | (12,766) | 139,409 | 682 | 3,231 | (11,988) | 131,334 |
| Fixtures and fittings | 951 | 229 | - | (220) | 960 | 282 | - | (178) | 1,064 |
| Computers | 1,616 | 611 | - | (525) | 1,702 | 407 | - | (466) | 1,643 |
| Other | 30 | - | - | (15) | 15 | - | - | (9) | 6 |
| Under construction | 10,311 | 92,482 | (92,557) | - | 10,236 | 70,587 | (5,169) | - | 75,654 |
| | 185,841 | 95,291 | - | (16,708) | 264,424 | 71,958 | - | (15,504) | 320,878 |

| | Consolidated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2012 | Additions | Transfers | Depreciation | December 31, 2013 | Additions | Transfers | Depreciation | September 30, 2014 |
| Land | 11,488 | 1,030 | - | - | 12,518 | 533 | - | - | 13,051 |
| Buildings, construction contracts and improvements | 82,985 | - | 20,307 | (3,217) | 100,075 | - | 1,938 | (2,988) | 99,025 |
| Machinery and equipment | 78,986 | 939 | 72,250 | (12,766) | 139,409 | 682 | 3,231 | (11,988) | 131,334 |
| Fixtures and fittings | 1,061 | 231 | - | (247) | 1,045 | 348 | - | (196) | 1,197 |
| Computers | 1,668 | 617 | - | (538) | 1,747 | 410 | - | (477) | 1,680 |
| Other | 89 | - | 466 | (15) | 540 | 4,235 | 245 | (9) | 5,011 |
| Under construction | 10,779 | 92,482 | (93,023) | - | 10,238 | 71,760 | (5,414) | - | 76,584 |
| | 187,056 | 95,299 | - | (16,783) | 265,572 | 77,968 | - | (15,658) | 327,882 |

Amounts in thousands of Brazilian real, except when otherwise indicated

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

| | Company | | Consolidated | | Company | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 3rd quarter | | | | Acumulated | | | |
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Cost of goods sold | 4,491 | 4,052 | 4,491 | 4,052 | 13,763 | 10,111 | 13,763 | 10,110 |
| Selling expenses | 424 | 274 | 469 | 290 | 1,250 | 823 | 1,386 | 861 |
| Administrative expenses | 173 | 139 | 179 | 145 | 491 | 407 | 509 | 424 |
| | 5,088 | 4,465 | 5,139 | 4,487 | 15,504 | 11,341 | 15,658 | 11,395 |

## 18 Intangible assets

### a) Breakdown

| | | Company | | | | Consolidated | |
|---|---|---|---|---|---|---|---|
| | | September 30, 2014 | | | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| | Annual average amortization rate | Cost | Accumulated amortization | Net amount | Net amount | Net amount | Net amount |
| Software | 20% | 12,358 | (12,202) | 156 | 208 | 156 | 208 |
| Mineral deposit rights | 20% | 1,000 | (900) | 100 | 250 | 557 | 746 |
| Trademarks and patents | - | 150 | - | 150 | 150 | 150 | 150 |
| Goodwill | - | - | - | - | - | 110 | 190 |
| Software under development | - | 1,189 | - | 1,189 | - | 1,189 | - |
| Management system (a) | 21% | 18,887 | (4,404) | 14,483 | 17,450 | 14,483 | 17,450 |
| | | 33,584 | (17,506) | 16,078 | 18,058 | 16,645 | 18,744 |

(a) Consists of expenses on the acquisition and implementation of business management systems, basically consisting of Oracle, WMS and Demantra systems and *Inventory Optimization*, and of the developments made in the value chain management process.

Amounts in thousands of Brazilian real, except when otherwise indicated

## b) Changes in intangible assets

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 31, 2012 | Additions | Amortization | December 31, 2013 | Additions | Amortization | September 30, 2014 |
| Software | 311 | - | (103) | 208 | - | (52) | 156 |
| Mineral deposit rights | 450 | - | (200) | 250 | - | (150) | 100 |
| Trademarks and patents | 150 | - | - | 150 | - | - | 150 |
| Software under development | - | - | - | - | 1,189 | - | 1,189 |
| Management system | 14,209 | 4,666 | (1,425) | 17,450 | - | (2,967) | 14,483 |
| | 15,120 | 4,666 | (1,728) | 18,058 | 1,189 | (3,169) | 16,078 |

| | Consolidated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2012 | Additions | Amortization | Write offs | December 31, 2013 | Additions | Amortization | Write offs | September 30, 2014 |
| Softwares | 311 | - | (103) | - | 208 | - | (52) | - | 156 |
| Direito exploração de jazidas | 457 | 511 | (222) | - | 746 | - | (189) | - | 557 |
| Marcas e patentes | 152 | - | - | (2) | 150 | - | - | - | 150 |
| Fundo de comércio | 190 | - | - | - | 190 | - | - | (80) | 110 |
| Softwares em desenvolvimento | - | - | - | - | - | 1,189 | - | - | 1,189 |
| Sistema de gestão | 14,209 | 4,666 | (1,425) | - | 17,450 | - | (2,967) | - | 14,483 |
| | 15,319 | 5,177 | (1,750) | (2) | 18,744 | 1,189 | (3,208) | (80) | 16,645 |

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

| | Company | | Consolidated | | Company | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Cost of goods sold | 110 | 138 | 121 | 144 | 387 | 282 | 425 | 289 |
| Selling expenses | 704 | 202 | 704 | 202 | 2,112 | 241 | 2,112 | 241 |
| Administrative expenses | 242 | 212 | 242 | 211 | 670 | 314 | 671 | 316 |
| | 1,056 | 552 | 1,067 | 557 | 3,169 | 837 | 3,208 | 846 |

## c) Plan for amortizing the consolidated intangible assets:

| | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|
| Softwares | 17 | 50 | 40 | 39 | 10 | 156 |
| Direito de exploração de jazidas | 102 | 202 | 102 | 102 | 49 | 557 |
| Sistema de gestão | 989 | 3,954 | 3,949 | 3,673 | 1,918 | 14,483 |
| | 1,108 | 4,206 | 4,091 | 3,814 | 1,977 | 15,196 |

Trademarks and patents, goodwill and software under development totaling R$1,449 are not amortized due to their indefinite useful lives. However, they are subject to impairment, as described in the main accounting policies, disclosed in the financial statements ending 2013.

Amounts in thousands of Brazilian real, except when otherwise indicated

## 19 Trade payables

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Local market | 109,083 | 111,606 | 113,424 | 113,007 |
| Foreign market | 21,406 | 40,915 | 21,406 | 40,915 |
| Adjustment of nominal value to present value | (133) | (80) | (133) | (80) |
| Current | 130,356 | 152,441 | 134,697 | 153,842 |
| Local market (a) | 27,895 | 15,966 | 27,895 | 15,966 |
| Non-current | 27,895 | 15,966 | 27,895 | 15,966 |
| | 158,251 | 168,407 | 162,592 | 169,808 |

(a) Provision accrued for payment the gas supplier arising from the issue mentioned in note 11

## 20 Loans and financing

| | Currency | Maturities | Charges | | Company | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | | | | | September 30, 2014 | December 31, 2013 | Septembe r 30, 2014 | December 31, 2013 |
| Current | | | | | | | | |
| Working capital (a) | R$ | June/2015 | 12.00% | p.a.¹ | 4,020 | 9,872 | 4,020 | 9,872 |
| Finance lease (b) | R$ | July/2015 | 9.65% | p.a.¹ | 737 | 1,007 | 737 | 1,007 |
| Banco do Nordeste S.A ( c) | R$ | June/2025 | 3.00% | p.a. | 733 | - | 733 | - |
| Exim Pré-embarque TJ 462 (d) | R$ | August/2015 | 8.00% | p.a.¹ | 40,964 | 20,335 | 40,964 | 20,335 |
| BNDES (e) | R$ | March/2016 | 8.46% | p.a.¹ | 16,815 | 15,168 | 16,815 | 15,168 |
| Law 4.131 (f) - (note 7) | R$ | December/2017 | 1.60% | p.a + CDI | 15,868 | 7,497 | 15,868 | 7,497 |
| NCE (g) | R$ | December/2017 | 11.76% | p.a.¹ | 37,418 | 20,584 | 37,418 | 20,584 |
| Pre-payment (h) | US$ | May/2018 | 4.25% | p.a.¹+EC+Libor | 3,082 | 1,481 | 3,082 | 1,481 |
| PRODEC (i) | R$ | September/2018 | 4.00% | p.a. | 7,645 | 5,632 | 7,645 | 5,632 |
| FINEP (j) | R$ | May/2021 | 5.57% | p.a.¹ | 5,214 | 5,204 | 5,214 | 5,204 |
| DEG (k) | US$ | October/2021 | 4.80% | p.a.+EC+Libor | 772 | - | 772 | - |
| FINAME (l) | R$ | August/2023 | 3.00% | p.a.¹ | 69 | 11 | 69 | 11 |
| FINIMP and "Suppliers credit" | US$ | | | | - | 4,277 | - | 4,277 |
| Total current | | | 9.12% | p.a.¹ | 133,337 | 91,068 | 133,337 | 91,068 |
| Total in local currency | | | | | 129,483 | 85,310 | 129,483 | 85,310 |
| Total in foreign currency | | | | | 3,854 | 5,758 | 3,854 | 5,758 |
| Non-current | | | | | | | | |
| Working capital (a) | R$ | June/2015 | 12.00% | p.a.¹ | - | - | 969 | 966 |
| Finance lease (b) | R$ | July/2015 | 9.65% | p.a.¹ | - | 476 | - | 476 |
| Banco do Nordeste S.A ( c) | R$ | June/2025 | 3.00% | p.a. | 28,491 | | 28,491 | |
| Exim Pré-embarque TJ 462 (d) | R$ | August/2015 | 8.00% | p.a.¹ | - | 30,000 | - | 30,000 |
| BNDES (e) | R$ | March/2016 | 8.46% | p.a.¹ | 5,833 | 17,083 | 5,833 | 17,083 |
| Law 4.131 (f) - (note 7) | R$ | December/2017 | 1.60% | p.a + CDI | 35,714 | 42,857 | 35,714 | 42,857 |
| NCE (g) | R$ | December/2017 | 11.76% | p.a.¹ | 76,966 | 48,000 | 76,966 | 48,000 |
| Prepayment (h) | US$ | May/2018 | 4.25% | p.a.¹+EC+Libor | 8,425 | 10,249 | 8,425 | 10,249 |
| PRODEC (i) | R$ | September/2018 | 4.00% | p.a. | 32,023 | 26,128 | 32,023 | 26,128 |
| FINEP (j) | R$ | May/2021 | 5.57% | p.a.¹ | 28,081 | 19,318 | 28,081 | 19,318 |
| DEG (k) | US$ | October/2021 | 4.80% | p.a.+EC+Libor | 44,118 | - | 44,118 | - |
| FINAME (l) | R$ | August/2023 | 3.00% | p.a.¹ | 3,291 | 5,445 | 3,291 | 5,445 |
| "Suppliers credit" | US$ | | | | - | 1,544 | - | 1,544 |
| Total non-current | | | 7.28% | p.a.¹ | 262,942 | 201,100 | 263,911 | 202,066 |
| Total in local currency | | | | | 210,399 | 189,307 | 211,368 | 190,273 |
| Total in foreign currency | | | | | 52,543 | 11,793 | 52,543 | 11,793 |
| Grand total | | | 7.89% | p.a.¹ | 396,279 | 292,168 | 397,248 | 293,134 |
| Total in local currency | | | | | 339,882 | 274,617 | 340,851 | 275,583 |
| Total in foreign currency | | | | | 56,397 | 17,551 | 56,397 | 17,551 |

¹ Weighted average rate
VC - Exchange rate fluctuation
CDI - Interbank Deposit Certificates
LIBOR - London Interbank Offered Rate

**a) Working capital -** working capital loan agreement entered into in May 2014, in the amount of R$4 million, which is repayable in 13 monthly installments, the first one in July 2014. This agreement is secured by receivables of Portobello S.A. in the amount of 25% on the agreement's debt balance.

**b) Finance Lease** - agreements entered into in:
(i) May 2012 with SG Equipment Finance S.A. in the amount of R$2.5 million, with a term of 36 months; and
(ii) July 2012 with HP Hewlett Packard in the amount of R$450 thousand with a term of 36 months. The financed goods were pledged as security for both agreements.

**c) Banco Nordeste S.A.** - agreement entered into in June 2013, in the amount of R$147.7 million, repayable in 120 monthly installments. The first disbursement was in August 2014, in the amount of R$29.2 million, and the first portion of the principal matures in July 2015. Mortgages of real property and property and equipment were pledged to secure that agreement.

**d) Exim Pré-Embarque** - agreements entered into in:
(i) August 2013 in the amount of R$30 million. They are repayable in 12 monthly installments, with the first one maturing in September 2014 - receivables of Portobello S.A, in the amount of 20% of the agreement's debt balance, were pledged as security; and
(ii) September 2013, in the amount of R$20 million, repayable in 18 monthly installments. The first installment matures in April 2014 and 100% of a security agreement and mortgage on real property owned by Portobello S.A. were pledged to guarantee the agreement.

**e) BNDES (Progeren)** - agreement entered into in:
(i) January 2013, in the amount of R$20 million, with a grace period of one year and repayable in 24 monthly and successive installments (with no covenants or collateral); and
(ii) in March 2013, in the amount of R$10 million, also with a grace period of one year and repayable in 24 monthly and successive installments (with no covenants, but secured by receivables of Portobello S.A. in the amount of 40% of the agreement's debt balance).

**f) Law 4.131 (Trade Exportador with interest rate (CDI) swap contract)** - In December 2012 the Company entered into an agreement in the amount of R$50 million repayable in 60 months and with a grace period of 24 months. Repayments occur every six months and receivables of Portobello S.A. were pledged as collateral in the amount of 50% of the agreement's debt balance.

**g) Export Credit Note -** agreements entered into in:
(i) January 2013 - in the amount of R$20 million, repayable in seven half-yearly installments, the first one on January, 2015 (collateral: receivables of Portobello S.A. in the amount of 50% on the agreement's debt balances);
(ii) April 2013 - in the amount of R$30 million, repayable in five half-yearly installments (April, October 2014 and 2015 and April 2016) (collateral: receivables of Portobello S.A. in the amount of 20% on the agreement's debt balance);
(iii) March 2014, in the amount of R$28.3 million, repayable in 36 monthly installments. The first installment matures in April 2014 (collateral: receivables of Portobello S.A. in the amount of 50% of the agreement's debt balance);
(iv) April 2014, in the amount of R$15 million, repayable in 35 monthly installments. The first installment matures in May 2014 (collateral: receivables of Portobello S.A. in the amount of 50% of the agreement's debt balance); and
(v) May 2014, in the amount of R$15 million, repayable in 35 monthly installments. The first installment matures in June 2014 (collateral: receivables of Portobello S.A. in the amount of 25% of the agreement's debt balance)
(vi) September 2014, in the amount of R$10 million. The principal amount matures in September 2017 (with no covenants and no collateral).

Amounts in thousands of Brazilian real, except when otherwise indicated

**h) Pre-payment -** agreements entered into in:
(i) June 2013, in the amount of U$5,000. Principal is repayable in 16 installments and interest in 20 quarterly installments, the first of which in September 2013 - 100% of the security agreement was pledged as collateral.

**i) PRODEC** (Program for the Development of Companies in the State of Santa Catarina) - In July 2009 the Company was granted a Special Regime by the state of Santa Catarina. The balance is subject to present value adjustment and the rate used for calculation purposes is the average of current working capital (11.08% per year). The deferred amount is 60% of the tax balance generated in the month that exceeds R$761 (average tax paid in 2007 and 2008), the grace period is 48 months, the term is 120 months and the agreement bears annual inflation adjustment of 4% and UFIR (Fiscal Reference Unit) fluctuation.

**j) FINEP (Funds for Studies and Projects)** - agreement entered into in:
(i) May 2010 in the amount of up to R$30 million, which bears annual interest of 5%, has a term of 80 months and a grace period of 20 months. The first portion, 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 R$57.3 million which bears annual interest of 4%, has a term of 82 months and a grace period of 21 months. The first portion of R$12.6 million was fully released in July 2014.
Both these agreements required the presentation of a letter of guarantee at the annual cost of 0.95%.

**k) DEG - Deutsche Investitions -** agreement entered into in May 2014, in the amount of R$40.3 million, repayable in 12 half-yearly installments. The first principal portion matures in April 2016. This agreement is collateralized by machinery and equipment and promissory notes. This agreement has covenants and as of September 30, 2014 all covenants are met.

**l) FINAME (Government Agency for Machinery and Equipment Financing)** (industrial credit note) - agreements entered into in:
(i) the period from May 2013 to September 2013 in the amount of R$5.5 million, repayable in 96 monthly installments and with a grace period of 24 months;
(ii) January 2014 in the amount of R$577 thousand, repayable in 96 monthly installments and with a grace period of 17 months. The financed equipment secures this agreement.

The other loans taken out by the Company were mainly secured by mortgages on real estate and equipment, receivables of the Parent Company (note 6) and the subsidiary (note 40), endorsements of controlling shareholders and the subsidiary. Moreover, inventories of finished goods in the amount of R$30,122 were pledged as collateral.

Long-term loans have the following payment schedule:

| | Company | | Consolidated | |
|---|---|---|---|---|
| Maturities on July 1 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| 2015 | 31,600 | 96,818 | 31,600 | 96,818 |
| 2016 | 90,634 | 55,933 | 91,603 | 55,933 |
| 2017 | 67,274 | 39,155 | 67,274 | 39,155 |
| 2018 | 24,448 | 6,032 | 24,448 | 6,998 |
| 2019-2021 | 48,986 | 3,162 | 48,986 | 3,162 |
| | 262,942 | 201,100 | 263,911 | 202,066 |

The book values and fair values of loans are presented in the following currencies:

Amounts in thousands of Brazilian real, except when otherwise indicated

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Reais | 339,882 | 274,617 | 340,851 | 275,583 |
| Euros | - | 285 | - | 285 |
| US dollars | 56,397 | 17,266 | 56,397 | 17,266 |
| | 396,279 | 292,168 | 397,248 | 293,134 |

The fair values of current loans approximate their book values, given that book values are measured at amortized cost and adjusted for inflation *on a pro rata basis.*

Finance lease obligations (Company and Consolidated) are described below:

| Leasing | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Gross financial lease obligations - Minimum payments | | |
| Less than 1 year | 856 | 1,101 |
| More than one year and less than 5 years | - | 492 |
| Total | 856 | 1,593 |
| Future finance charges on financial leases | (119) | (110) |
| Present value of financial lease liabilities | 737 | 1,483 |
| | | |
| Present value of financial lease liabilities is as follows: | | |
| Less than 1 year | 737 | 1,007 |
| More than one year and less than 5 years | - | 476 |
| Total | 737 | 1,483 |

## 21 Taxes in installments

| | Tax liabilities | Installment payment request | | | |
|---|---|---|---|---|---|
| | | Date | Overdue installments | September 30, 2014 | December 31, 2013 |
| Portobello S.A. | LAW 11.941/09 (a) | Nov/09 | 124 | 105,796 | 109,974 |
| | INSS | Dec/09 | 5 | 612 | 3,193 |
| | IPI | Dec/09 | 5 | 416 | 2,169 |
| | Outros | Dec/13 | 6 | 49 | 420 |
| Total Company | | | | 106,873 | 115,756 |
| Portobello Shop S.A. | IRPJ, CSLL and COFINS | Mar/09 | - | - | 107 |
| | INSS | Nov/09 | 4 | 26 | 245 |
| | LAW 11.941/09 (a) | Nov/09 | 124 | 577 | 588 |
| Total subsidiaries | | | | 603 | 940 |
| Total Consolidated | | | | 107,476 | 116,696 |

The schedule for installment payments is as follows:

Amounts in thousands of Brazilian real, except when otherwise indicated

| | Company | | Consolidated | |
|---|---|---|---|---|
| Maturity | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| 2014 | 3,416 | 17,674 | 3,457 | 18,080 |
| 2015-2023 (*) | 94,689 | 89,765 | 95,211 | 90,251 |
| 2024 | 8,768 | 8,317 | 8,808 | 8,365 |
| | 106,873 | 115,756 | 107,476 | 116,696 |
| Current | 11,308 | 17,674 | 11,391 | 18,080 |
| Non-current | 95,565 | 98,082 | 96,085 | 98,616 |

(*) From 2015 to 2023 annual installments will be R$10,521 and R$9,974 (Company), and R$10,579 and R$10,028 (Consolidated).

### a) Law 11.941/09 (REFIS - Tax Debt Refinancing Program)

In May and June 2011 the Company completed the consolidation of the installment payment established by Law 11.941/09, which started with the Company's joining the Tax Debt Refinancing Program in November 2009.

Between the time the Company joined the program and the time it made the consolidation it paid the minimum amount of R$395, as established by the law. During this period and more precisely on consolidation, the Company made decisions which led to a positive economic adjustment of R$3,013 of which R$3,613 as an impact on other operating revenues and R$600 as finance cost. The main impact was due to the lack of confirmation of the migration of the debts not approved for installment payment under MP 470 to the installment payment established by Law 11.941/09 (see note 22).

Once the consolidation is completed, the Company commits itself to paying monthly installments of R$877 with no more than three months of delay, waiving any legal proceedings and any claims that are discussed in these proceedings, otherwise the installment payment is immediately terminated and the Company loses the benefits established by Law 11.941/09. These waivers of lawsuits against tax deficiency assessments do not affect ongoing legal proceedings referred to in notes 14 and 15.

## 22 Tax debts Law 12.249/10 (MP 470 and MP 472)

In November 2009 the Company joined the installment payment program established by MP 470 (undue utilization of IPI premium credit) with the Federal Revenue Service and the Brazilian Treasury. In addition to the installment payment the law establishes a reduction in charges and the Company may use tax credits arising from tax losses incurred until 2008 to pay the debts.

When this MP (Executive Act) was converted into Law 12.249/10 in June 2010 the utilization of tax credits resulting from tax losses existing on December 31, 2009 was authorized. The Company made use of this benefit and recorded R$3,252 in the second quarter of 2010, considering the installment payment that was settled.

The Brazilian Treasury partially denied the request in June 2010, claiming the need for the Company to waive the lawsuits that challenged the credit and also stated that the undue utilization requirement was not met. The Company claimed that it would waive only the lawsuits that challenged the tax deficiencies assessed by the Federal Revenue Service. However, the Regional Attorney's Office of the Brazilian Treasury in Santa Catarina considered that the waiver should also cover the lawsuits seeking a declaratory judgment recognizing the IPI premium credit, referred to in notes 14 and 15. The Company's Legal Department is adopting the necessary measures against the Brazilian Treasury's decision with the purpose of ruling out the mandatory waiver of the lawsuits seeking a declaratory judgment and also the production of evidence of undue utilization of credits which had been clearly recognized by the Federal Revenue Service by assessing a tax deficiency. This procedure decided on by Management is supported by a report prepared by law firm Demarest Almeida which claims that, for the debts covered by the installment payment established by Law 12.249/10 waiving the aforementioned lawsuits seeking declaratory judgments is not necessary, differently from the provisions of Law 11.941/09. Therefore, according to this report, the reversal of this situation is virtually certain in all judicial courts and the Company may obtain a decision on the merits of the case to rule out the reasons for the rejection of the request. The Company filed a writ of mandamus seeking a judicial approval of the installment payment and a lower court denied the writ. The Regional Federal Court of the Fourth Region partially upheld the Company's appeal. The Company intends to reverse the remaining unfavorable legal decision at the Superior Court of Justice.

Amounts in thousands of Brazilian real, except when otherwise indicated

If the decision rendered by the Brazilian Treasury remains unchanged until the last court, the impact on the Company's result would be a loss of R$16,379 as of September 30, 2014, considering the reversal of the acknowledgment of the debt, the nonexistence of benefits and the maintenance of debts as contingent liabilities. A possible tax liability would be settled using the credits resulting from lawsuit number 1998.34.00.029022-4, as described in note 15.

## 23 Taxes, fees and contributions

On September 30, 2014 taxes, fees and contributions recorded in current liabilities were classified as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| IRRF | 804 | 1,065 | 867 | 1,123 |
| ICMS | 8,459 | 3,885 | 8,452 | 3,889 |
| PIS/COFINS | 3,694 | 1,562 | 4,243 | 1,899 |
| Other | 260 | 229 | 456 | 401 |
| | 13,217 | 6,741 | 14,018 | 7,312 |

## 24 Provisions for contingencies

The Company and its subsidiaries are parties to legal civil, labor and tax proceedings and to administrative tax proceedings. Management, supported by the opinion of its legal counselors, believes that the balance of provisions is sufficient to cover the expenses necessary to settle obligations.

The breakdown of the balance of provisions is as follows:

| Accrued amount | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Civil | 6,141 | 4,671 | 6,203 | 4,727 |
| Labor | 16,845 | 13,511 | 16,845 | 13,511 |
| Tax | 2,465 | 2,305 | 2,465 | 2,305 |
| | 25,451 | 20,487 | 25,513 | 20,543 |
| Current | 17,356 | 14,600 | 17,395 | 14,635 |
| Non-current | 8,095 | 5,887 | 8,118 | 5,908 |

Contingencies classified as current originate from a legal assessment and are expected to be realized in less than 12 months.

Amounts in thousands of Brazilian real, except when otherwise indicated

Provisions are accrued according to the expenses estimated to be necessary to settle the obligation. Civil and labor lawsuits are individually assessed by the Company's legal counselors that classify them according to the expected successful outcome of lawsuits.
Statement of changes in provisions:

| | Company | | | Total |
|---|---|---|---|---|
| | Civil | Labor | Tax | |
| In December 31, 2013 | 4,671 | 13,511 | 2,305 | 20,487 |
| Charged (credited) to profit or loss: | 1,686 | 3,642 | 160 | 5,488 |
| Additional accruals | 1,108 | 2,054 | 160 | 3,322 |
| Reversals for lack of utilization | (21) | (209) | - | (230) |
| Inflation adjustment (note 35) | 599 | 1,797 | - | 2,396 |
| Reversals for realization | (216) | (308) | - | (524) |
| In September 30, 2014 | 6,141 | 16,845 | 2,465 | 25,451 |

| | Consolidated | | | Total |
|---|---|---|---|---|
| | Civil | Labor | Tax | |
| In December 31, 2013 | 4,727 | 13,511 | 2,305 | 20,543 |
| Charged (credited) to profit or loss: | 1,692 | 3,642 | 160 | 5,494 |
| Additional accruals | 1,108 | 2,054 | 160 | 3,322 |
| Reversals for lack of use | (21) | (209) | - | (230) |
| Inflation adjustment (note 35) | 605 | 1,797 | - | 2,402 |
| Reversals for utilization | (216) | (308) | - | (524) |
| In September 30, 2014 | 6,203 | 16,845 | 2,465 | 25,513 |

Comments about civil, labor and tax proceedings:

**Civil actions**

The Company and its subsidiaries are defendants to 188 civil lawsuits (188 lawsuits as of December 31, 2013) at lower civil courts and special civil courts. Most lawsuits have been filed by clients and aim at seeking damages for pain and suffering and property damages. When applicable, court deposits were made (note 11.

**Labor**

The Company and its subsidiary Portobello Shop S.A. are defendants in 399 labor lawsuits (355 complaints as of December 31, 2013), filed by former employees and third parties. Their claims basically consist of a health hazard premium, a legal issue already decided on by the Regional Labor Court of the 12th Region favorably for the Company. The other lawsuits consist of the payment of termination benefits, premiums, overtime pay, salary equalization, and damages for pain and suffering and material damages arising from occupational accidents/diseases. The provisions are reviewed by Management according to legal counselors. Some lawsuits are supported by court deposits (note 11).

The provisions for labor lawsuits also include assessments of deficiencies in social security contributions owed by the Company on the compensation paid to the insured, contribution for financing benefits due to occupational disability and contributions for third parties (INCRA - Federal Land-Reform Agency and SEBRAE - Brazilian Support Services for Small Companies), plus late payment interest and fine.

**Tax**

**a) INSS (Social Security Contribution) on Cooperatives**

Amounts in thousands of Brazilian real, except when otherwise indicated

Lawsuits filed by the Company (writ of mandamus) against the National Institute of Social Security, which demanded the payment of the social security contribution provided for in article 22, item IV, of Law 8.212/91 whose wording was given by Law 9.879/99.

The Company states that over the course of its activities it hires cooperatives which operate in many segments and provide specialized services to the Company. The social security contribution is levied on these transactions, but the Company understands that the Constitution does not allow such collection, which violates the principles of legality, equality and protection of cooperatives. Accordingly, it is seeking an injunction against the levy of the social security contribution and is demanding to offset the amounts that have been unduly paid. The balance of the provision as of September 30, 2014 totals R$2,465 (R$2,305 as of December 31, 2013).

## 25 Possible lawsuit losses

In addition to the provisions recognized in the Company's financial statements, classified as probable losses, other civil and labor lawsuits were classified as possible losses, and according to an assessment of the risks posed by those lawsuits, the Company, according to the opinion of its legal counselors, estimates contingent liabilities as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Civil | 2,054 | 1,967 | 2,089 | 2,211 |
| Labor | 13,756 | 12,009 | 13,756 | 12,009 |
| | 15,810 | 13,976 | 15,845 | 14,220 |

Amounts in thousands of Brazilian real, except when otherwise indicated

## 26 Employee benefits

### 26.1 Pension plan

The Company and its subsidiaries since 1997 sponsor a benefit plan called Portobello Prev, which is managed by BB Previdência - Fundo de Pensão Banco do Brasil and has 38 participants. The plan is a defined contribution plan, but offers a minimum retirement benefit by length of service or by age.

As of September 30, 2014, the balance of special contributions referring to prior periods to be deposited in the individual account of those participants that meet the conditions established by the plan's regulations amounts to R$2,261 (R$2,544 as of December 31, 2013) and is provided for as non-current liabilities. At the time when each participant who meets this condition becomes eligible, the Company will settle the portion of the special reserve attributable to the participant.

The main actuarial assumptions used by the Company are as follows:

| | Company |
|---|---|
| | September 30, 2014 and 2013 |
| Economic hypothesis | |
| Discount rate | 6% p.a. (real) |
| Expected return on assets | 6% p.a. (real) |
| Future salary growths | 2% p.a. (real) until age 47 |
| Increase in social security benefits and limits | 2% p.a. (real) as from age 48 |
| Inflation rate | Disregarded |
| Capacity factor | |
| Salaries | 100% |
| Benefits | 100% |
| Demographic hypotheses | |
| Mortality table | AT 83 |
| Mortality table for the disabled | Exp. IAPC |
| Disability table | Hunter together with Álvaro Vindas |

### 26.2 Employee benefit expenses

#### a) Expenses incurred in the third quarter of 2014 and 2013:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Compensation | 27,499 | 22,604 | 29,678 | 24,201 |
| Benefits | | | | |
| Pension plan | 258 | 233 | 272 | 265 |
| FGTS | 2,254 | 1,940 | 2,502 | 2,153 |
| Other | 3,485 | 2,382 | 3,634 | 2,467 |
| Total | 33,496 | 27,159 | 36,086 | 29,086 |

Amounts in thousands of Brazilian real, except when otherwise indicated

### b) Incurred expenses accrued in 2014 and 2013:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Compensation | 78,920 | 66,466 | 84,773 | 70,649 |
| Benefits | | | | |
| Pension plan | 727 | 681 | 774 | 826 |
| FGTS | 6,577 | 5,373 | 7,233 | 5,767 |
| Other | 9,482 | 6,469 | 9,841 | 6,692 |
| Total | 95,706 | 78,989 | 102,621 | 83,934 |

## 27 Long-term incentive plan

Considering the prospect of creating value for the business, the Company's Board of Directors established and approved the long-term incentive (ILP) on May 10, 2012. It consists of a meritocracy program which aims at attracting, retaining and recognizing the performance of the Company's professionals, aligning the executives' interests with those of shareholders and encouraging job permanence.

Directors and managers whose performance assessments are above the average, according to an internal performance assessment policy, are eligible for the long-term incentive program. By signing an acceptance agreement they become participants in the program.

The acceptance agreement establishes the number of securities that each participant will receive. Securities are called reference shares and are not traded on the over-the-counter market. The “appreciation” of the securities is annually calculated according to ebitda[1]'s performance and the ebitda/net debt[2] ratio.

The payment will be made in three annual installments (2015, 2016, 2017) with a two-year deferral at the beginning of the period (2013 and 2014). Settlement will be total after five years from the initial recognition (2017) and the Company will make the payment in cash in proportion to the amounts calculated using the plan's metrics.

The first group of participants joined the program in 2012 and the current value of the obligation as of September 30, 2014 is R$9,187 (Company) and R$9,839 (Consolidated) (R$5,868 - Company and R$6,238 - Consolidated as of December 31, 2013).

[1]profit before interest and net finance costs, taxes, depreciation and amortization
[2] loans and financing plus tax liabilities minus cash and cash equivalents, and securities.

## 28 Equity

### a) Share capital

As of March 31, 2014 the Company had subscribed and paid-in capital in the amount of R$46,065. After an Annual Shareholders' Meeting held on April 30, 2014, the Company increased its capital by R$30,500 by capitalizing profit solely for the Company, and the total number of shares was not changed, as established by article 169, paragraph one of Law 6.404/76.
Therefore, as of September 30, 2014, the Company has subscribed and paid-in capital in the amount of R$76,565 (R$46,065 as of December 31, 2013), consisting of 158,488,517 ordinary, registered, book-entry shares without par value.

Amounts in thousands of Brazilian real, except when otherwise indicated

Each ordinary share entitles the holder to one vote at annual assemblies, according to rights and privileges granted by the law and by the Company's by-laws according to share type.

The Company is authorized to increase share capital up to one billion (1,000,000,000) new ordinary, registered, book-entry shares with no par value, totaling a share capital consisting of up to 1,158.488.517 shares, and the issue of preferred shares or founders' shares is prohibited.

As of September 30, 2014 there were 69,283,587 outstanding shares, equivalent to 43.72% of total issued shares (63,488,187 as of December 31, 2013, equivalent to 39.92% of the total). The balance of outstanding shares consists of all securities available for trading in the market, except for those held by controlling shareholders, members of the Board of Directors and Management.

**b) Treasury shares**

In 1994 Portobello S/A entered into a financial cooperation agreement with *International Finance Corporation* (IFC) and assumed the accessory obligation to foster its employees' participation in the Company's shareholding structure by offering shares and allowing them to be directly financed with the Company through a payroll charge.

In 1997, since some employees did not intend to continue repaying the finance anymore, they signed a statement acknowledging that they renounced those shares and transferred their possession back to the Company, which executed them in the fourth quarter of 2013, recognizing them as treasury shares, as approved by the Board of Directors in October 2013.

The Company accounted for those treasury shares at market values, considering the studies conducted then showing that the historic cost of the asset which originated the shares was higher than the market value on the date of accounting recognition. For that reason, shares were measured at market value, recognized in the year's profit or loss. Share prices are those of the day each transfer was made, between October and December 2013. Average prices were R$4.90, in the amount of R$2,545.

On August 7, 2014, the Board of Directors decided at a meeting to approve the cancellation of 520,407 treasury shares. Thus, the total number of Company's shares was reduced from 159,008,924 to 158,488,517.

**c) Statutory reserve**

The statutory reserve is recognized annually as an appropriation of 5% of profit and may not exceed 20% of share capital. The purpose of the statutory reserve is to ensure the integrity of the share capital, and may only be used to offset losses or increase share capital. As of September 30, 2014, the balance of the statutory reserve totals R$7,808 (R$7,808 as of December 31, 2013) as provided for in article 193 of Brazilian Corporate Law.

**d) Dividends**

| | Company | Consolidated |
|---|---|---|
| Balance as of December 31, 2013 | 15,224 | 15,239 |
| Additional dividends for 2013 | 8,597 | 8,597 |
| Payments made | (23,424) | (23,439) |
| Balance as of September 30, 2014 | 397 | 397 |

At an Annual Meeting held on April 30, 2014, shareholders approved the distribution of additional dividends in the amount of R$8,597, and payouts started on May 30, 2014.

### e) Appropriated retained earnings

R$66,201 has been appropriated to implement the Company's investment plan approved at the Annual Shareholders' Meeting of April 30, 2014 to expand its business activities, in compliance with the capital budget and article 196 of Brazilian Corporate Law.

### f) Unappropriated retained earnings

At an Annual Shareholders' Meeting held on April 30, 2014, the Company's managers proposed and obtained the approval of the appropriation of the reserve in compliance with article 199 of Law 6.404/76 (Brazilian Corporate Law).

### g) Equity valuation adjustment - attributable cost

In 2010, when the Company first adopted CPC 37, IFRS 1, CPC 43 and ICPC 10, the Company chose to consider the revaluation of property, plant and equipment made in 2006 as attributable cost because it understood that the revaluation was basically the fair value on the date of transition.

It was set up as a result of the revaluation of land, buildings and improvements, supported by a revaluation report prepared by an independent appraiser which determined the values of the revalued goods, and set a new deadline for the remaining useful life, which is a new basis for the depreciation of the goods and their write-down to net book values.

It is being made according to the depreciation of constructions and improvements revalued against retained earnings. The same effect of the realization of the equity valuation adjustment is reflected on the year's profit or loss for the depreciation of revalued assets.

In accordance with ICPC 10, the Company recognized an additional amount of R$2,517 of deferred income and social contribution taxes on the revalued balance of land, considering that in 2006, when the revaluation was made, the law did not allow the levy. ICPC 10 establishes guidelines for the Companies to set up a provision for taxes on the revaluation of land when "it is probable that the economic benefits associated with the non-depreciable asset will flow to the entity, whether they are derived from a current sale, a future sale or from the very use of the asset." Deferred income and social contribution taxes related to the equity valuation adjustment of land, constructions and improvements are classified in non-current liabilities, according to note13(b).

Considering the additional equity valuation adjustment approved by the Annual Shareholders' Meeting on December 29, 2006, the balance of the equity valuation adjustment to own assets, net of deferred taxes, totals R$40,954 as of September 30, 2014 (R$42,133 as of December 31, 2013), the revaluation depreciation expense, in the quarter ended September 30, 2014, was R$393 (R$1,580 as of December 31, 2013), and the balance of deferred income and social contribution taxes on the equity valuation adjustment recorded in non-current liabilities is R$16,995 (R$17,396 as of December 31, 2013), see note 13(b).

## 29 Revenue

The reconciliation of gross revenue to net revenue, shown in the statement of profit or loss for the period ended September 30, 2014, is as follows.

Amounts in thousands of Brazilian real, except when otherwise indicated

## a) Revenues earned in the third quarter of 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Gross sales revenue | 302,330 | 263,756 | 321,667 | 279,433 |
| Gross revenue deductions | (68,035) | (56,819) | (70,181) | (58,488) |
| Sales taxes | (59,902) | (50,132) | (62,010) | (51,778) |
| Returns | (8,133) | (6,687) | (8,171) | (6,710) |
| Net sales revenue | 234,295 | 206,937 | 251,486 | 220,945 |
| Local market | 212,018 | 187,035 | 227,007 | 198,337 |
| Foreign market | 22,277 | 19,902 | 24,479 | 22,608 |

## b) Earned revenues accrued in 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Gross sales revenue | 828,450 | 722,567 | 881,920 | 765,476 |
| Gross revenue deductions | (184,960) | (156,651) | (190,850) | (161,175) |
| Sales taxes | (162,177) | (137,239) | (167,972) | (141,672) |
| Returns | (22,783) | (19,412) | (22,878) | (19,503) |
| Net sales revenue | 643,490 | 565,916 | 691,070 | 604,301 |
| Local market | 581,173 | 518,110 | 622,510 | 550,125 |
| Foreign market | 62,317 | 47,806 | 68,560 | 54,176 |

## 30 Expenses by nature

The cost of goods sold, selling and administrative expenses for the period ended September 30, 2014 are as follows:

Amounts in thousands of Brazilian real, except when otherwise indicated

### a) Expenses incurred in the third quarter of 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Changes in inventories of finished goods and work in progress (a) | (536) | (2,953) | (536) | (2,953) |
| Direct production costs (raw materials and input) | 79,619 | 65,026 | 78,592 | 64,315 |
| General production expenses (including maintenance) | 10,099 | 7,674 | 10,099 | 7,674 |
| Cost of merchandise resold | 41,780 | 47,224 | 42,300 | 47,650 |
| Expenses on the transportation of merchandise sold | 1,317 | 756 | 1,317 | 756 |
| Salaries, charges and employee benefits | 37,928 | 29,663 | 40,993 | 31,975 |
| Workforce and third-party services | 9,234 | 5,714 | 11,036 | 7,888 |
| Amortization and depreciation | 6,055 | 4,889 | 6,119 | 4,917 |
| Expenses on rents and operating leases | 2,440 | 2,307 | 2,781 | 2,408 |
| Sales commissions | 5,230 | 5,374 | 5,320 | 5,427 |
| Marketing and advertising expenses | 2,520 | 2,062 | 4,681 | 3,879 |
| Other selling expenses | 5,585 | 4,769 | 6,904 | 5,981 |
| Other administrative expenses | 505 | 1,000 | 573 | 1,041 |
| Total | 201,776 | 173,505 | 210,179 | 180,958 |

(a) Changes in inventories of finished goods and w ork in progress are the difference betw een the cost of goods produced and the cost of goods sold. Balance may be negative because of the w rite-off of the cost of goods sold that w ere produced in previous periods that included the inventory account.

### b) Incurred expenses accrued in 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Changes in inventories of finished goods and work in progress (a) | (37,133) | (11,793) | (37,133) | (11,793) |
| Direct production costs (raw materials and input) | 231,747 | 181,353 | 228,817 | 179,542 |
| General production expenses (including maintenance) | 29,664 | 23,502 | 29,664 | 23,502 |
| Cost of merchandise resold | 128,124 | 129,302 | 129,446 | 130,453 |
| Expenses on the transportation of merchandise sold | 3,059 | 2,006 | 3,059 | 2,006 |
| Salaries, charges and employee benefits | 108,415 | 90,762 | 116,687 | 96,712 |
| Workforce and third-party services | 22,908 | 16,050 | 28,660 | 21,914 |
| Amortization and depreciation | 18,311 | 11,929 | 18,505 | 11,990 |
| Expenses on rents and operating leases | 7,423 | 6,400 | 8,063 | 6,647 |
| Sales commissions | 15,764 | 13,596 | 15,958 | 13,707 |
| Marketing and advertising expenses | 6,862 | 5,504 | 13,298 | 10,321 |
| Other selling expenses | 19,896 | 12,447 | 23,233 | 15,987 |
| Other administrative expenses | 2,804 | 2,664 | 2,936 | 2,845 |
| Total | 557,844 | 483,722 | 581,193 | 503,833 |

(a) Changes in inventories of finished goods and w ork in progress are the difference betw een the cost of goods produced and the cost of goods sold. Balance may be negative because of the w rite-off of the cost of goods sold that w ere produced in previous periods that included the inventory account.

## 31 Other operating revenues (expenses), net

The other Company and Consolidated operating revenues and expenses for the period ended September 30, 2014 are as follows:

Amounts in thousands of Brazilian real, except when otherwise indicated

### a) Expenses incurred in the third quarter of 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Other operating revenues | | | | |
| Service revenue | 479 | 807 | 162 | 193 |
| Sale of property, plant and equipment | 44 | 163 | 44 | 163 |
| Other revenues | 296 | 17 | 299 | 21 |
| Total | 819 | 987 | 505 | 377 |
| Other operating expenses | | | | |
| Provision for contingencies (note 24) | (1,593) | (705) | (1,593) | (970) |
| Provision for long-term incentive (note 27 ) | (1,106) | (927) | (1,200) | (1,117) |
| Provision for profit sharing (a) | (991) | (2,684) | (1,269) | (2,860) |
| Preoperating expenses - manufacturing facility in Alagoas | (1,267) | - | (1,267) | - |
| Other expenses | (344) | (502) | (375) | (502) |
| Total | (5,301) | (4,818) | (5,704) | (5,449) |
| Total net | (4,482) | (3,831) | (5,199) | (5,072) |

(a) Recognition of provision for profit sharing payable after year end.

### b) Incurred expenses accrued in 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Other operating revenues | | | | |
| Service revenue | 1,274 | 1,694 | 476 | 193 |
| Accounts receivable | 498 | - | 498 | - |
| Sale of property, plant and equipment | 44 | 373 | 44 | 373 |
| Other revenues | 680 | 2,671 | 691 | 2,623 |
| Total | 2,496 | 4,738 | 1,709 | 3,189 |
| Other operating expenses | | | | |
| Provision for contingencies (note 24) | (3,007) | (1,593) | (3,025) | (3,418) |
| Provision for long-term incentive (note 27 ) | (3,318) | (1,806) | (3,600) | (2,052) |
| Provision for profit sharing (b) | (5,738) | (5,626) | (6,405) | (6,040) |
| Preoperating expenses - manufacturing facility in Alagoas | (3,533) | - | (3,533) | - |
| Other expenses | (637) | (1,529) | (754) | (1,604) |
| Total | (16,233) | (10,554) | (17,317) | (13,114) |
| Total net | (13,737) | (5,816) | (15,608) | (9,925) |

(a) Recognition of provision for profit sharing payable after year end.

Amounts in thousands of Brazilian real, except when otherwise indicated

## 32 Other gains (losses), net

Net exchange gains from operations recognized as other gains (losses), net (Company and Consolidated) for the period ended September 30, 2014 and 2013 are respective gains of R$11,249 and R$261. The respective gains accrued in the six-month period are R$6,053 and R$1,076.

## 33 Finance income, net

The Company and Consolidated finance income (costs) for the period ended September 30, 2014 is (are) as follows:

### a) Expenses incurred in the third quarter of 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Finance income | | | | |
| Interest | 858 | 1,298 | 1,415 | 1,967 |
| Inflation adjustment of assets | 3,131 | 2,928 | 3,131 | 2,928 |
| Other | 191 | 72 | 192 | 74 |
| Total | 4,180 | 4,298 | 4,738 | 4,969 |
| Finance costs | | | | |
| Interest | (8,286) | (5,288) | (8,375) | (5,373) |
| Finance charges on taxes | (1,934) | (1,916) | (1,963) | (1,937) |
| Breakdown of discount on provisions for contingencies (note 24) | (867) | (1,263) | (870) | (1,293) |
| Service commissions and fees(a) | (3,995) | (981) | (4,021) | (1,004) |
| Discount/Banking expenses | (269) | (106) | (269) | (106) |
| Other | (635) | (420) | (863) | (593) |
| Total | (15,986) | (9,974) | (16,361) | (10,306) |
| Net exchange rate fluctuations | | | | |
| Loans and financing | (5,739) | (641) | (5,739) | (641) |
| Total | (5,739) | (641) | (5,739) | (641) |
| Total net | (17,545) | (6,317) | (17,362) | (5,978) |

(a) Loan funding costs.

Amounts in thousands of Brazilian real, except when otherwise indicated

## b) Incurred expenses accrued in 2014 and 2013

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Finance income | | | | |
| Interest | 3,007 | 3,073 | 3,713 | 4,046 |
| Inflation adjustment of assets | 11,537 | 9,434 | 11,537 | 9,434 |
| Other | 613 | 447 | 679 | 504 |
| Total | 15,157 | 12,954 | 15,929 | 13,984 |
| Finance costs | | | | |
| Interest | (21,847) | (13,357) | (22,156) | (13,565) |
| Finance charges on taxes | (6,137) | (5,315) | (6,195) | (5,379) |
| Breakdown of discount on provisions for contingencies (note 24) | (2,396) | (3,483) | (2,404) | (3,550) |
| Service commissions and fees (a) | (5,765) | (2,005) | (5,817) | (2,042) |
| Discount/Banking expenses (b) | (2,378) | (206) | (2,378) | (206) |
| Other | (2,607) | (3,685) | (2,894) | (3,942) |
| Total | (41,130) | (28,051) | (41,844) | (28,684) |
| Net exchange rate fluctuations | | | | |
| Loans and financing | (4,216) | (4,210) | (4,216) | (4,210) |
| Total | (4,216) | (4,210) | (4,216) | (4,210) |
| Total net | (30,189) | (19,307) | (30,131) | (18,910) |

(a) Loan funding costs.
(b) Discount on the received portion of precatório (bonds issued to cover court-ordered debt payments) according to note 10.

## 34 Profit (loss) from discontinued operation

In August 2010, the Board of Directors approved the shutdown of the operations of subsidiary Portobello América, considering that demand in the US market will remain sluggish over the next years. All assets have already been retired and this unit's main assets and liabilities for the period ended September 30, 2014 are cash equivalents of R$280 (R$326 as of December 31, 2013), debts to related parties R$50,197 (R$47,975 in 2013), and negative equity of R$49,917 (R$47,649 in 2013).

The profit (loss) from discontinued operation is presented in a consolidated manner, and therefore considers, in addition to the results reported by subsidiary Portobello América, Inc. (note 16), the equity of the Parent Company's operations in the discontinued operation. In the third quarter of 2014, loss from discontinued operation was R$59 (loss of R$42 as of September 30, 2013), consisting of certain administrative expenses in this period.

## 35 Earnings per share

### a) Basic

Under CPC 41 (Earnings per share) basic earnings per share are calculated by dividing the earnings attributable to the Company’s shareholders by the weighted average number of ordinary shares issued during the year, excluding the ordinary shares purchased by the Company and held as treasury shares.

Amounts in thousands of Brazilian real, except when otherwise indicated

**Profit (loss) reported for the third quarter of 2014 and 2013**

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Profit attributable to owners of the Company | 20,053 | 21,861 | 20,053 | 21,861 |
| Weighted average number of ordinary shares (a) | 158,489 | 159,009 | 158,489 | 159,009 |
| Basic earnings per share | 0.13 | 0.14 | 0.13 | 0.14 |
| Profit from continuing operations | 20,053 | 21,861 | 20,071 | 21,876 |
| Profit from discontinued operation | - | - | (18) | (15) |
| Weighted average number of ordinary shares | 158,489 | 159,009 | 158,489 | 159,009 |
| Earnings per share - continuing operations | 0.12653 | 0.13748 | 0.12664 | 0.13758 |
| Earnings per share - discontinued operation | - | - | (0.00011) | (0.00009) |

**Profit (loss) accrued in 2014 and 2013**

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Profit attributable to owners of the Company | 47,196 | 51,178 | 47,196 | 51,178 |
| Weighted average number of ordinary shares (a) | 158,489 | 159,009 | 158,489 | 159,009 |
| Basic earnings per share | 0.30 | 0.32 | 0.30 | 0.32 |
| Profit from continuing operations | 47,196 | 51,178 | 47,255 | 51,220 |
| Profit from discontinued operation | - | - | (59) | (42) |
| Weighted average number of ordinary shares | 158,489 | 159,009 | 158,489 | 159,009 |
| Earnings per share - continuing operations | 0.29779 | 0.32186 | 0.29816 | 0.32212 |
| Earnings per share - discontinued operation | - | - | (0.00037) | (0.00026) |

The consolidated profit attributable to owners of the Company does not consider non-controlling interests. The same criterion was applied to profit (loss) from continuing operations and discontinued operation.

### b) Diluted

Diluted earnings per share are the same as basic earnings per share, given that the Company's ordinary shares do not have dilutive effects.

## 36 Dividends

On April 30, 2014 the Annual Shareholders' Meeting approved additional dividends of R$8,597. Therefore, the total distributed for 2013 was R$30,090, of which R$23,635 is the 2014's balance of payment, which started on May 30, 2014.
On August 7, 2014, the Company's Board of Directors decided to approve the earlier payment in 2014 of R$6,447 as interest on equity capital. Payment started on September 26, 2014, consisting of R$0.040674 per ordinary share.

Amounts in thousands of Brazilian real, except when otherwise indicated

## 37 Segment reporting

Management defined operating segments according to the reports used for making strategic decisions, reviewed by the Chief Executive Officer.

The Chief Executive Officer conducts an analysis of the business, segmenting it from the prospect of the markets in which the Company operates: Local market (Brazil) and Exports (Foreign market - Other countries).

Revenue generated by reported operating segments basically results from the manufacturing and marketing of ceramic coating used in the construction industry.

The Chief Executive Officer assesses the performance of the operating segments according to the measurement of results from operating activities (profit before net finance costs and taxes on profit - EBIT) and does not take into consideration the assets for the analysis of the performance of segments, given that the Company's assets are not segregated.

Segment reporting, reviewed by the Chief Executive Officer, is the following:

### a) Profit (loss) for the third quarter of 2014 and 2013

| | In September 30, 2014 | | | In September 30, 2013 | | |
|---|---|---|---|---|---|---|
| Continued operations | Brazil | Other countries | Total | Brazil | Other countries | Total |
| Revenue | 227,007 | 24,479 | 251,486 | 198,337 | 22,608 | 220,945 |
| Cost of goods sold | (145,467) | (14,531) | (159,998) | (127,302) | (12,264) | (139,566) |
| Operating profit | 81,540 | 9,948 | 91,488 | 71,035 | 10,344 | 81,379 |
| Net operating revenues (expenses) | (39,835) | (4,296) | (44,131) | (41,476) | (4,727) | (46,203) |
| Selling, general and administrative expenses | (45,296) | (4,885) | (50,181) | (37,157) | (4,235) | (41,392) |
| Other operating revenues (expenses), net | (4,693) | (506) | (5,199) | (4,553) | (519) | (5,072) |
| Other gains (losses), net | 10,154 | 1,095 | 11,249 | 234 | 27 | 261 |
| Profit from continuing operations, net of finance income (costs) | 41,705 | 5,652 | 47,357 | 29,559 | 5,617 | 35,176 |
| % on ROL | 18% | 23% | 19% | 15% | 25% | 16% |

### b) Profit (loss) accrued in 2014 and 2013

| | In September 30, 2014 | | | In September 30, 2013 | | |
|---|---|---|---|---|---|---|
| Continued operations | Brazil | Other countries | Total | Brazil | Other countries | Total |
| Revenue | 622,510 | 68,560 | 691,070 | 550,125 | 54,176 | 604,301 |
| Cost of goods sold | (394,180) | (42,331) | (436,511) | (358,427) | (31,991) | (390,418) |
| Operating profit | 228,330 | 26,229 | 254,559 | 191,698 | 22,185 | 213,883 |
| Net operating revenues (expenses) | (138,912) | (15,325) | (154,237) | (112,237) | (10,027) | (122,264) |
| Selling, general and administrative expenses | (130,336) | (14,346) | (144,682) | (104,220) | (9,195) | (113,415) |
| Other operating revenues (expenses), net | (14,053) | (1,555) | (15,608) | (9,004) | (921) | (9,925) |
| Other gains (losses), net | 5,478 | 575 | 6,053 | 987 | 89 | 1,076 |
| Profit from continuing operations, net of finance income (costs) | 89,418 | 10,904 | 100,322 | 79,461 | 12,158 | 91,619 |
| % on ROL | 14% | 16% | 15% | 14% | 22% | 15% |

The Company does not have trade receivables that individually account for more than 10% of net sales revenue.

## 38 Commitments

### a) Commitments to acquiring assets

Expenses commissioned on the balance sheet date, but not yet incurred with property plant and equipment as of September 30, 2014, amount to R$59,068, all for the manufacturing facility in Alagoas, which is being built.

### b) Operating lease commitments

Operating leases refer to the acquisition of vehicles. Future minimum payments may not be canceled. As of September 30, 2014 and December 31, 2013 payments are R$1,274 and R$891, respectively, for less than a year. For more than one year and less than five years they are R$557 and R$987, respectively.

## 39 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible losses. As of September 30, 2014, coverage against fire, lightning and explosion of any nature was R$84,000 for gales, smoke with vehicle crash in the amount of R$25,000, loss of profits in the amount of R$51,115 and electric damages, riots and civil liability in the amount of R$5,600. The insurance policy's term covers the period from April 14, 2014 to April 13, 2015.

The Company also has civil liability insurance for directors and officers (D&O insurance) taken out from AIG Seguros Brasil S/A, to cover losses and damages to third parties because of acts performed in connection with the roles and responsibilities of directors and officers, up to the amount of R$10 million, effective from August 26, 2014 to August 26, 2015.

Moreover, the Company took out an insurance policy from Fairfax Brasil to secure the payment of damages claimed in labor case 0234100-60.1998.5.05.0015 in the amount of R$33,548 and effective from June 24, 2014 to June 24, 2017.

## 40 Related parties

Business purchase and sales transactions for goods, raw materials and the engagement of services, as well as financial transactions involving loans and the raising of funds between the Parent Company and subsidiaries, are carried out under the conditions described below.

Amounts in thousands of Brazilian real, except when otherwise indicated

| Nature | Transactions with subsidiaries and associated companies | September 30, 2014 | December 31, 2013 |
|---|---|---|---|
| Assets | | | |
| Dividends receivable | Portobello Shop S.A. | - | 2,934 |
| Accounts receivable | Portobello América, Inc. | 50,182 | 47,962 |
| Accounts receivable | PBTech Com. Serv. Cer. Ltda. | 3,711 | 4,461 |
| Loans | PBTech Com. Serv. Cer. Ltda. | 3,112 | 2,886 |
| Amounts receivable | Portobello Shop S.A. | - | 22 |
| Receivables from subsidiaries - Non-current | | 57,005 | 55,331 |
| Credits with other related parties | Refinadora Catarinense S.A. | 87,264 | 94,540 |
| Liabilities | | | |
| Dividends paid in advance | Portobello Shop S.A. | 6,461 | - |
| Other transactions | | | |
| Advances to suppliers | Mineração Portobello Ltda. | 1,406 | 1,426 |
| Accounts receivable - net of advances | Solução Cerâmica Com. Ltda. | 263 | (1,305) |
| Accounts receivable - net of advances | Flooring Revest. Cer. Ltda. | 678 | 580 |
| | | 2,347 | 701 |

| | | 3rd quarter | | Acumulated | |
|---|---|---|---|---|---|
| Nature | Related parties | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Revenue | | | | | |
| Rendering of services | Portobello Shop S.A. | 1,497 | 1,530 | 4,491 | 4,590 |
| Sale of products | Solução Cerâmica Com. Ltda. | 5,684 | 4,989 | 15,111 | 12,132 |
| Sale of products | Flooring Revest. Cer. Ltda. | 2,391 | 2,263 | 6,676 | 5,778 |
| Sale of products | PBTech Com. Serv. Cer. Ltda. | 941 | 493 | 2,534 | 1,500 |
| Expenses | | | | | |
| Cost of services rendered | Portobello Shop S.A. | (1,184) | (919) | (3,703) | (3,034) |
| Purchase of products | Mineração Portobello Ltda. | (1,027) | (711) | (2,931) | (1,810) |
| Rent | Gomes Participações Societárias Ltda. | (117) | (50) | (323) | (245) |
| | | 8,185 | 7,595 | 21,855 | 18,911 |

The loan agreement with subsidiary PBTech bears interest at 100% of the CDI (interbank deposit certificate) rate and matures on December 31, 2016.

The subsidiary has endorsed some of the financing agreements entered into by the Company (see note 2020

Related party transactions

Portobello Shop reports accounts receivable and royalty revenues from four franchise stores that are related parties. The franchise network consists of a Company's subsidiary and two related companies. Transactions are below:

| | | | | | 3rd quarter | | Acumulated | |
|---|---|---|---|---|---|---|---|---|
| Related parties | Nature | September 30, 2014 | December 31, 2013 | Nature | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| | Assets | | | Revenues | | | | |
| Solução Cerâmica Com. Ltda. | Accounts receivable | 622 | 363 | Royalties | 1,430 | 1,337 | 3,465 | 3,185 |
| Flooring Revest. Cer. Ltda. | Accounts receivable | 250 | 190 | Royalties | 637 | 580 | 1,758 | 1,502 |
| | | 872 | 553 | | 2,067 | 1,917 | 5,223 | 4,687 |

Key Management personnel compensation

Amounts in thousands of Brazilian real, except when otherwise indicated

Expenses on the compensation paid to management personnel, comprising members of the board of directors and audit committee, officers and managers, recorded in the quarter ended September 30, 2014 and 2013, are:

**a) Expenses incurred in the third quarter of 2014 and 2013**

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Fixed compensation | | | | |
| Salaries | 2,592 | 2,164 | 3,091 | 2,514 |
| Fees | 1,129 | 940 | 1,129 | 940 |
| Variable compensation | 1,851 | 2,388 | 2,216 | 2,642 |
| Short-term direct and indirect benefits | | | | |
| Pension plan | 214 | 184 | 225 | 212 |
| Other | 346 | 317 | 409 | 390 |
| Termination benefits | 30 | 36 | 117 | 193 |
| | 6,162 | 6,029 | 7,187 | 6,891 |

**b) Incurred expenses accrued in 2014 and 2013**

| | Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Fixed compensation | | | | |
| Salaries | 7,377 | 6,056 | 8,823 | 7,034 |
| Fees | 3,008 | 2,426 | 3,008 | 2,793 |
| Variable compensation | 6,360 | 5,694 | 7,067 | 7,129 |
| Short-term direct and indirect benefits | | | | |
| Pension plan | 586 | 476 | 623 | 612 |
| Other | 1,004 | 913 | 1,196 | 1,116 |
| Termination benefits | 256 | 36 | 453 | 193 |
| | 18,591 | 15,601 | 21,170 | 18,877 |

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 prospected and prospect term

Growth projected to start in the second half of 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 unit in Tijucas | 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.

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.

However, the new production line, included in this projection, has been completely implemented and boasts fully automated, cutting-edge Italian technology equipment designed for high productivity and low energy consumption. That production line was completed in July 2013 and has been delivering an important share of the Company’s income.

**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.

Although the disclosed projections have not yet been fully realized, the aforementioned and already completed new production line allows a comparison of the investment made and the growth target, as follows.

| 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% |

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 achieved a new level of gross income, and reached a historical mark of R$ 1 billion while sustaining consistent growth averaging 20%, when we compare the net income for the last five years.

**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 for production capacity after the maturation period is expected to reach 4.6 million m²/year, and the projection for the net income of the new production line remain valid as projections for 2014, until the financial statements are disclosed, when they will be updated.

| Projections | Estimated value |
|---|---|
| Productive capacity of the new line | 4.6 million m²/year |
| Net income of the new line estimated for 2014 | R$ 141 million |

In relation to the implementation study of the manufacturing unit in the State of Alagoas, the detailing of the executive project was under way and is in construction phase, but the projected value for investment is still maintained.