
PortobelloGrupo

Contents

Company Data / Capital Breakdown

Number of Shares (thousands)	Current Quarter 31/03/2017
Issued Capital	
Common	158.489
Preferred	0
Total	158.489
Treasury Stock	
Common	0
Preferred	0
Total	0

Individual Financial Statements - Statement of Financial Position – Assets

(Reais Thousands)

Account Code	Account Description	Current Year 03/31/2017	Previous Year 12/31/2016
1	Total Assets	1.305.884	1.300.544
1.01	Current Assets	529.232	529.775
1.01.01	Cash and Cash Equivalents	108.539	100.085
1.01.03	Accounts Receivable	191.941	202.658
1.01.03.01	Trade receivables	191.941	202.658
1.01.04	Inventory	186.382	185.605
1.01.06	Recoverable Taxes	11.247	16.943
1.01.06.01	Current Taxes Recoverable	11.247	16.943
1.01.06.01.01	Income taxes and contributions recoverable	292	4.330
1.01.06.01.02	Other Current Taxes Recoverable	10.955	12.613
1.01.08	Other Current Assets	31.123	24.484
1.01.08.03	Other	31.123	24.484
1.01.08.03.01	Dividends Receivable	15.893	15.893
1.01.08.03.03	Advances to Suppliers	4.007	3.025
1.01.08.03.04	Other	11.223	5.566
1.02	Noncurrent Assets	776.652	770.769
1.02.01	Long-Term Assets	332.520	330.824
1.02.01.08	Related-party Credits	156.177	158.473
1.02.01.08.02	Credit with Subsidiaries	65.161	69.050
1.02.01.08.04	Other Related-party Credits	91.016	89.423
1.02.01.09	Other Noncurrent Assets	176.343	172.351
1.02.01.09.03	Judicial Deposits	84.337	81.693
1.02.01.09.04	Eletrobras Receivables	32.208	32.208
1.02.01.09.05	Recoverable Taxes	5.649	6.124
1.02.01.09.06	Tax Asset	27.567	26.735
1.02.01.09.07	Actuarial Asset	4.369	4.369
1.02.01.09.08	Call deposits	6.631	6.451
1.02.01.09.09	Advance for future capital increase	13.976	13.976
1.02.01.09.10	Other	1.606	795
1.02.02	Capital expenditure	10.867	1.696
1.02.02.01	Equity Interests	10.867	1.696
1.02.02.01.02	Interests in Subsidiaries	10.601	1.454
1.02.02.01.04	Other Equity Interests	266	242
1.02.03	Property, plant and equipment	421.210	425.256
1.02.04	Intangible assets	12.055	12.993

Individual Financial Statements - Statement of Financial Position – Liabilities

(Reais Thousands)

Account Code	Account Description	Current Year 03/31/2017	Previous Year 12/31/2016
2	Total Liabilities	1.305.884	1.300.544
2.01	Current Liabilities	411.628	395.330
2.01.01	Social and labor obligations	27.879	24.382
2.01.02	Trade payables	107.260	98.557
2.01.03	Tax Obligations	24.167	23.927
2.01.03.01	Federal Tax Liabilities	24.167	23.927
2.01.03.01.02	Financing of Taxes	9.967	9.788
2.01.03.01.03	Taxes, Duties and Contributions	14.200	14.139
2.01.04	Loans and Financing	202.549	197.004
2.01.04.01	Loans and Financing	168.902	171.249
2.01.04.02	Debentures	33.647	25.755
2.01.05	Other liabilities	47.626	51.460
2.01.05.02	Other	47.626	51.460
2.01.05.02.04	Loans Assignment Suppliers	20.606	21.522
2.01.05.02.05	Customer Advances	13.000	12.699
2.01.05.02.06	Dividends Payable	856	879
2.01.05.02.08	Other	13.164	16.360
2.01.06	Provisions	2.147	0
2.01.06.02	Other Provisions	2.147	0
2.01.06.02.06	Provision for profit-sharing	2.147	0
2.02	Noncurrent Liabilities	634.090	666.766
2.02.01	Loans and Financing	371.870	388.468
2.02.01.01	Loans and Financing	197.654	214.424
2.02.01.02	Debentures	174.216	174.044
2.02.02	Other liabilities	138.671	137.864
2.02.02.02	Other	138.671	137.864
2.02.02.02.03	Trade payables	71.137	68.990
2.02.02.02.06	Financing of Taxes	67.534	68.874
2.02.03	Deferred Taxes	12.709	7.603
2.02.03.01	Deferred Income and Social Contribution Taxes	12.709	7.603
2.02.04	Provisions	110.840	132.831
2.02.04.02	Other Provisions	110.840	132.831
2.02.04.02.04	Provision for devaluation of investments	72.781	74.515
2.02.04.02.05	Provisions for Contingencies	30.746	51.004
2.02.04.02.06	Provision for Long-term Incentive	7.313	7.312
2.03	Shareholders' Equity	260.166	238.448
2.03.01	Realized Capital	119.565	119.565
2.03.04	Profit Reserves	121.129	121.129
2.03.04.01	Legal Reserve	15.219	15.219
2.03.04.05	Profit Retention Reserve	103.197	103.197
2.03.04.10	Unallocated Profit Reserve	2.713	2.713
2.03.05	Retained Earnings/Accumulated Losses	20.160	0
2.03.08	Other Comprehensive Income	-688	-2.246

Individual Financial Statements / Income Statement

(Reais Thousands)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 03/31/2017	Accumulated of the Prior Year 01/01/2016 to 03/31/2016
3.01	Income from sales of goods and/or services	213.213	221.086
3.02	Cost of goods and/or services sold	-138.946	-151.754
3.03	Gross income	74.267	69.332
3.04	Operating expenses/income	-34.024	-59.757
3.04.01	Sales expenses	-47.075	-48.876
3.04.02	General and administrative expenses	-8.110	-8.511
3.04.04	Other operating income	20.519	273
3.04.04.01	Other operating income	20.519	273
3.04.05	Other operating expenses	-8.385	-7.020
3.04.05.01	Other operating expenses	-8.385	-7.020
3.04.06	Equity income (loss)	9.027	4.377
3.05	Income (loss) before financial income and taxes	40.243	9.575
3.06	Financial income (loss)	-15.273	-19.019
3.06.01	Financial income	5.640	11.712
3.06.01.01	Financial income	5.640	8.263
3.06.01.02	Net foreign exchange variation	0	3.449
3.06.02	Financial expenses	-20.913	-30.731
3.06.02.01	Financial expenses	-20.391	-30.731
3.06.02.02	Net Exchange Variance	-522	0
3.07	Income (loss) before income tax	24.970	-9.444
3.08	Income (loss) before income tax	-5.106	3.220
3.08.01	Current	0	-1.150
3.08.02	Deferred assets	-5.106	4.370
3.09	Net income (loss) of continued operations	19.864	-6.224
3.11	Income/loss for the period	19.864	-6.224
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	0,12533	-0,03927
3.99.02	Diluted earnings per share		
3.99.02.01	Common	0,12533	-0,03927

Individual Financial Statements - Comprehensive Income Statement –

(Reais Thousands)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 to 03/31/2017	Accumulated of the Prior Year 01/01/2016 to 03/31/2016
4.01	Net Income for the Period	19.864	-6.224
4.02	Other Comprehensive Income	1.854	7.063
4.02.02	Exchange variance of Overseas Subsidiary	1.854	7.063
4.03	Comprehensive Income for the Period	21.718	839

Individual Statements - Statement of Cash Flows - Indirect Method

(Reais Thousand)

Account Code	Account Description	Accrued Value of the Current Year 01/01/2017 to 03/31/2017	Accrued Value of the Prior Year 01/01/2016 to 03/31/2016
6.01	Net cash from operational activities	32.354	31.361
6.01.01	Cash generated in operations	24.521	10.227
6.01.01.01	Profit or loss for the year before taxes	24.970	-9.444
6.01.01.02	Depreciation and amortization	9.090	8.831
6.01.01.03	Equity in net income of subsidiaries	-9.027	-4.377
6.01.01.07	Provision for contingencies	-19.551	3.838
6.01.01.08	Provision for labor obligations	-3.317	-2.610
6.01.01.09	Reserve for long-term incentive and profit-sharing	2.148	1.754
6.01.01.10	Other provisions	6.506	2.893
6.01.01.13	Adjustments to tax assets	-832	-739
6.01.01.14	Restatements of credits with other related parties	-1.593	-1.613
6.01.01.15	Finance charges on tax installments	1.389	1.594
6.01.01.17	Provisioned Loan Interest	15.162	16.463
6.01.01.19	Unrealized Exchange Variation - PBA	1.857	7.082
6.01.01.20	Unrealized Exchange Variation on Loans	-2.281	-13.445
6.01.02	Changes in assets and liabilities	11.654	26.942
6.01.02.01	(Increase)/Decrease in accounts receivable	9.320	-9.424
6.01.02.02	Increase /(Decrease) in Advances from clients	301	-681
6.01.02.04	(Increase)/Decrease in inventories	-281	529
6.01.02.05	(Increase)/Decrease in Judicial Deposits	-2.644	-7.656
6.01.02.07	(Increase)/Decrease in Recoverable Taxes	2.133	2.684
6.01.02.08	(Increase)/Decrease in attached financial investment	-180	17.834
6.01.02.09	(Increase)/Decrease in other assets	-6.468	2.933
6.01.02.10	Increase /(Decrease) in Accounts Payable	9.934	15.396
6.01.02.11	(Increase)/Decrease in advance to suppliers	-982	-1.398
6.01.02.12	(Increase)/Decrease in provisions for contingencies	-707	-937
6.01.02.13	Increase /(Decrease) in financing of taxes	-2.550	-2.313
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	10.913	7.653
6.01.02.16	Increase /(Decrease) in other accounts payable	-7.135	2.322
6.01.03	Other	-3.821	-5.808
6.01.03.01	Interest paid	-3.821	-5.808
6.02	Net cash used in investment activities	-2.098	2.937
6.02.01	Acquisition of property, plant and equipment	-3.719	-7.954
6.02.02	Acquisition of intangible assets	-387	-121
6.02.04	(Grant)/Receipt of Credits with Related Parties	2.032	71
6.02.05	Receipt from Sale of Permanent Assets	-24	0
6.02.07	Advances for future capital increase	0	10.941
6.03	Net Cash from Financing Activities	-21.802	-34.184
6.03.01	Obtainment of loans and financings	677	19.155
6.03.02	Payment of loans and financings	-22.456	-53.339
6.03.04	Dividends paid	-23	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	8.454	114
6.05.01	Opening Balance of Cash and Cash Equivalents	100.085	81.761
6.05.02	Closing Balance of Cash and Cash Equivalents	108.539	81.875

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 01/01/2017 to 03/31/2017

(Reais Thousand)

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	119.565	0	121.129	0	-2.246	238.448
5.03	Adjusted Opening Balances	119.565	0	121.129	0	-2.246	238.448
5.05	Adjusted Opening Balances	0	0	0	20.160	1.558	21.718
5.05.01	Net Income for the Period	0	0	0	19.864	0	19.864
5.05.02	Other Comprehensive Income	0	0	0	296	1.558	1.854
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	296	-296	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	1.854	1.854
5.07	Closing Balances	119.565	0	121.129	20.160	-688	260.166

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 01/01/2016 to 03/31/2016

(Reais Thousand)

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	99.565	0	139.193	0	-6.912	231.846
5.03	Adjusted Opening Balances	99.565	0	139.193	0	-6.912	231.846
5.05	Total Comprehensive Income	0	0	0	-5.924	6.763	839
5.05.01	Net Income for the Period	0	0	0	-6.224	0	-6.224
5.05.02	Other Comprehensive Income	0	0	0	300	6.763	7.063
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	300	-300	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	7.063	7.063
5.07	Closing Balances	99.565	0	139.193	-5.924	-149	232.685

Individual Financial Statements - Statements of Added Value

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 01/01/2017 to 03/31/2017	Accrued Value of the Prior Year 01/01/2016 à 03/31/2016
7.01	Revenue	266.701	274.630
7.01.01	Sales of Goods, Products and Services	265.636	274.574
7.01.02	Other Revenue	559	611
7.01.03	Income from construction of own assets	1.903	0
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1.397	-555
7.02	Consumables acquired from third parties	-112.453	-147.598
7.02.01	Cost of goods and services sold	-94.230	-111.549
7.02.02	Material, Energy, Outsourced Services and Other	-18.600	-36.576
7.02.03	Loss/Recovery of Assets	377	527
7.03	Gross Added Value	154.248	127.032
7.04	Retentions	-9.090	-8.831
7.04.01	Depreciation, Amortization and Depletion	-9.090	-8.831
7.05	Net Added Value Produced	145.158	118.201
7.06	Transferred Added Value	19.880	29.705
7.06.01	Equity in Net Income of Subsidiaries	9.027	4.377
7.06.02	Financial Revenue	10.853	25.328
7.07	Total Added Value to be Distributed	165.038	147.906
7.08	Distribution of Added Value	165.038	147.906
7.08.01	Personnel	48.726	47.205
7.08.01.01	Direct Remuneration	41.133	40.299
7.08.01.02	Benefits	4.898	4.299
7.08.01.03	F.G.T.S.	2.695	2.607
7.08.02	Taxes, Duties and Contributions	67.547	60.090
7.08.02.01	Federal	32.433	25.513
7.08.02.02	State	34.605	34.180
7.08.02.03	Municipal	509	397
7.08.03	Interest Expenses	28.901	46.835
7.08.03.01	Interest	26.126	44.346
7.08.03.02	Rent	2.775	2.489
7.08.04	Interest earnings	19.864	-6.224
7.08.04.03	Retained Earnings/Loss for the Period	19.864	-6.224

Consolidated Financial Statements / Statement of Financial Position - Assets

(Reais thousand)

Account Code	Account Description	Current Quarter 03/31/2017	Previous Year 12/31/2016
1	Total Assets	1.249.505	1.237.360
1.01	Current Assets	543.226	535.369
1.01.01	Cash and Cash Equivalents	118.662	105.745
1.01.03	Accounts Receivable	205.252	215.379
1.01.03.01	Trade receivables	205.252	215.379
1.01.04	Inventory	186.649	185.880
1.01.06	Recoverable Taxes	13.015	19.079
1.01.06.01	Current Taxes Recoverable	13.015	19.079
1.01.06.01.01	Income taxes and contributions recoverable	670	5.017
1.01.06.01.02	Other Current Taxes Recoverable	12.345	14.062
1.01.08	Other Current Assets	19.648	9.286
1.01.08.03	Other	19.648	9.286
1.01.08.03.03	Advances to Suppliers	5.440	2.637
1.01.08.03.04	Other	14.208	6.649
1.02	Noncurrent Assets	706.279	701.991
1.02.01	Long-Term Assets	257.791	247.847
1.02.01.06	Deferred Tax Asset	4.353	0
1.02.01.06.01	Income taxes and contributions Deferred	4.353	0
1.02.01.08	Related-party Credits	91.016	89.423
1.02.01.08.04	Other Related-party Credits	91.016	89.423
1.02.01.09	Other Noncurrent Assets	162.422	158.424
1.02.01.09.03	Judicial Deposits	84.392	81.742
1.02.01.09.04	Eletrobras Receivables	32.208	32.208
1.02.01.09.05	Recoverable Taxes	5.649	6.124
1.02.01.09.06	Tax Asset	27.567	26.735
1.02.01.09.07	Actuarial Asset	4.369	4.369
1.02.01.09.08	Call deposits	6.631	6.451
1.02.01.09.09	Other	1.606	795
1.02.02	Capital expenditure	266	243
1.02.02.01	Equity Interests	266	243
1.02.02.01.04	Other Equity Interests	266	243
1.02.03	Property, plant and equipment	428.717	433.348
1.02.04	Intangible assets	19.505	20.553

Consolidated Statements / Statement of Financial Position - Liabilities

(Reais thousand)

Account Code	Account Description	Current Quarter 03/31/2017	Previous Year 12/31/2016
2	Total Liabilities	1.249.505	1.237.360
2.01	Current Liabilities	426.023	409.155
2.01.01	Social and labor obligations	31.170	27.155
2.01.02	Trade Payables	112.613	102.929
2.1.3	Tax Obligations	26.724	25.188
2.1.3.1	Federal Tax Liabilities	26.724	25.188
2.1.3.1.1	Income taxes and contributions payable	1.789	311
2.1.3.1.2	Financing of Taxes	10.037	9.857
2.1.3.1.3	Taxes, Duties and Contributions	14.898	15.020
2.1.4	Loans and Financing	202.549	197.004
2.1.4.1	Loans and Financing	168.902	171.249
2.01.04.02	Debentures	33.647	25.755
2.1.5	Other liabilities	50.820	56.879
2.01.05.02	Other	50.820	56.879
2.1.5.2.4	Loans Assignment Suppliers	20.606	21.522
2.1.5.2.5	Customer Advances	16.073	17.977
2.1.5.2.6	Dividends Payable	871	915
2.01.05.02.08	Other	13.270	16.465
2.01.06	Provisions	2.147	0
2.01.06.02	Other Provisions	2.147	0
2.01.06.02.06	Provision for profit-sharing	2.147	0
2.2	Noncurrent Liabilities	563.297	589.746
2.2.1	Loans and Financing	373.097	389.657
2.02.01.01	Loans and Financing	198.881	215.613
2.02.01.02	Debentures	174.216	174.044
2.2.2	Other liabilities	139.129	138.332
2.02.02.02	Other	139.129	138.332
2.02.02.02.03	Trade payables	71.137	68.990
2.02.02.02.06	Financing of Taxes	67.992	69.342
2.02.03	Deferred Taxes	12.709	3.250
2.02.03.01	Deferred Income and Social Contribution Taxes	12.709	3.250
2.02.04	Provisions	38.362	58.507
2.2.4.2	Other Provisions	38.362	58.507
2.2.4.2.5	Provisions for Contingencies	31.049	51.195
2.2.4.2.6	Provision for Long-term Incentive	7.313	7.312
2.03	Shareholders' Equity	260.185	238.459
2.03.01	Realized Capital	119.565	119.565
2.03.04	Profit Reserves	121.129	121.129
2.03.04.01	Legal Reserve	15.219	15.219
2.03.04.05	Profit Retention Reserve	103.197	103.197
2.03.04.10	Unallocated Profit Reserve	2.713	2.713
2.03.05	Retained Earnings/Accumulated Losses	20.160	0
2.3.8	Other Comprehensive Income	-688	-2.246
2.3.9	Minority Interests	19	11

Consolidated Statements / Income Statements

(Reais Thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 à 31/03/2017	Accumulated of the Prior Year 01/01/2016 à 31/03/2016
3.01	Income from sales of goods and/or services	235.634	241.361
3.02	Cost of goods and/or services sold	-139.757	-151.789
3.03	Gross income	95.877	89.572
3.04	Operating expenses/income	-53.000	-76.911
3.04.01	Sales expenses	-56.686	-61.146
3.04.02	General and administrative expenses	-8.275	-8.911
3.04.04	Other operating income	20.547	273
3.04.04.01	Other operating income	20.547	273
3.04.05	Other operating expenses	-8.586	-7.127
3.04.05.01	Other operating expenses	-8.586	-7.127
3.05	Income (loss) before financial income and taxes	42.877	12.661
3.06	Financial income (loss)	-15.445	-19.620
3.06.01	Financial income	5.781	11.537
3.06.01.01	Financial income	5.781	8.458
3.06.01.02	Net foreign exchange variation	0	3.079
3.06.02	Financial expenses	-21.226	-31.157
3.06.02.01	Financial expenses	-20.710	-31.157
3.06.02.02	Net Exchange Variance	-516	0
3.07	Income (loss) before income tax	27.432	-6.959
3.08	Income and social contribution taxes	-7.560	739
3.08.01	Current	-2.454	-3.631
3.08.02	Deferred assets	-5.106	4.370
3.09	Net income (loss) of continued operations	19.872	-6.220
3.11	Consolidated Net Income/loss for the period	19.872	-6.220
3.11.01	Attributed to Partners of the Parent Company	19.864	-6.224
3.11.02	Attributed to Minority Partners	8	4
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	0,12533	-0,03927
3.99.02	Diluted Earnings per Share		
3.99.02.01	Common	0,12533	-0,03927

Consolidated Statements - Comprehensive Income Statement

(Reais thousand)

Account Code	Account Description	Accumulated of the Current Year 01/01/2017 à 03/31/2017	Accumulated of the Prior Year 01/01/2016 à 03/31/2016
4.01	Consolidated Net Income for the Period	19.872	-6.220
4.02	Other Comprehensive Income	1.854	7.063
4.02.02	Exchange variance of Overseas Subsidiary	1.854	7.063
4.03	Consolidated Comprehensive Income for the Period	21.726	843
4.03.01	Attributed to Partners of the Parent Company	21.718	839
4.03.02	Attributed to Minority Partners	8	4

Consolidated Statements – Statement of Cash Flows – Indirect Method

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 01/01/2017 à 31/03/2017	Accrued Value of the Prior Year 01/01/2016 à 31/03/2016
6.01	Net cash from operational activities	38.927	46.068
6.01.01	Cash generated in operations	36.415	17.584
6.01.01.01	Profit or loss for the year before taxes	27.432	-6.959
6.01.01.02	Depreciation and amortization	9.843	9.392
6.01.01.07	Provision for contingencies	-19.439	3.847
6.01.01.08	Provision for labor obligations	-3.770	-2.950
6.01.01.09	Provisão para Participação nos Lucros	2.148	1.754
6.01.01.10	Other provisions	6.455	3.166
6.01.01.13	Adjustments to tax assets	-832	-739
6.01.01.14	Restatements of credits with other related parties	-1.593	-1.613
6.01.01.15	Finance charges on tax installments	1.398	1.605
6.01.01.17	Provisioned Loan Interest	15.200	16.463
6.01.01.19	Unrealized Exchange Variation - PBA	1.854	7.063
6.01.01.20	Unrealized Exchange Variation on Loans	-2.281	-13.445
6.01.02	Changes in assets and liabilities	7.026	35.936
6.01.02.01	(Increase)/Decrease in accounts receivable	8.730	8.838
6.01.02.02	Increase /(Decrease) in Advances from clients	-1.904	40
6.01.02.04	(Increase)/Decrease in inventories	-273	530
6.01.02.05	(Increase)/Decrease in Judicial Deposits	-2.650	-7.657
6.01.02.07	(Increase)/Decrease in Recoverable Taxes	2.192	2.674
6.01.02.08	(Increase)/Decrease in attached financial investment	-180	17.834
6.01.02.09	(Increase)/Decrease in other assets	-8.370	1.091
6.01.02.10	Increase /(Decrease) in Accounts Payable	10.915	5.845
6.01.02.11	(Increase)/Decrease in advance to suppliers	-2.803	-1.420
6.01.02.12	(Increase)/Decrease in provisions for contingencies	-707	-948
6.01.02.13	Increase /(Decrease) in financing of taxes	-2.568	-2.328
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	11.727	9.306
6.01.02.16	Increase /(Decrease) in other accounts payable	-7.083	2.131
6.01.03	Other	-4.514	-7.452
6.01.03.01	Interest paid	-3.821	-5.808
6.01.03.02	Income and social contribution taxes paid	-693	-1.644
6.02	Net cash used in investment activities	-4.187	-10.108
6.02.01	Acquisition of property, plant and equipment	-3.777	-9.242
6.02.02	Acquisition of intangible assets	-387	-866
6.02.04	Receipt from Sale of Permanent Assets	-23	0
6.03	Net Cash from Financing Activities	-21.823	-34.131
6.03.01	Obtainment of loans and financings	677	19.209
6.03.02	Payment of loans and financings	-22.456	-53.339
6.03.04	Dividends paid	-44	-1
6.05	Increase (Decrease) in Cash and Cash Equivalents	12.917	1.829
6.05.01	Opening Balance of Cash and Cash Equivalents	105.745	87.664
6.05.02	Closing Balance of Cash and Cash Equivalents	118.662	89.493

Consolidated Financial Statements - Statements of Changes in Shareholders’ Equity - 01/01/2017 à 03/31/2017

(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders’ Equity	Minority interests	Consolidated Shareholders’ Equity
5.01	Opening Balances	119.565	0	121.129	0	-2.246	238.448	11	238.459
5.03	Adjusted Opening Balances	119.565	0	121.129	0	-2.246	238.448	11	238.459
5.05	Total Comprehensive Income	0	0	0	20.160	1.558	21.718	8	21.726
5.05.01	Net Income for the Period	0	0	0	19.864	0	19.864	8	19.872
5.05.02	Other Comprehensive Income	0	0	0	296	1.558	1.854	0	1.854
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	296	-296	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	1.854	1.854	0	1.854
5.07	Closing Balances	119.565	0	121.129	20.160	-688	260.166	19	260.185

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 01/01/2016 à 03/31/2016

(Reais Thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	99.565	0	139.193	0	-6.912	231.846	10	231.856
5.03	Adjusted Opening Balances	99.565	0	139.193	0	-6.912	231.846	10	231.856
5.05	Total Comprehensive Income	0	0	0	-5.924	6.763	839	4	843
5.05.01	Net Income for the Period	0	0	0	-6.224	0	-6.224	4	-6.220
5.05.02	Other Comprehensive Income	0	0	0	300	6.763	7.063	0	7.063
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	300	-300	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	7.063	7.063	0	7.063
5.07	Closing Balances	99.565	0	139.193	-5.924	-149	232.685	14	232.699

Consolidated Financial Statements - Statements of Added Value

(Reais Thousand)

Account Code	Account Description	Accrued Value of the Current Year 01/01/2017 à 03/31/2017	Accrued Value of the Prior Year 01/01/2016 à 03/31/2016
7.01	Revenue	291.116	297.541
7.01.01	Sales of Goods, Products and Services	292.312	299.471
7.01.02	Other Revenue	-1.702	-1.178
7.01.03	Income from construction of own assets	1.903	0
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1.397	-752
7.02	Consumables acquired from third parties	-115.645	-152.394
7.02.01	Cost of goods and services sold	-94.761	-111.361
7.02.02	Material, Energy, Outsourced Services and Other	-21.123	-41.560
7.02.03	Loss/Recovery of Assets	239	527
7.03	Gross Added Value	175.471	145.147
7.04	Retentions	-9.843	-9.392
7.04.01	Depreciation, Amortization and Depletion	-9.843	-9.392
7.05	Net Added Value Produced	165.628	135.755
7.06	Transferred Added Value	11.000	25.178
7.06.02	Financial Revenue	11.000	25.178
7.07	Total Added Value to be Distributed	176.628	160.933
7.08	Distribution of Added Value	176.628	160.933
7.08.01	Personnel	53.714	52.496
7.08.01.01	Direct Remuneration	45.521	44.897
7.08.01.02	Benefits	5.185	4.561
7.08.01.03	F.G.T.S.	3.008	3.038
7.08.02	Taxes, Duties and Contributions	72.980	66.512
7.08.02.01	Federal	37.774	31.781
7.08.02.02	State	34.687	34.315
7.08.02.03	Municipal	519	416
7.08.03	Interest Expenses	30.062	48.145
7.08.03.01	Interest	26.449	44.802
7.08.03.02	Rent	3.613	3.343
7.08.04	Interest earnings	19.872	-6.220
7.08.04.03	Retained Earnings/Loss for the Period	19.864	-6.224
7.08.04.04	Minority interests in retained earnings	8	4

Management Report

In thousands of Reais, unless stated otherwise

COMMENT ON THE CONSOLIDATED PERFORMANCE 1Q17

PBG SA (BM & FBovespa: PTBL3 NM), current name of Portobello SA, presents its results for the quarter ended on March 31, 2017. The financial information presented in this document is derived from PBG SA's consolidated quarterly financial information, prepared in accordance with the rules of the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

About PBG S.A.

PBG S.A. is the largest ceramic tile company in Brazil, with a gross annual revenue of R$ 1.3 billion. Its sales, over 40 million square meters, serve the domestic market through the Portobello Shop network, home centers, real estate developers and construction firms, as well as customers from five continents, in the form of the brands Portobello and Pointer.

Key Facts

- **Net Revenue** of R$ **236** million, **similar** to the net revenue of 1Q16;
- **Gross Income** of **R$ 96 million, 7% higher** than the gross income of 1Q16. **Gross Margin of 41%**, **the company's best** quarterly margin in 15 years;
- **EBITDA** reaches **R$ 53 million**, with an EBITDA margin of 22%. Adjusted EBITDA of R$ 32 million, with a margin of 14%;
- **Net income** of **R$ 20 million**;
- **Reduction** of the **NET DEBT** in the amount of R$ 42 million, **9%** lower than in 1Q16, with a significant **reduction** in the **debt / EBITDA ratio.**

MANAGEMENT COMMENTS

The first quarter of 2017 presented a performance in line with the Company's expectations. The slight recovery of the economy and improved consumer expectations have brought some optimism to the market. The beginning of the reduction of the interest rates and inflation control also indicate a favorable scenario for the recovery of growth and the improvement of the profitability for the PBG group.

Revenue in 1Q17 totaled R $ 236 million, almost equal to 1Q16. According to Abramat, the revenue for the deflated market of finishing building materials fell by 6.6% between 1Q17 and 1Q16, which points to the Company's market share gain in the sector.

Management Report

In thousands of Reais, unless stated otherwise

Revenue in the domestic market fell by 4%, due to the Company's decision to sell smaller volumes, but with a more profitable mix. The consolidated gross margin showed a gain of 4% between 1Q17 and 1Q16. In the foreign market, there was a 5% growth in Reais directly impacted by the increase in exports, US $ 13 million in the first quarter of 2017, an increase of 33% over 1Q16.

In the corporate sphere, there have been important advances in expenditure management. The review and optimization of expenses through the Zero Base Budget methodology in 2016 has already led to reductions in 2017. And the re-adaptation of the new business to the current market context allowed for a better relationship between expenses and net revenue. These actions added to the increase in the gross margin allowed for an improvement in adjusted EBITDA margin of 5 pp. Cash generation, measured by EBITDA, totaled R$ 53 million and net income of R$ 20 million in 1Q17.

The Portobello Shop franchise network currently has 143 stores and in 2017 once again received the 2017 Franchise Excellence Seal. This consolidates the competitive edge of a network that has a unique line of products, personalized service and services that help in the purchase and development of the construction. In this segment, own stores presented positive results in 1Q17 and significantly improved their economic performance when compared to 1Q16.

In the Pointer brand, there was an increase in sales prices and an improvement in gross margins, due to the sale of a more profitable mix of products. The new business has contributed to the increase in sales for the period and shows signs of progress towards achieving financial balance. The plan for optimization and suitability of the factory and the Pointer brand is still in progress. Therefore, at the Alagoas plant, production remains below the productive capacity to adjust inventory levels to the product demands.

At the Tijucas plant, production reached a new record in March. In 1Q17, manufacturing costs were positively affected by the reduction in the price of natural gas. And the factory maintains the initiatives of continuous optimization of the factory structure.

The favorable first quarter performance supports the Company's confidence in its strategy, business model, management and competitive differentials. And it is reaffirmed that throughout 2017 the natural gains of a competitive and well-structured company will be noticeable.

Management Report

In thousands of Reais, unless stated otherwise

ECONOMIC AND FINANCIAL PERFORMANCE

	R$ mil	1Q15	1T16	1T17	▲%
PERFORMANCE	Gross Revenue	305.231	307.444	296.203	-4%
	Net Revenue	241.356	241.361	235.634	-2%
	Gross Profit	91.191	89.572	95.877	7%
	Gross Margin	37,8%	37,1%	40,7%	3,6 p.p.
	EBIT	30.672	12.661	42.877	239%
	EBIT Margin	12,7%	5,2%	18,2%	13 p.p.
	Financial Income	(13.904)	(19.620)	(15.445)	-21%
	Net Profit	10.789	(6.220)	19.872	-419%
	Net Margin	4,5%	-2,6%	8,4%	11 p.p.
	EBITDA	37.156	22.053	52.720	139%
	EBITDA Margin	*15,4%*	*9,1%*	*22,4%*	13,2 p.p.
INDICADORES	Current Ratio	*1,1*	*1,4*	*1,3*	(0,16)
	Net Debt	431.085	478.994	437.366	-9%
	Net Debt/EBITDA	*2,4*	*3,2*	*3,0*	(0,16)
	Net Debt/Stockholders' Equity	*1,8*	*2,1*	*1,7*	(0,38)
PTBL3	Closing Price	3,70	2,08	2,89	39%
	Market Value	586.408	329.656	458.032	

Net Revenue

Consolidated net revenue totaled R$ 236 million in 1Q17, maintaining a performance practically the same as in the previous year.

Net revenue in the domestic market accounted for 83% of the total and fell 4% compared to 1T16. The reduction accompanies the market downturn. According to ABRAMAT, the domestic market for finishing materials in 1Q17 presented a 6.6% (deflated) reduction in gross sales compared to 1Q16.

In the foreign market, sales increased by 5% compared to 1T16. Exports in this quarter amounted to US $ 13 million, of which 40% was billed in March, the month in which the Company surpassed its historical record of exports.

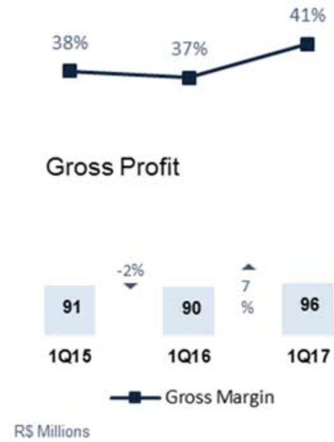
	1Q15	1Q16	1Q17	▲%
Net Revenue	**241.356**	**241.361**	**235.634**	**-2%**
Domestic Market	211.730	202.493	194.796	-4%
Foreign Market	29.626	38.868	40.838	5%

Management Report

In thousands of Reais, unless stated otherwise

Gross Income

Gross profit totaled R $ 96 million in the first quarter of 2017, up 7% over the first quarter of 2016. Gross margin increased by 4 pp, affected by the sale of a mix of products with higher profitability. For 15 years, the Company has not presented a quarterly margin so high. The good performance is the result of the efforts to qualify the sales with more profitable and higher value-added products, despite the lower sales volume.



Operating Income

Selling expenses totaled R $ 57 million in 1Q17, which is 7% lower than the same period the previous year, mainly reflecting the increase in the efficiency of logistics operators' expenses and the adequacy of their operating capacity. Freight expenses and logistics structure represent 17% of commercial expenses. The Company believes that the construction of a more efficient distribution structure is an important differential for the positioning of the company in the market through improvement in the quality of the service.
Regarding the net revenue, selling expenses accounted for 24% of the total in 1Q17, similar to the 1Q16 performance. The Company understands that this is the appropriate amount to support its current operation.

	1Q15	%RL	1Q16	%RL	1Q17	%RL	▲%
Operating Expenses	**(60.519)**	**25%**	**(76.911)**	**32%**	**(53.000)**	**22%**	**-31%**
Sales	(44.873)	19%	(61.146)	25%	(56.686)	24%	-7%
General and Administrative	(7.534)	3%	(8.911)	4%	(8.275)	4%	-7%
Other Income (Expenses)	(8.112)	3%	(6.854)	3%	11.961	-5%	-275%

Administrative expenses totaled R$ 8 million, which is 7% lower than the same period in 2016. Regarding the net revenue, the administrative expenses went from 3.7% in 1Q16 to 3.5% in 1Q17, mainly due to the adequacy of the structure for the Pointer / Alagoas operation and revision of the expenditure structure carried out at the end of 2016.

Other operating income / expenses in 1Q17 were positively impacted by the reversal of the provision for tax contingency regarding the exclusion of ICMS from the calculation basis of the Pis / Cofins calculation, in the amount of R $ 20 million. In March, the Federal Superior Court favored the understanding that ICMS should not be based on the calculation of the Pis / Cofins taxes, which allowed the Company to change its understanding of the matter and to reverse the provision for loss. It was approximately R $ 20 million reversed against other operating revenues and R $ 3 million under financial income. The decision also alters the taxation of sales as of March 2017. The impacts on the Net Revenue will be perceived throughout the year..

Management Report

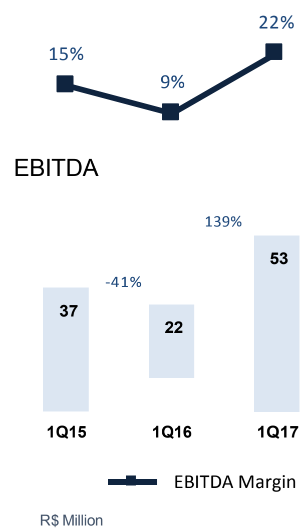
In thousands of Reais, unless stated otherwise

Other operating income / expenses in 1Q17 were negatively impacted by the cost of idleness in the amount of R $ 4 million, to adjust the production to the sales volumes of the plant located in the Northeast.

EBITDA

The Company closed the first quarter with EBITDA of R $ 53 million, which represents a 139% growth over the same period of 2016 and a margin of 22%.

In this quarter, EBITDA was positively impacted by the reversal of the provision for tax contingency related to the exclusion of ICMS from the calculation basis of the Pis / Cofins calculation. If the effect of the reversal were disregarded, EBITDA would be R $ 32 million, 47% above 1Q16.



	1Q15	1Q16	1Q17	▲%	%RL
Net Income	10.789	(6.220)	19.872	-419%	8%
(+) Financial Results	13.904	19.620	15.445	-21%	7%
(+) Depreciation and Amortization	6.484	9.392	9.843	5%	4%
(+) Taxes on Income	5.979	(739)	7.560	-1123%	3%
EBITDA	**37.156**	**22.053**	**52.720**	**139%**	**22%**
(+) Pre-Op. Alagoas Plant / (-) Reversal of Tax Provision	3.602	-	(20.248)		
Adjusted EBITDA	**40.758**	**22.053**	**32.472**	**47%**	
%RL	17%	9%	14%		

Net Income

1Q17 recorded a net income of R$ 20 million higher than the same period of the previous year, mainly impacted by the reversal of the provision for tax contingency regarding the exclusion of ICMS from the calculation basis of the Pis / Cofins calculation.

Management Report

In thousands of Reais, unless stated otherwise

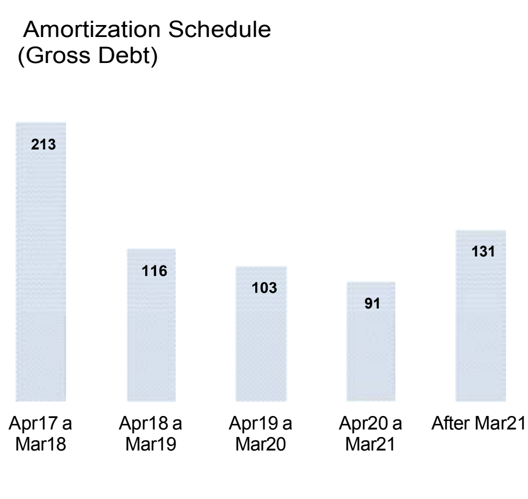
INDEBTEDNESS / CAPITAL STRUCTURE

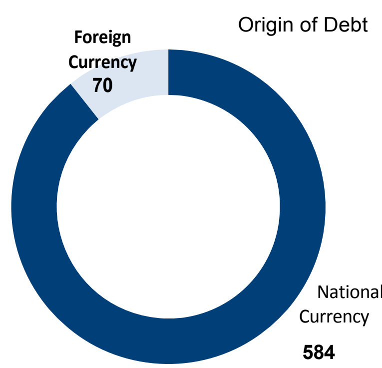
The Company's net indebtedness totaled R$ 437 million at the end of March 2017, equivalent to 3.0X EBITDA in the last 12 months and to 1.7X shareholders' equity. In the last 18 months, there was a constant reduction of net debt, and in 1Q17, the same level of 1Q15 was reached. In addition, after subsequent quarters with an increase, the Company's level of financial leverage, measured by the Net Debt / EBITDA ratio, decreased significantly from 4.0x in 4Q16 to 3.0x in 1Q17.

In March 2017, a waiver was obtained for covenants' minimum clauses which were not reached in the financing agreement with DEG. Regarding the debentures, the Company remains within the new limits approved by the debenture holders in the renegotiation that occurred August 2016.

	Mar-15	Mar-16	Mar-17	▲R$
Bank Debt	574.997	661.399	575.646	(85.753)
Tax Debt	84.125	81.772	78.029	(3.743)
(=) Gross indebtedness	**659.122**	**743.171**	**653.675**	**(89.496)**
(+) Available Funds	(137.503)	(177.963)	(125.293)	52.670
(+) Related-party Credits	(90.534)	(86.214)	(91.016)	(4.802)
(=)Net indebtedness	**431.085**	**478.994**	**437.366**	**(41.628)**
EBITDA (last 12 months)	178.087	151.650	145.979	(5.671)
Net Debt / EBITDA	*2,4*	*3,2*	*3,0*	
Net Debt / Stockholder's Equity	*1,8*	*2,1*	*1,7*	

The balance of the gross indebtedness is divided into 33% maturing in the short term and 67% in the long term.





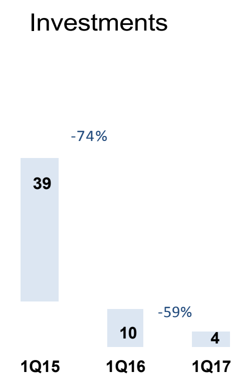
Management Report

In thousands of Reais, unless stated otherwise

INVESTMENTS

In 1Q17, investments in fixed assets were maintained and totaled R$

4 million. Of this amount, R$ 3 million (71%) corresponds to the preparation of the industrial park located in Tijucas for the production of products with higher added value. The other investments were allocated to adjustments in the Alagoas manufacturing plant (19%) and systems (10%).

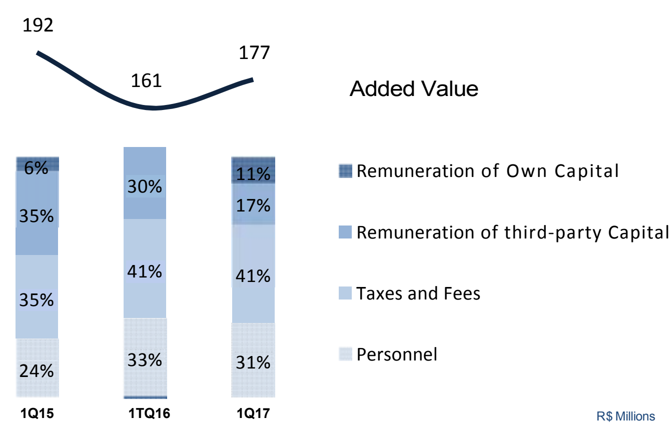


REMUNERATION TO THE SHAREHOLDERS AND RESOLUTIONS OF THE MEETING

A total of 25% of dividends related to the 2016 fiscal year will be distributed, according to the Ordinary General Assembly held on April 28, 2017. The amount payable will be R$ 505 thousand and the payment date is June 1, 2017. Thus, the total compensation of shareholders for the year 2016 will represent a yield (dividend per share divided by the final share price) of 0.16%.

ADDED VALUE

The value added in 1Q17 totaled R $ 177 million (R $ 161 million in 1Q16). Of this amount, 41% was earmarked for taxes, 31% for labor remuneration (personnel), 17% for third-party remuneration and 11% retained as profit for the period.



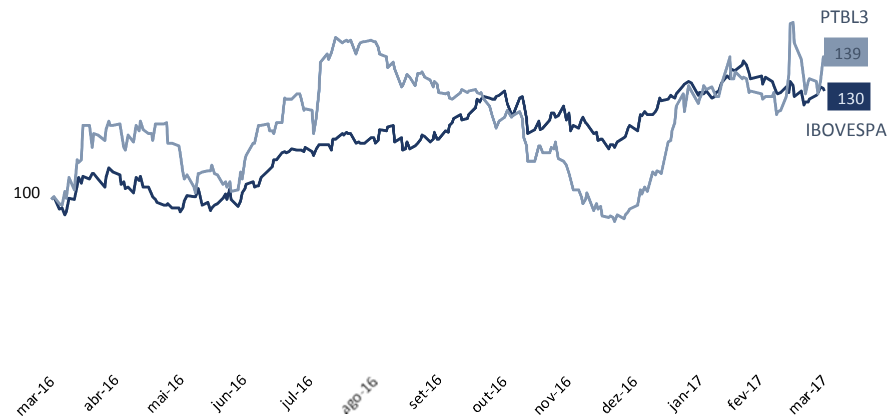
Management Report

In thousands of Reais, unless stated otherwise

PERFORMANCE OF PTBL3 SHARES

The common shares issued by PBG SA, traded on the BM&FBovespa under the ticker symbol PTBL3, closed the last trading session of March 2017 at R$ 2.89, resulting in an appreciation of 39% in the last 12 month, bovespa grew 30% during the same period.

PTBL3 x Ibovespa
From (base 100) 03/31/2016 a 03/31/2017



The average trading volume in the last twelve months was R $ 20 million, an increase of 290% compared to the R $ 5.1 million in the same previous period. At the end of 1Q17, PBG S.A. had a market value equivalent to R$ 458 million (R$ 330 million in March 2016).

OUTLOOK

- After two years of strong recession, 2017 begins with expectations of gradual stabilization of the sector's economic activity and GDP growth, as well as reduction of inflation and, consequently, of the interest rate;
- The construction market shows signs of resumption in retail but, Engineering, still shows signs of recession;
- Internally, the Company maintains the focus on the qualification of the sales mix, seeking margin gain;
- Portobello Shop continues with the strategy of expanding the sales and exhibition area. By 2017, the target is to increase the number of units in the network by 6%;
- The diligent control of costs and expenses has been maintained. The outlook is that the improvement in manufacturing costs caused by the reduction in the cost of natural gas will extend to all 2017;
- The Alagoas factory and the Pointer brand continue in the plan of adaptation to the current market context. The expectation is that the business will achieve better profitability, even with the forecast of a slower recovery for the market in the Northeast;
- Management will continue efforts to reduce indebtedness and improve the debt / EBITDA ratio. The actions are focused on discipline in cash management, decrease in working capital and preservation of liquidity;

Management Report

In thousands of Reais, unless stated otherwise

- The actions to monetize existing assets are maintained and no significant investments are foreseen for 2017;
- The Company remains confident in its competitive advantages and reaffirms its efforts to improve results.

INDEPENDENT AUDIT

PBG S.A.'s policy in relation to its independent auditors regarding services provided not related to the independent audit of the financial statements is underpinned by principles that uphold professional independence. These principles state that the auditor should not check their own work, carry out managerial activities or serve as an attorney for their client. In the first quarter of 2017 the Company did not engage independent auditors for other services not related to the independent audit.

MANAGEMENT COMPOSITION

Board of Directors

Name	Position
Cesar Bastos Gomes	Chairman
Cesar Gomes Júnior	Deputy Chaiman
Nilton Torres de Bastos Filho	Director
Roberto Alves de Souza Waddington	Independent Board Member
Plínio Villares Musetti	Independent Board Member
Glauco José Côrte	Independent Board Member
Mário José Gonzaga Petrelli	Independent Board Member

Executive Board

Name	Position
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Vice President
John Shojiro Suzuki	CFO and Investor Relations Officer
Mauro do Valle Pereira	Corporate Officer

TELECONFERENCE WITH WEBCAST

A teleconference in Portuguese will take place on May 11, 2017 at 10:00 AM to present the earnings figures for 2016.

Connection Details: Telephone: +55 11 3193-1001 Password: PORTOBELLO

For those who can not keep up with the live teleconference, a full audio will be made available through the company's web site (www.portobello.com.br/ri).

Management Report

In thousands of Reais, unless stated otherwise

Balance Sheet

Current Assets	03-31-17 543,226	12-31-16 535,369	Current Liabilities	03-31-17 426,023	12-31-16 409,155
Available Funds	118,662	105,745	Loans/Debentures	202,549	197,004
Accounts Receivable	205,252	215,379	Suppliers and Credit Assignment	133,219	124,451
Inventories	186,649	185,880	Taxes and Social Contributions	26,724	25,188
Recoverable Taxes	13,015	19,079	Social and Labor Obligations	31,170	27,155
Prepaid Expenses	7,263	3,530	Customer Advances	16,073	17,977
Other	12,385	5,756	Dividends to be paid	871	915
			Other	15,417	16,465
Non-Current	**706,279**	**701,991**	**Non-Current**	**563,297**	**589,746**
Long-term	**257,791**	**247,847**	Loans/Debentures	373,097	389,657
Judicial Deposits	84,392	81,742	Trade Accounts Payable	71,137	68,990
Recoverable Taxes	5,649	6,124	Deferred income tax and social contribution	12,709	3,250
Tax Asset	27,567	26,735	Tax Debt Installments	67,992	69,342
Related Party Credits	91,016	89,423	Provisions	38,362	58,507
Receivables from Eletrobrás	32,208	32,208			
Other Non-Current Assets	16,959	11,615			
			Stockholders' Equity	**260,185**	**238,459**
Investments	**266**	**243**	Realized Capital	119,565	119,565
Property, Plant and Equipment	**428,717**	**433,348**	Profit Reserves	121,129	121,129
Intangible Assets	**19,505**	**20,553**	Other Comprehensive Income	(688)	(2,246)
			Retained Earnings/Accumulated	20,160	-
			Non-Controlling Shareholders	19	11
Total Assets	**1,249,505**	**1,237,360**	**Total Liabilities**	**1,249,505**	**1,237,360**

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Note to the financial statements

In thousands of Reais, unless stated otherwise

1 Reporting entity

PBG SA, also referred to in this statement as "Company" or "Parent Company", is a publicly held corporation and its shares are traded on the Novo Mercado segment of the BM & FBOVESPA under the code: PTBL3. The Company is controlled by a group of shareholders, formalized by the agreement entered into on April 15, 2011, and added to on August 17, 2015, and holds, on March 31, 2017, 54% of the company's shares. Several shareholders hold the remaining 46% of the shares.

The Company headquarters is located in Tijucas, in the state of Santa Catarina and it was established in 1977. Its main corporate purpose is the industrialization and commercialization of ceramic and porcelain products in general, such as floors, technical and enamel porcelain tiles, decorated and special pieces, mosaics, coating of internal walls, external facades, as well as the provision of complementary services for application in the field of civil construction materials in Brazil and abroad.

In addition, the Company holds shareholding interest in subsidiaries: (i) Portobello Shop, which manages the franchise networks of Portobello Shop and Emporio Portobello stores, with a network of 143 franchised stores specializing in porcelain tiles and ceramic tiles; (ii) PBTech which is responsible for the management of Portobello Shop's own stores and currently manages six stores; (iii) Portobello Mining which is responsible for supplying part of the raw material used in the production of ceramic tiles; (iv) Companhia Brasileira de Cerâmica (Companhia Brasileira de Cerâmica), incorporated in the Northeast, and which currently has no operations; (v) Portobello America, which was set up with the objective of selling Portobello products in the North American market, and which is currently inactive.

2 Presentation of interim information

a) Declaration of conformity (regarding IFRS and CPC standards)

These financial statements include:

• The consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP); and

• The parent company financial statements prepared in accordance with BR GAAP.

What differs between the presentation between parent and consolidated is the recording of the provision for loss on investments, which is not required in IFRS.

Therefore, the negative equity accounting, in accordance with BR GAAP, is the reason why the statements are not presented in dual compliance.

These financial statements were prepared in accordance with the rules of the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Financial Statements (DFP).

The issuance of the individual and consolidated quarterly information was authorized by the Board of Directors on May 4, 2017.

b) New standards, amendments or interpretations of IFRS issued by the IASB

A number of new standards or changes in standards and interpretations will be effective for annual periods beginning on or after January 1, 2017.

- Disclosure Initiative (Amendments to CPC 26 / IAS 7 and CVM Resolution 761/2016)

Note to the financial statements

In thousands of Reais, unless stated otherwise

The changes require additional disclosures that allow users of the financial statements to understand and evaluate changes in liabilities arising from financing activities. The Company has not adopted these changes in the preparation of these financial statements and does not provide for early adoption.

- Financial Instruments (CPC 38/ IFRS 9)

The amendment includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard maintains the existing guidance on the recognition and derecognition of financial instruments of IAS 39.
The effective impact of this adoption on the Company's financial statements in 2018, when the standard comes into force, can not be estimated with confidence, as it will depend on the Company's scenario and the economic conditions, as well as on future accounting decisions and judgments. The new standard will require that the accounting procedures and internal controls related to the classification and measurement of financial instruments be reviewed. The Company has not yet made a preliminary assessment of the possible effects arising from the application of said pronouncement.

- IFRS 15 – Revenue from Contacts with Costumers:

The pronouncement establishes principles for an entity to recognize revenue in the transfer of products or services in the amount in which it reflects what the entity expects to receive in exchange for the delivered product or service rendered. The standard also establishes 5 steps for revenue recognition. Additionally, it provides instructions for disclosing information to users about the nature, quantity, timing, and uncertainty of revenue and cash flow arising from the entity's customer contracts. The Company is evaluating the possible effects arising from the application of said pronouncement.

3 Significant Accounting Policies

The accounting practices and calculation methods adopted in the preparation of the quarterly information of March 31, 2017 are the same as those used in the preparation of the financial statements for the year ended December 31, 2016, as well as the contents and values of certain explanatory notes which did not require significant updates, were not repeated in the notes. These financial statements should therefore be read together.

4 Critical accounting estimates and judgments

Os principais julgamentos e incertezas nas estimativas utilizadas na aplicação das práticas contábeis permanecem os mesmos detalhados nas demonstrações contábeis do exercício findo em 31 de dezembro de 2016.

5 Financial risk management

5.1 Financial risk factors

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

Risk management is carried out by the Treasury and Financial Management, according to the policies approved by the Board of Directors. The Treasury and the Finance Department identify, evaluate, and protect the Company and its subsidiaries against possible financial risks in cooperation with its operating units. The Board of Directors establishes principles for global risk management as well as for specific areas such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of cash surpluses.

Note to the financial statements

In thousands of Reais, unless stated otherwise

a) Market Risk

i) Currency Risk

The Company operates internationally and is exposed to exchange rate risk arising from exposures to certain currencies, mainly in relation to the United States Dollar and the Euro. Foreign exchange risk arises from future commercial operations, recognized assets and liabilities, and net investments in foreign operations.

Below we present the asset and liability balances exposed to the exchange rate variation:

	In Brazilian Reais			
	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Accounts Receivable	45.751	43.969	45.751	43.969
Checking Account	13.462	1.186	13.462	1.186
Credits with Subsidiaries	64.870	66.727	-	-
Exposed Assets	124.083	111.882	59.213	45.155
Provision for Devaluation of Investments	(64.818)	(66.647)	-	-
Accounts Payable, Net of Advances	(11.947)	(9.317)	(11.947)	(9.317)
Loans and Financing	(69.680)	(77.402)	(69.680)	(77.402)
(-) Swap	15.876	21.778	15.876	21.778
Exposed Liabilities	(130.569)	(131.588)	(65.751)	(64.941)
Net Exposure	(6.486)	(19.706)	(6.538)	(19.786)

	In Euros				In US$ Dollars			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March, 31st 2017	December 31st, 2016	March, 31st 2017	December 31st, 2016	March, 31st 2017	December 31st, 2016	March, 31st 2017	December 31st, 2016
Accounts Receivable	349	367	349	367	10,031	9,887	10,031	9,887
Checking Account	-	-	-	-	4,249	364	4,249	364
Credits with Subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for Devaluation of Investments	-	-	-	-	(20,458)	(20,448)	-	-
Accounts Payable, Net of Advances	(345)	(282)	(345)	(282)	(3,407)	(2,567)	(3,407)	(2,567)
Loans and Financing	-	-	-	-	(21,992)	(23,750)	(21,992)	(23,750)
(-) Swap	-	-	-	-	5,011	19,624	5,011	19,624
	4	85	4	85	(6,092)	3,584	(6,108)	3,558

The strategy adopted to mitigate the exchange exposure of the Company's assets and liabilities has been to maintain the passive exchange exposure in approximate values within a year of its exports.

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

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

Based on several scenarios, the Company manages the cash flow risk associated with the interest rate using the interest rate swap, which receives variable interest and pays fixed interest and has the economic effect of converting loans held at variable rates to fixed rates. Fixed rates, which are the result of this Swap operation, are lower than those available if the Company borrows directly at fixed rates. Through interest rate swap operations, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed contractual rates and variable interest rates, calculated by the agreed (notional) reference values between the parts.

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

As far as financial investments are concerned, they are mainly carried out in investment funds, according to note 6.

b) Credit Risk

The Company and its subsidiaries maintain strict controls over the granting of credits to its customers, and adjust these limits whenever a material change in the level of perceived risk is detected.

c) Liquidity Risk

It is the risk that the Company and its subsidiaries do not have sufficient liquid resources to honor their financial commitments, as a result of the mismatch of term or volume between the expected receipts and payments.

In order to manage the liquidity of the cash in local and foreign currency, premises of disbursements and future receipts are established, being monitored daily by the Treasury and Financial Department.

The table below analyzes the Parent Company's and the consolidated non-derivative financial liabilities, by maturity bands, corresponding to the remaining period in the balance sheet until the contractual date of maturity. The amounts disclosed in the table are the undiscounted contracted cash flows.

	Parent Company							
	March 31st, 2017				December 31st, 2016			
	* Loans and Debentures	Financial Lease	Payable and Assignment	Financing of Taxes	* Loans and Debentures	Financial Lease	Payable and Assignment	Financing of Taxes
Less than One Year	201.747	802	107.260	9.967	196.975	782	98.557	9.788
Between One and Two Years	201.205	141	71.137	20.516	224.882	349	68.990	20.158
Between Two and Five Years	153.136	-	-	30.774	146.726	-	-	30.237
Over Five Years	25.097	-	-	16.244	25.134	-	-	18.479
	581.185	943	178.397	77.501	593.717	1.131	167.547	78.662

* The difference between the loan total presented in this table and the statement of financial position is due to the Prodec AVP, see note 22a).

	Consolidated							
	March 31st, 2017				December 31st, 2016			
	* Loans and Debentures	Financial Lease	Payable and Assignment	Financing of Taxes	* Loans and Debentures	Financial Lease	Payable and Assignment	Financing of Taxes
Less than One Year	201.747	802	112.613	10.037	196.975	782	102.929	9.857
Between One and Two Years	202.432	141	71.137	20.656	226.071	349	68.990	20.296
Between Two and Five Years	153.136	-	-	30.984	146.726	-	-	30.444
Over Five Years	25.097	-	-	16.352	25.134	-	-	18.602
	582.412	943	183.750	78.029	594.906	1.131	171.919	79.199

* The difference between the loan total presented in this table and the statement of financial position is due to the Prodec AVP, see note 22a).

Note to the financial statements

In thousands of Reais, unless stated otherwise

d) Sensitivity analysis

i) Sensitivity analysis of changes in the interest rates

Income from the Company's financial investments as well as financial expenses from loans and financing are affected by changes in interest rates, such as CDI and Selic.

On March 31, 2017, management considered the CDI rate of 12.13% and Selic of 11.25% as the probable scenario. The probable rate was then aggravated by 25% and 50%, serving as a parameter for the possible and remote scenarios, respectively.

The following scenarios were estimated for the period of one year:

	Consolidated in Brazilian Reais							
	March 31, 2017	Risk	Probable		Possible (25%)*		Remote (50%)*	
Operation			%	R$	%	R$	%	R$
Investments (yielding 99,4% of CDI)	101.502	Low CDI	12,13%	12.238	9,10%	9.179	6,07%	6.119
	101.502			12.238		9.179		6.119
Operation								
Loans - Export Credit Note	(112.338)	High CDI	12,13%	(13.627)	15,16%	(17.033)	18,20%	(20.440)
Loans - Trade 4131 Swap	(14.727)	High CDI	12,13%	(1.786)	15,16%	(2.233)	18,20%	(2.680)
Debentures	(207.864)	High CDI	12,13%	(25.214)	15,16%	(31.517)	18,20%	(37.821)
Financing	(78.029)	High SELIC	11,25%	(8.778)	14,06%	(10.973)	16,88%	(13.167)
	(412.958)			(49.405)		(61.756)		(74.108)

* Possible and remote scenarios calculated based on probable rate.

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to foreign currency in the balance sheet as of March 31, 2017 and for the purposes of sensitivity analysis, adopted as a probable scenario the future market rate prevailing in the period of preparation of this quarterly information. The probable rate was then aggravated by 25% and 50%, serving as a parameter for the possible and remote scenarios, respectively.

Thus, the table below shows simulation of the exchange rate effect on future results:

	Consolidated in Brazilian Reais						
	March 31, 2017	Probable		Possible (25%)*		Remote (50%)*	
		Rate USD	Gain (Loss)	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Accounts Receivable	45.751	3,340	2.478	4,175	11.438	5,010	22.876
Current Account	13.462	3,340	729	4,175	3.366	5,010	6.731
Accounts Payable, Net of Advances	(11.947)	3,340	(647)	4,175	(2.987)	5,010	(5.974)
Loans and Financing	(69.680)	3,340	(3.774)	4,175	(17.420)	5,010	(34.840)
(-) Swap	15.876	3,340	860	4,175	3.969	5,010	7.938
Net Exposure	(6.538)	3,340	(354)	4,175	(1.634)	5,010	(3.269)

*Possible and remote scenarios calculated at the probable rate.

Note to the financial statements

In thousands of Reais, unless stated otherwise

5.2 Capital Management

Management's objectives in managing its capital are to safeguard the Company's and its subsidiaries' ability to continue to offer shareholder returns and benefits to other stakeholders, as well as to provide better cash management, in order to obtain the lowest cost of funding of resources in the combination of equity or third-party capital.

Capital is monitored based on the consolidated financial leverage ratio. This index corresponds to the net debt divided by the total capital. Net debt, in turn, corresponds to total loans and installments of tax liabilities, minus the amount of cash and cash equivalents, credits with other related parties and securities. The total capital is determined through the sum of the shareholders' equity, as shown in the consolidated balance sheet, with net debt.

The financial leverage indices as of March 31, 2017 can be summarized as follows:

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2017	March 31, 2017	December 31, 2017
Loans and Financing	574.419	585.472	575.646	586.661
Financing Taxes	77.501	78.662	78.029	79.199
Less: Cash and Cash Equivalents	(108.539)	(100.085)	(118.662)	(105.745)
Credits with Other Related Parties	(91.016)	(89.423)	(91.016)	(89.423)
Short Term Investment	(6.631)	(6.451)	(6.631)	(6.451)
Net Debt	445.734	468.175	437.366	464.241
Total Shareholders' Equity	260.166	238.448	260.185	238.459
Total Capital	705.900	706.623	697.551	702.700
Financial Leverage Index (%)	63	66	63	66

5.3 Financial instruments by category

In the table below, we classify the financial instruments by category on each of the dates presented:

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2017	March 31, 2017	December 31, 2017
Assets, Loans and Receivables				
Cash and Cash Equivalents	108.539	100.085	118.662	105.745
Trade Receivables	191.941	202.658	205.252	215.379
Other Related-party Credits	91.016	89.423	91.016	89.423
Assets Stated at Fair Value Through Profit or Loss				
Call Deposits	6.631	6.451	6.631	6.451
Derivatives	197	-	197	-
	398.324	398.617	421.758	416.998
Liabilities, Other Financial Liabilities				
Trade Payables	127.866	120.079	133.219	124.451
Loans, Financing and Debentures	574.419	585.472	575.646	586.661
Financing of Taxes	77.501	78.662	78.029	79.199
Derivatives	-	2.452	-	2.452
	779.786	786.665	786.894	792.763

Note to the financial statements

In thousands of Reais, unless stated otherwise

6 Cash and Cash Equivalents

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Checking Account	15.053	6.211	17.160	11.172
Financial Application	93.486	93.874	101.502	94.573
	108.539	100.085	118.662	105.745

The financial investments designated as cash equivalents are participations in investment funds whose average fund return in March 2017 was equivalent to 99.4% of CDI (Interbank Deposit Certificate) and the application can be redeemed at any time without penalties.

7 Financial Instruments

Derivatives for trading are classified as current or noncurrent assets or liabilities. The total fair value of a hedge derivative is classified as a non-current asset or liability if the remaining period for the maturity of the hedged item is greater than 12 months, and as a current asset or liability if the remaining period for the maturity of the hedged item is less than 12 months.

The Company has Swap operations, which aim to protect the future payments of the loans and financing, in the modalities below, from the fluctuations of the US dollar and the interest rate. These transactions are classified in current and noncurrent liabilities, as follows:

a) In December 2012, the Company entered into an operation following the rules established by Law No. 4,131 (Trade Exporter) in the amount of R$ 50,000 at the cost of 9.8% per year, but with a Swap for CDI + 1.60% per year and payment term in 60 months with a grace period of 24 months. The payments are semianual.

b) In November 2014, the Company entered into an Exportation Credit operation (NCE) for the amount of US$ 15,000, equal to R$ 37,600 at the cost of 1.65% per annum + LIBOR-03 + foreign exchange fluctuation, per annum, with a CDI Swap at the rate of 109% a year and payment deadline of 36 months with a 11-month grace period. Amortization is quarterly. This contract was renegotiated in June 2015 and again in August 2015 to adjust the operation's initial parity.

The fair value of gains and losses on these swap transactions was recorded under "Other" in current liabilities as of March 31, 2017 and December 31, 2016.

A Companhia não pratica operações financeiras de caráter especulativo com derivativos ou quaisquer outros instrumentos de risco.

Note to the financial statements

In thousands of Reais, unless stated otherwise

8 Trade Accounts Receivable

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Third-Party Accounts Receivable:				
Domestic Customers	149,175	158,989	162,486	171,710
Overseas Customers	45,751	43,969	45,751	43,969
	194,926	202,958	208,237	215,679
Accounts Receivable from Related Parties:				
Entities Related to Management	1,260	2,548	1,260	2,548
	1,260	2,548	1,260	2,548
Impairment of Trade Accounts Receivable:				
Allowance for Doubtful Accounts	(4,245)	(2,848)	(4,245)	(2,848)
	(4,245)	(2,848)	(4,245)	(2,848)
	191,941	202,658	205,252	215,379

Management understands that the allowance for doubtful accounts is sufficient to cover probable losses in the settlement of accounts receivable considering the situation of each client and respective guarantees offered. Their value represents the estimated risk of not realizing the receivables due under the analysis of the manager in charge.

The constitution and write-off of the provision for accounts receivable are recorded as business expenses.

Note to the financial statements

In thousands of Reais, unless stated otherwise

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

	Parent Company							
	March 31, 2017	Outstanding Trade Notes not Provisioned for	Overdue Trade Notes not Provisioned for	Allowance for Doubtful Accounts	December 31, 2017	Outstanding Trade Notes not Provisioned for	Overdue Trade Notes not Provisioned for	Allowance for Doubtful Accounts
Due	189.261	188.727	-	534	191.258	191.258	-	-
Up to 30 Days Overdue	1.579	-	1.428	151	5.733	-	5.733	-
31 to 90 Days Overdue	1.331	-	1.146	185	2.011	-	1.908	103
Past Due 91 to 180 days	1.070	-	389	681	1.251	-	824	427
Past Due 181 to 360 days	1.338	-	210	1.128	4.388		2.904	1.484
More than 360 days Overdue	1.607	-	41	1.566	865	-	31	834
	196.186	188.727	3.214	4.245	205.506	191.258	11.400	2.848

	Consolidated							
	March 31, 2017	Outstanding Trade Notes not Provisioned for	Overdue Trade Notes not Provisioned for	Allowance for Doubtful Accounts	December 31, 2017	Outstanding Trade Notes not Provisioned for	Overdue Trade Notes not Provisioned for	Allowance for Doubtful Accounts
Due	198.512	197.978	-	534	203.154	203.154	-	-
Up to 30 Days Overdue	2.721	-	2.570	151	6.144	-	6.144	-
31 to 90 Days Overdue	2.653	-	2.468	185	2.191	-	2.088	103
Past Due 91 to 180 days	1.939	-	1.258	681	1.298	-	871	427
Past Due 181 to 360 days	1.583	-	455	1.128	4.570		3.086	1.484
More than 360 days Overdue	2.089	-	523	1.566	870	-	36	834
	209.497	197.978	7.274	4.245	218.227	203.154	12.225	2.848

The Company's receivables are included as collateral for some of the loans and financing taken, as described in note 22. The amount is calculated from a percentage of the residual balance of the debt. As of March 31, 2017, the total receivables on guarantee were R$ 81,660 (R $ 83,642 as of December 31, 2016.

9 Inventories

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Finished Goods	154.909	152.789	155.176	153.064
Work in Progress	5.704	6.279	5.704	6.279
Raw Materials and Consumables	32.365	31.693	32.365	31.693
Provision for Valuation of Inventory at Realizable Value	(9.000)	(9.496)	(9.000)	(9.496)
Imports in Transit	2.404	4.340	2.404	4.340
	186.382	185.605	186.649	185.880

10 Advances to Suppliers

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Domestic Suppliers	3.312	2.428	4.745	2.040
Overseas Supplier	695	597	695	597
	4.007	3.025	5.440	2.637

Note to the financial statements

In thousands of Reais, unless stated otherwise

11 Recoverable Taxes

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Current				
ICMS	7.815	8.060	8.279	8.524
IPI (a)	2.354	1.948	2.701	2.295
IRPJ/CSLL	292	4.330	670	5.017
PIS/COFINS	-	-	427	427
INSS	240	2.496	240	2.496
Other	546	109	698	320
	11.247	16.943	13.015	19.079
Non-Current*				
ICMS	3.029	3.051	3.029	3.051
PIS/COFINS	2.620	3.073	2.620	3.073
	5.649	6.124	5.649	6.124

* Taxes Recoverable on Acquisitions of Property, Plant and Equipment.

a) Reduction of IPI rate percentages

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

12 Credits with other related parties

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

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

It is emphasized that “Refinadora” had already entered into a contract with the Company guaranteeing the reimbursement of the amounts used. The aforesaid guarantee was provided with credits also originated on the ‘IPI premium credit’ tax benefit, of calculation period prior to October 04, 1990, running in the Federal Courts of the Federal District, with award calculation decision handed down and favorable to Refinadora.

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and “Refinadora” signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On March 31, 2017, these credits that also originate in proceeding 87.00.00967-9, represent R$ 91.015 (R$ 89.423 as of december 31, 2016) and are restated by the SELIC rate, according to the contract.

Note to the financial statements

In thousands of Reais, unless stated otherwise

It should be mentioned that the pledged credits have already become court-ordered debt payment. In fact, the Company received 4 installments out of a total of 10 annual installments, as provided for in the contract. Receipts occurred in August 2011, March 2013, and April 2014 and December 2015, in the amounts of R$ 8,505, R$ 9,824, R$ 9,995 and R$ 10,000, respectively. In addition, in September 2016 the amount of R $ 2,167 was received complementing the fourth installment. Installments 05 and 06 have already been deposited to the Refiner, but the transfer depends on the release permit, which is in progress.

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

13 Judicial deposits

The Company and its subsidiaries are parties to lawsuits of a tax, civil and labor nature (see note 26) and are discussing these matters in the administrative and judicial spheres, which, when applicable, are supported by judicial deposits. These are recorded at the original value restated by the indices related to the basic remuneration of savings, TR + 0.5%.

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

	Parent Company		Consolidated	
	March 31, 2017	December 31,2017	March 31, 2017	December 31,2017
Civil (a)	71.190	69.043	71.214	69.061
Labor	8.170	8.111	8.170	8.111
Tax	4.977	4.539	5.008	4.570
	84.337	81.693	84.392	81.742

a) Following the unilateral untimely decision by the supplier SC Gás to suspend the discount from the monthly amount of gas contracted, a benefit established as a loyalty plan, the Company filed suit, claiming the continuation of this benefit, obtaining an injunction so that the discounted amounts are placed in a court deposit.

14 Receivables - Eletrobras

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

In 2005, this action was deemed appropriate and on February 2006, the Company filed an enforcement action and recognized the amount assessed by the judicial review, updating monthly by INPC plus 12% per year. After this period, the calculation was submitted to the reviews determined by the Federal Court.

In 2014, Eletrobrás was ordered to pay R $ 35,395 ascertained by the expert with a base date of August 2013. The Company challenged this decision, requiring that the calculations be rectified and that the criteria adopted in the quantification of the amount of the conviction be established, due to differences between the parties. Based on this situation, on July 2014 the Company decided to interrupt the asset update, until a new decision on the value and the criteria used in this process.

Note to the financial statements

In thousands of Reais, unless stated otherwise

After the final settlement of the judgment settlement process, an accounting expert was hired to quantify the credit, which will be subject to a future enforcement action. The expert's report presented a value of R$ 16,413 less than that recognized by the Company. The balance was written off in 3Q16, of which R $ 9,562 were reversals that were reversed against the financial result and R $ 6,851 recognized in other operating expenses. The value of the asset as of March 31, 2017 is R$ 32.208 (R$ 32.208 in december 31 2016).

15 Income and social contribution taxes

a) Income and social contribution taxes on profit

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

	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Income Tax	95	4.137	438	4.716	-	-	(1.322)	(227)
Social Contribution	197	193	232	301	-	-	(467)	(84)
	292	4.330	670	5.017	-	-	(1.789)	(311)

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

b) Deferred income and social contribution taxes

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

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Tax Loss Carryforwards	10.023	7.393	14.371	11.741
Temporary Diferences in Assets	27.804	35.295	27.809	35.300
Exchange Variance on Cash Basis	5.740	6.207	5.740	6.207
Provision for Adjustment to Market Value	2.193	2.494	2.193	2.494
Provision for Contingencies	9.343	8.914	9.343	8.914
Provision for PIS and COFINS with Reduced ICMS Base	-	7.969	-	7.969
Provision for Profit-Sharing and Long-Term Incentive	3.216	2.486	3.216	2.486
Other Temporary Asset Differences	7.312	7.225	7.317	7.230
Temporary Diferences in Liabilities	(50.536)	(50.291)	(50.536)	(50.291)
Portobello Previdência	(1.485)	(1.485)	(1.485)	(1.485)
Realization of the Revaluation Reserve	(18.938)	(19.091)	(18.938)	(19.091)
Eletrobrás Receivables	(10.951)	(10.951)	(10.951)	(10.951)
Contingent Asset - IPI Credit Premium - Stage II	(9.373)	(9.090)	(9.373)	(9.090)
Adjustment to Present Value	(2.621)	(3.187)	(2.621)	(3.187)
Depreciation Adjustment (To Useful Life of Assets)	(7.168)	(6.487)	(7.168)	(6.487)
Deffered Income and Social Contribution Liabilities - Net	(12.709)	(7.603)	(8.356)	(3.250)
Non-Current Assets	-	-	4.353	-
Non-Current Liabilities	(12.709)	(7.603)	(12.709)	(3.250)
Deffered Income and Social Contribution Liabilities - Net	(12.709)	(7.603)	(8.356)	(3.250)

Note to the financial statements

In thousands of Reais, unless stated otherwise

The changes in the deferred income and social contribution taxes at March 31, 2017 are as follows:

	Parent Company	Consolidated
At december 31, 2016	(7.603)	(3.250)
Tax Loss Carryforwards	2.630	2.630
Temporary Differences Assets	(7.491)	(7.491)
Temporary Differences Liabilities	(398)	(398)
Revaluation Reserva	153	153
At March 31, 2017	(12.709)	(8.356)

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

	Parent Company and Consolidated	
	March 31, 2017	March 31, 2016
Deffered Tax Asset Debited (credited) to Net Income		
Tax Loss Carryforwards	2.630	2.901
Exchange Variance on Cash Basis	(467)	(2.768)
Provision for Adjustment to Market Value	(301)	567
Provision for Contingencies	429	203
Provisio for PIS and COFINS with Reduced ICMS Base	(7.969)	787
Provision for Profit-Sharing and Long-Term Incentive	730	597
Other Temporary Asset Differences	87	1.369
	(4.861)	3.656
Realization of the Revaluation Reserve	153	154
Contingent Asset - IPI Credit Premium - Stage II	(283)	(251)
Adjustment to Present Value	566	207
Depreciation Adjustment (To Useful Life of Assets)	(681)	604
	(245)	714
	(5.106)	4.370

Note to the financial statements

In thousands of Reais, unless stated otherwise

c) Income and social contribution taxes, income

Income and social contribution tax expenses are as follow:

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Net Income before Income	24.970	(9.444)	27.432	(6.959)
Tax calculated based on nominal rate - 34%	(8.490)	3.211	(9.327)	2.366
Equity Income of Subsidiaries	3.069	1.488	-	-
Nondeductible Expenses for Tax Purposes	314	(103)	314	(103)
Depreciation of Revalued Assets	(152)	(154)	(152)	(154)
Tax Credits on Tax Losses and Temporary Differences	5.259	(4.442)	6.711	(4.590)
Current Income Tax for the Year	-	-	(2.454)	(2.481)
Recording of Deffered Income and Social Contribution Taxes	(5.106)	3.220	(5.106)	3.220
Income Tax and Social Contribution Expenses	(5.106)	3.220	(7.560)	739
Effective Rate	20,4%	34,1%	27,6%	10,6%

16 Tax Assets

The Company has a lawsuit requiring the recognition of tax benefits entitled 'IPI credit-premium', in different calculation periods. Process no. 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, already having a decision favorable to the Company, is in the liquidation of sentence with the amounts already established by the Justice Department Federal Government, the amount recognized in November 2009, restated up to March 31, 2017 is R $ 20,284 (R $ 19,843 on December 31, 2016).

In relation to the case nº 1984.00.020114-0, referring to the period from December 7, 1979 to March 31, 1981, after the final res judicata, which occurred 10 years ago, the liquidation and execution of the sentence began, following expert report made by judicial expert. The parties were summoned form the quantum established for manifestation as to the agreement or contestation of the award. The Company agreed with the calculations presented. The Union, represented by the Office of the Attorney General of the National Treasury, did not manifest itself, provoking tacit agreement, and the estoppel operation took place. Therefore, the process is final for sentencing and there is no more room for challenge. The Company recognized in 2015 the amount determined by the legal expert in the amount of R $ 4,983, and as the Company understands that the gain of the aforementioned lawsuit is practically certain, recorded the tax asset in June 2015, and updated until March 31, 2017 is R $ 7,106 (R $ 6,891 as of December 31, 2016).

The total amount of tax assets at March 31, 2017 is R$ 27,567 (R$ 26,735 on December 31, 2016).

17 Contingent assets

The contingent assets refer to lawsuit 1998.34.00.029022-4 and also involve the recognition of tax benefits entitled ‘IPI premium credit’. Consequently, proceeding No. 1998.34.00.029022- 4 was settled by a judgment made final and unnappealable in March 2015. Souza Cescon Barrieu & Flesch law firm, which was asked to assess the value of the lawsuit credits stated, estimated the Company's right against the Brazilian Federal Government as R$ 112,736, based on February 2012. These amounts are not recorded as they do not meet the recognition criteria established by CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

Note to the financial statements

In thousands of Reais, unless stated otherwise

18 Investments

a) Participation in subsidiaries

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

	Country of Incorporation	Percentage of Interest	Assets	Liabilities	Revenue	Net Income
At December 31, 2016						
Portobello América Inc.	United States	100,00%	83	66.730	-	(161)
PBTech Ltda.	Brazil	99,94%	11.437	10.718	61.652	3.268
Portobello Shop S/A	Brazil	99,90%	22.546	22.066	64.165	15.893
Mineração Portobello Ltda.	Brazil	99,76%	1.958	1.713	8.764	547
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	1.654	9.801	(67)	2.994
At March 31, 2017						
Portobello América Inc. e outros	United States	100,00%	66	64.884	-	(25)
PBTech Ltda.	Brazil	99,94%	11.144	9.110	15.039	1.315
Portobello Shop S/A	Brazil	99,90%	31.699	23.450	14.928	7.769
Mineração Portobello Ltda.	Brazil	99,76%	1.904	1.596	2.283	63
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	5.793	(220)	-	(95)

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

	Shareholder's Equity	Net Income for the Periodo	Percentage of Interest	December 31, 2016	Exchange Variations	Equity Accounting Income	March 31,2017
Investments							
Portobello América Inc. e outros	(64.818)	(25)	100%	(66.647)	1.854	(25)	(64.818)
PBTech Ltda.	2.035	1.316	99,94%	719	-	1.315	2.034
Portobello Shop S.A.	8.257	7.777	99,90%	480	-	7.769	8.249
Mineração Portobello Ltda.	309	63	99,76%	245	-	63	308
Companhia Brasileira de Cerâmica S/A	(8.126)	(97)	98,00%	(7.868)	-	(95)	(7.963)
Outros	10			10	-	-	10
Total Net Investments in Subsidiaries				(73.061)	1.854	9.027	(62.180)
Investments - Interest in Subsidiaries				1.454			10.601
Provision for Devaluation of Investments				(74.515)			(72.781)

b) Advance for future capital increase

The parent company PBG S.A. has an AFAC (advance for future capital increase) from the subsidiary Companhia Brasileira de Cerâmica of R$ 13,976 (R$ 13,976 as of December 31, 2016, classified in noncurrent assets.

Note to the financial statements

In thousands of Reais, unless stated otherwise

19 Imobilizado

a) Breakdown

	Average Annual Depreciation Rate	Parent Company – March 31, 2017 – Cost	Parent Company – March 31, 2017 – Accumulated Depreciation	Parent Company – March 31, 2017 – Net Value	Parent Company – December 31, 2016 – Net Value	Consolidated – March 31, 2017 – Net Value	Consolidated – December 31, 2016 – Net Value
Land		12.141	-	12.141	12.141	13.062	13.062
Buildings, Civil Works, and Improvements	3%	203.119	(36.950)	166.169	167.914	162.249	164.634
Machinery and Equipment	15%	518.512	(287.186)	231.326	236.675	231.327	236.676
Furniture and Fixtures	10%	9.444	(8.232)	1.212	1.261	1.227	1.277
Computers	20%	18.975	(15.403)	3.572	3.880	3.582	3.893
Other PPE in Progress	20%	209	(189)	20	22	10.351	10.353
Property, Plant and Equipament in Progress		6.770	-	6.770	3.363	6.919	3.453
		769.170	(347.960)	421.210	425.256	428.717	433.348

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition (see note 30e).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2016.

b) Changes in the Property, Plant and Equipment

Parent Company	December 31, 2015	Additions	Transfers	Depreciation	December 31, 2016	Additions	Depreciation	March 31, 2017
Land	12.141	-	-	-	12.141	-	-	12.141
Buildings, Civil Works, and Improvements	164.853	-	10.050	(6.989)	167.914	-	(1.745)	166.169
Machinery and Equipment	224.665	696	34.627	(23.313)	236.675	312	(5.661)	231.326
Furniture and Fixtures	1.418	-	37	(194)	1.261	-	(49)	1.212
Computers	4.123	389	597	(1.229)	3.880	-	(308)	3.572
Other PPE in Progress	30	-	-	(8)	22	-	(2)	20
Property, Plant and Equipment in Progress	29.449	19.225	(45.311)	-	3.363	3.407	-	6.770
	436.679	20.310	-	(31.733)	425.256	3.719	(7.765)	421.210

Consolidated	December 31, 2015	Additions	Transfers	Depreciation	Baixas	December 31, 2016	Additions	Depreciation	March 31, 2017
Land	13.062	-	-	-	-	13.062	-	-	13.062
Buildings, Civil Works, and Improvements	163.773	-	10.050	(9.189)	-	164.634	-	(2.385)	162.249
Machinery and Equipment	224.665	697	34.627	(23.313)	-	236.676	311	(5.660)	231.327
Furniture and Fixtures	1.440	-	37	(197)	(3)	1.277	-	(50)	1.227
Computers	4.147	396	591	(1.241)	-	3.893	-	(311)	3.582
Other PPE in Progress	5.494	-	5.038	(8)	(171)	10.353	-	(2)	10.351
Property, Plant and Equipment in Progress	31.613	22.183	(50.343)	-	-	3.453	3.466		6.919
	444.194	23.276	-	(33.948)	(174)	433.348	3.777	(8.408)	428.717

Note to the financial statements

In thousands of Reais, unless stated otherwise

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

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Cost of Good Sold	6.994	6.837	6.994	6.837
Commerical Expense	522	500	1.162	983
Administrative Expense	249	254	252	254
	7.765	7.591	8.408	8.074

20 Intangible assets

a) Breakdown

		Parent Company				Consolidated	
		March 31, 2017			December 31, 2016	March 31, 2017	December 31, 2016
	Average Annual Amortization Rate	Cost	Accumulated Amortization	Net Value	Net Value	Net Value	Net Value
Patents and Trademarks	-	150	-	150	150	150	150
Software	20%	20.261	(14.068)	6.193	6.598	6.193	6.598
Mine Exploration Rights	20%	1.000	(1.000)	-	-	619	729
Goodwill	-	-	-	-	-	6.831	6.831
Software Under Development	-	1.040	-	1.040	653	1.040	653
Management System (a)	21%	18.886	(14.214)	4.672	5.592	4.672	5.592
		41.337	(29.282)	12.055	12.993	19.505	20.553

(a) Expenses incurred on acquiring and implementing business management systems, represented primarily by the Oracle, WMS, Demantra and Inventory Optimization systems and by the developments carried out in the value chain management process.

b) Change in intangible assets

	Parent Company								
	December 31, 2015	Additions	Amortization	Transfer	Write-offs	December 31, 2016	Additions	Amortization	March 31, 2017
Patents and Trademark	150	-	-	-	-	150	-	-	150
Software	2.032	548	(1.172)	5.190	-	6.598	-	(405)	6.193
Mine Exploration Rights	773	-	(29)	-	(744)	-	-	-	-
Software Under Development	5.315	528	-	(5.190)	-	653	387	-	1.040
Management System	9.540	-	(3.948)	-	-	5.592	-	(920)	4.672
	17.810	1.076	(5.149)	-	(744)	12.993	387	(1.325)	12.055

	Consolidated								
	December 31, 2015	Additions	Amortization	Transfer	Write-offs	December 31, 2016	Additions	Amortization	March 31, 2017
Patents and Trademark	150	-	-	-	-	150	-	-	150
Software	2.032	548	(1.172)	5.190	-	6.598	-	(405)	6.193
Mine Exploration Rights	1.164	745	(436)	-	(744)	729	-	(110)	619
Goodwill	7.039	-	-	-	(208)	6.831	-	-	6.831
Software Under Development	5.315	528	-	(5.190)	-	653	387	-	1.040
Management System	9.540	-	(3.948)	-	-	5.592	-	(920)	4.672
	21.321	8.128	(4.572)	363	(952)	20.553	387	(1.435)	19.505

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Cost of Goods Sold	196	151	306	229
Commercial Expense	698	704	698	704
Administrative Expense	431	385	431	385
	1.325	1.240	1.435	1.318

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

	2017	2018	2019	2020	2021 to 2023	Total
Software	1.620	1.581	1.581	1.157	254	6.193
Mine Exploration Rights	342	51	51	51	124	619
Management System	3.673	999	-	-	-	4.672
	5.635	2.631	1.632	1.208	378	11.484

The brands and patents, goodwill and software items under development in the total amount of R$ 8,021 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

21 Trade payables and loan assignment

a) Trade accounts payable

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Domestic Suppliers	95.252	89.220	100.605	93.592
Overseas Suppliers	12.008	9.337	12.008	9.337
Current	107.260	98.557	112.613	102.929
Domestic Market (a)	71.137	68.990	71.137	68.990
Non-Current	71.137	68.990	71.137	68.990
	178.397	167.547	183.750	171.919

(a) Provision for payment to gas supplier as a result of the matter mentioned in note 13

b) Supplier credit assignment

On March 31, 2017, the Company made supplier credit assignments with first-rate financial institutions amounting to R$ 20.606 and R$ 21.522 on December 31, 2016, in order to provide its partner suppliers more attractive credit facilities in order to maintain commercial relations.

The payment terms and prices negotiated with the suppliers in these transactions remained unchanged.

Note to the financial statements

In thousands of Reais, unless stated otherwise

22 Loans and financing

a) Loans and financing

	Currency	Maturities	Charges	Parent Company March 31, 2017	Parent Company December 31, 2016	Consolidated March 31, 2017	Consolidated December 31, 2016
Current							
Financial Lease (a)	R$	May/2018	11,48% p.a.	802	782	802	782
Banco do Nordeste S.A (b)	R$	Jun/2025	3,00% p.a.	9.800	9.801	9.800	9.801
Law 4.131 (c)	R$	Dec/2017	13,73% p.a.	14.727	14.387	14.727	14.387
NCE (d)	R$	May/2019	13,73% p.a.¹	89.039	88.543	89.039	88.543
Prepayment (e)	US$	May/2018	5,67% p.a.+VC	3.968	4.083	3.968	4.083
PRODEC (f)	R$	Mar/2021	4,00% p.a.¹	13.256	10.897	13.256	10.897
FINEP (g)	R$	May/2021	8,79% p.a.¹	10.186	10.161	10.186	10.161
DEG (h)	US$	Oct/2021	6,22% p.a.+VC	10.825	10.394	10.825	10.394
FINAME (i)	R$	Aug/2023	2,97% p.a.¹	422	422	422	422
NCE (d)	US$	Nov/2017	13,22% p.a.	15.876	21.779	15.876	21.779
Debentures 1st Tranche (j)	R$	Nov/2022	15,68% p.a.	14.296	10.298	14.296	10.298
Debentures 2nd Tranche (j)	R$	Nov/2020	15,28% p.a.	19.352	15.457	19.352	15.457
Current Total			11,87% p.a.¹	202.549	197.004	202.549	197.004
Total Local Currency				171.880	160.748	171.880	160.748
Total Foreign Currency				30.669	36.256	30.669	36.256
Non-Current							
Working Capital	R$			-	-	1.227	1.189
Financial Lease (a)	R$	May/2018	11,48% p.a.	141	349	141	349
Banco do Nordeste S.A (b)	R$	Jun/2025	3,00% p.a.	70.908	73.353	70.908	73.353
Law 4.131 (c)	R$			-	-	-	-
NCE (d)	R$	May/2019	13,73% p.a.¹	33.333	42.221	33.333	42.221
Prepayment (e)	US$	May/2018	5,67% p.a.+VC	990	2.037	990	2.037
PRODEC (f)	R$	Mar/2021	4,00% p.a.¹	33.920	34.386	33.920	34.386
FINEP (g)	R$	May/2021	8,79% p.a.¹	18.216	20.739	18.216	20.739
DEG (h)	US$	Oct/2021	6,22% p.a.+VC	38.021	39.109	38.021	39.109
FINAME (i)	R$	Aug/2023	2,97% p.a.¹	2.125	2.230	2.125	2.230
Debentures 1st Tranche (j)	R$	Nov/2022	15,68% p.a.	89.705	89.619	89.705	89.619
Debentures 2nd Tranche (j)	R$	Nov/2020	15,28% p.a.	84.511	84.425	84.511	84.425
Non-Current Total			10,65% p.a.¹	371.870	388.468	373.097	389.657
Total Local Currency				332.859	347.322	334.086	348.511
Total Foreign Currency				39.011	41.146	39.011	41.146
Grand Total			11,08% p.a.¹	574.419	585.472	575.646	586.661
Total Local Currency				504.739	508.070	505.966	509.259
Total Foreign Currency				69.680	77.402	69.680	77.402

¹ Weighted Average Rate
VC - Exchange Variation

Note to the financial statements

In thousands of Reais, unless stated otherwise

b) Detalhamento dos contratos

Note	Contract	Date: Disbursement	Date: Maturity	Captation	Term (Months)	Amortizatio	Grace (Months)	Guarantees
(a)	Financial Lease	may-15	may-18	R$ 2.192	36	Monthly		Machinery and Equipment
(b)	Banco do Nordeste	Aug-14	Jun-25	R$ 96.819	133	Monthly	24	Mortage on Property and Machinery and Equipment
	Contract entered into in 06/2013, R$ 147,700. The Bank released the 1st financing portion on 08/2014 in the amount of R$ 29,221 and the 2nd on 01/2015 for R$ 45,765, the 3rd was released in 09/2015 for R$ 14,700, the 4th on 03/2016 for R$ 4,713 and the 5th on 12/2016 for R$ 2.418.							
(c)	4131 Trade	Dec-2012	Dec-2017	R$ 50.000	60	Semiannual	24	Portobello S.A's receivables at 50% of debit balance of Contract
(d)	Crédito de Exportação (NCE)	Jan-2013	Dec-2017	R$ 20.000	60	Semiannual	24	Portobello S.A's receivables at 50% of debit balance of Contract
		May-2014	Apr-2017	R$ 15.000	35	Monthly	8	
		Sep-2014	Sep-2017	R$ 10.000	36	Quarterly	3	Clean Operation
		Nov-2014	Nov-2017	US$ 15.000	36	Quarterly	12	Portobello S.A's receivables at 15% of debit balance of Contract
		May-2016	May-2018	R$ 50.000	24	Semiannual	12	
		Feb-2015	Jan-2018	R$ 50.000	36	Quarterly	9	
		Jun-2016	May-2019	R$ 10.000	36	Quarterly	12	During the grace period (until 01/06/2017) - 50% of Financial Application + 50% of duplicates; - During the Amortization - (02/06/2017 to 24/05/2019) - 80% of duplicates + 20% of financial applications.
		Jun-2016	May-2019	R$ 20.000	36	Quarterly	12	
	These contracts have minimum clauses that have been complied with.							
(e)	Prepayment	Jun-2013	May-2018	US$ 5.000	60	Quarterly	15	Commercial Pledge
(f)	PRODEC				48	Bullet	Bullet	-
	(Development Program of Empresa Catarinense) - Special Arrangement of Santa Catarinense State obtained in July 2009. The balance is subject to the adjustment to present value, where the rate used for calculation purposes is the average of the working capital (12,58% per annum). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with grace period of 48 months, a term of 120 months and monetary restatement of 4% per annum and changes in the UFIR rate.							
(g)	Finep	Jul-2010	Sep-2018	R$ 30.103	99	Monthly	24	Bank Guarantee
		All 5 financing portions have been released by the Bank, as follows: 1st - R$ 5.000 on 07/2010, 2nd - R$ 5.100 on 08/2010, 3rd - R$ 3.146 on 09/2010, 4th - R$ 5.572 on 12/2012 e 5th - R$ 11.282 on 08/2013.						
		Jul-2014	May-2021	R$ 25.107	84	Monthly	24	Bank Guarantee
		Contract entered into on 07/2014, for R$ 57.300, with the Bank releasing the 1st financing portion of R$ 12.627, on the same month. The 2nd portion was released on 01/2016 of R$ 12.479.						
(h)	DEG	May-2014	Oct-2021	US$ 18.000	90	Semiannual	23	Machinery and equipment and promissory notes
	This contract has covenants which were not performed, the Company has obtained the waiver for 1Q17 thus maintaining the balance in noncurrent.							
(i)	Finame	May-2013	May-2023	R$ 39	120	Monthly	25	Machinery and Equipment
		May-2013	Abr-2023	R$ 601	120	Monthly	24	
		Jul-2013	Jul-2023	R$ 107	120	Monthly	25	
		Jul-2013	Aug-2023	R$ 1.890	120	Monthly	26	
		Jan-2014	Jun-2023	R$ 577	114	Monthly	18	
(j)	Debentures 1st Tranche	Dec-2015	Nov-2022	R$ 100.000	83	Semiannual	24	Collateral and additional personal guarantee
	Debentures 2nd Tranche	Dec-2015	Nov-2020	R$ 100.000	59	Semiannual	24	Collateral and additional personal guarantee

For more details see item (c) Debentures, below.

As security for the other loans, the company submitted mortgages, equipment, receivables of the parent company (Note 8) and subsidiary (Note 40), and an endorsement of the parent companies and subsidiary in addition to an inventory of finished goods worth R$ 11,016.

The long-term loans have the following payment schedule:

	Parent Company		Consolidated	
Maturing on March 1st	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
2018	104.535	128.921	105.762	130.110
2019	92.722	91.419	92.722	91.419
2020	80.329	78.367	80.329	78.367
2021 a 2025	94.284	89.761	94.284	89.761
	371.870	388.468	373.097	389.657

Note to the financial statements

In thousands of Reais, unless stated otherwise

The carrying amounts and the fair value of the loans are presented in Reais, segregated by currency type:

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Reais	504.739	508.070	505.966	509.259
US$ Dollars	69.680	77.402	69.680	77.402
	574.419	585.472	575.646	586.661

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

c) Debentures

On November 17, 2015 the Company's Board of Directors approved the 2nd issuance of simple nonconvertible debentures in accordance with additional real and personal guarantees in two series, for public distribution, with restricted placement efforts. The funds obtained under the issuance will be used to lengthen the Issuer's debt profile for debt maturing in 2015 and 2016, and the remaining balance will be used to bolster the issuer's cash reserves.

	March 31, 2017	December 31, 2016
Amount Borrowed		
1st Tranche Debentures	105.549	101.551
2nd Tranche Debentures	105.409	101.515
Gross Balance	210.958	203.066
Borrowing Costs	(3.095)	(3.267)
Net Balance	207.863	199.799
Current	33.647	25.755
Non-Current	174.216	174.044

Issuance Features	
Issue	2nd
Trustee	PLANNER TRUSTEE DTVM LTDA.
Lead Bank	Itaú Unibanco S.A
Lead Manager	Banco Bradesco S.A.
Depository Bank	ITAU CV S/A
Negotiation	CETIP
Tranche Number	2
Issuance Volume R$	200.000.000,00
Total No. Debentures	2.000
Nominal Unit Value R$	100.000,00

Note to the financial statements

In thousands of Reais, unless stated otherwise

Detail of Operation by Tranche		
Tranche	1st	2nd
CVM Registration Number	480/09	
Assets Code	PTBL12	PTBL22
Issue Date	11/26/2015	
Maturity Date	11/26/2022	11/26/2020
Volume R$	100.000.000,00	100.000.000,00
No. Of Debentures	1.000	1.000
Nominal Unit Value R$	100.000,00	100.000,00
Means	Registered and Book-entered	
Type	Collateral and Adicional Personal Guarantees	
Covertible	Not convertible into issuer share	
Restatement	There will be no monetary correction of the nominal value	
Compensation	DI Rate + 3,55% per annum (year of 252 days)	DI Rate + 3,15% per annum (year of 252 days)
Payment of Compensation	Semiannual, with first compensation date on 05/26/2016	
Amortization	To be amortised in 11 (eleven) consecutive semiannual payments commencing 24 (twenty-four) months as from the issuance date, with the first payment on November 26, 2017.	To be amortised in 7 (seven) consecutive semiannual payments commencing 24 (twenty-four) months as from the issuance date, with the first payment on November 26, 2017.
Corporate Acts	Board meeting held on 11/17/2015	
Covenants	Division of Net Debt over EBITDA <= 3,35 times (ano 2015) , 3,00 times (03.2016 e 06.2016), 4,50 times (09.2016 e 12.2016), 4,25 times (03.2017), 4,00 times (06.2017), 3,75 times (09.2017), 3,50 times (12.2017), 3,25 times (03.2018 e 06.2018), 3,00 times (09.2018 e 12.2018), 2,50 times (ano 2019, 2020, e 2021) e 3,00 times (a partir de 2022). The covenant clauses were fulfilled.	
	Division of Current Assets over Current Liabilities >= 1,15 times	

This agreement contains clauses of covenants that have been complied with.

23 Financing of tax liabilities

Tax Liabilities	Pedido de parcelamento		Parent Company		Consolidated	
	Date	Outstanding Installments	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Law 11.941/09 (a)	Nov/09	94	77.501	78.662	78.029	79.199

The payment schedule for these commitments are as follows:

Maturity	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
2017	7.403	9.788	7.455	9.857
2018 to 2023 (*)	61.548	60.474	61.968	60.888
2024	8.550	8.400	8.606	8.454
	77.501	78.662	78.029	79.199
Current	9.967	9.788	10.037	9.857
Non-Current	67.534	68.874	67.992	69.342

(*) Sum of the annual installments of R $ 10,258 at March 31, 2017 and R $ 10,079 at December 31, 2016 for the Parent Company and R $ 10,328 and R $ 10,148 respectively for the Consolidated.

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

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

Between such participation and the Consolidation, the Company made the payment of minimum installment of R$ 395 as allowed by law. During this period, more precisely in the consolidation, decisions were made that reflected a positive economic adjustment of R$ 3,013, including R$ 3,613 with impact on other operating income and R$ 600 in financial expense. The main reflection occurred in virtue of the non-confirmation of migration of non-deferred debts in the installments of PM 470 to the installments of Law 11941/09 (see Note 24).

Following the consolidation, the Company undertakes to pay the monthly installments of R $ 818, updated by the Selic, as well as effected the withdrawal of legal actions and waives any claim of right on which the said actions are based, under punishment of immediate termination of the installment payment, and consequently loss of benefits instituted by Law 11941/09. These withdrawals of actions against notices do not prejudice the continuation of the ongoing legal proceedings, referred to in explanatory notes 16 and 17.

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

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

Upon being enacted in June 2010 as Law 12249/10, this Provisional Measure authorized the use of tax credits deriving from tax losses existing at December 31, 2009. The Company used this benefit and recorded R$ 3,252 in the second quarter of 2010, considering the financing settled.

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the “undue use” had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Notes 16 and 17. The Company's Legal Department is acting appropriately against the decision of the PGFN for removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of “misappropriation”, manifestly recognized by the Federal Revenue Service of Brazil in the reporting unit. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it is practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit. As clarification, injunction filed to claim court homologation for payment in installments was rejected in the lower court. TRF of the 4th region partially approved the appeal. The Company maintains the proceeding of reversing remaining court dispute in the Higher Court of Justice.

In the remote chance the PGFN's decision is upheld by the highest court, which the Company believes to be remote based on the opinion of its legal advisers, the impact on the Company's net income would be a loss of R$ 26.756 as of March 31, 2017. Considering the derecognition of the debt, the inexistence of benefits and maintaining the debits as a contingent liability, where any tax liability will be settled by the credits deriving from case 1998.34.00.029022-4, as mentioned in note 17.

Note to the financial statements

In thousands of Reais, unless stated otherwise

25 Taxes and contributions

As of March 31, 2017 taxes, rates, and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
IRRF	1.443	2.236	1.680	2.567
ICMS	10.796	9.910	10.808	9.933
PIS/COFINS	1.569	1.760	1.878	2.176
Outros	392	233	532	344
	14.200	14.139	14.898	15.020

26 Provision for contingencies

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

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

	Parent Company		Consolidated	
Amount Provided For	March 31, 2017	Decebember 31, 2016	March 31, 2017	Decebember 31, 2016
Civil	12.506	9.962	12.563	9.987
Labor	14.741	14.494	14.956	14.660
Tax	3.499	26.548	3.530	26.548
	30.746	51.004	31.049	51.195

Note to the financial statements

In thousands of Reais, unless stated otherwise

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

	Parent Company			Total
	Civil	Labor	Tax	
At December 31, 2016	9.962	14.494	26.548	51.004
Debited (Credited) to Income Statement:	2.634	864	(23.049)	(19.551)
Additional Provisions	2.241	440	1.868	4.549
Reversals Due to Nonuse	-	(139)	(22.195)	(22.334)
Monetary Restatement (Note 34)	393	563	(2.722)	(1.766)
Reversals Due to Realization	(90)	(617)	-	(707)
At March 31, 2017	12.506	14.741	3.499	30.746

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2016	9.987	14.660	26.548	51.195
Debited (Credited) to Income Statement:	2.666	913	(23.018)	(19.439)
Additional Provisions	2.271	487	1.899	4.657
Reversals Due to Nonuse	-	(144)	(22.195)	(22.339)
Monetary Restatement (Note 34)	395	570	(2.722)	(1.757)
Reversals Due to Realization	(90)	(617)	-	(707)
At March 31, 2017	12.563	14.956	3.530	31.049

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 219 lawsuits (228 lawsuits on December 31, 2016), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 13).

Labor Claims

The Company and its subsidiary Portobello Shop S.A. are defendants in 270 labor complaints (319 complaints on December 31, 2016), filed by former employees and third parties. Claims refer mainly to health hazard premium, matter that has already been decided in the TRT (regional labor court) of the 12th Region in favor of the Company. Other claims refer to the payment of severance pay, additional pay, overtime, salary equalization and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company’s legal consultants. Some lawsuits are supported by judicial deposits (Note 13).

Change to the criteria for correcting labor debits

In a decision published August 07, 2015, the Superior Labor Court (TST) changed the index for restating labor debits, replacing the Reference Rate (TR) by the Broad Consumer Prices Index-IPCA-E, backdating its effectiveness to June 30, 2009. The change in the criteria will impact the balance of labor provisions by approximately R$ 6.5 million. However, in a decision delivered by Justice Dias Tófoli in Claim 22012, the Supreme Federal Court - STF issued an injunction staying the effects of the TST's decision. The Company will not, therefore, increase labor provisions until a final decision has been published by the STF.

Note to the financial statements

In thousands of Reais, unless stated otherwise

Tax

a) Exclusion of ICMS from the PIS and COFINS calculation base

The Company filed a security mandate aiming at altering the calculation base of PIS and COFINS by purging the ICMS. The Federal Court of Santa Catarina pronounced in a judgment of merit favoring the exclusion of ICMS from the calculation basis in relief. This decision was confirmed by the Regional Court of the 4th Region. The Federal Government, through the attorney of the National Farm appealed the decision to the Superior Courts (STF and STJ).

Based on a favorable decision rendered by the STF on March 15, 2017, in general repercussion, in the case file 5032720-26.2014.404.7200, the Company reversed the accrued amount, which at March 31, 2017 represented R $ 25,544 (R $ 23,437 as of December 31, 2016).

The balances of provisions for tax contingencies are restated based on the SELIC rate variation for the period.

27 Possible loss actions and relevant remote actions

a) Possible loss actions

It is understood that, in addition to the provisions recognized in its statements, classified as probable losses, there are other civil and labor lawsuits, which were classified as possible losses and, based on the evaluation of the risks arising from the aforementioned lawsuits, the Company, based on the its legal counsel, estimates the amounts of the contingent liabilities set out below:

	Parent Company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Civil	1.928	2.232	1.937	2.308
Labor	7.118	6.778	7.206	6.788
	9.046	9.010	9.143	9.096

b) Remote action regarding Administrative Proceeding No. 10983.721445 / 2014-78

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

On March 7, 2016 the Company was notified of an Assessment Notice regarding administrative tax proceedings 11516-720.299/2016-02 and 11516.7200300/2016-91, which constituted tax credits on improper IRPJ and CSLL offsetting. However, the company contended that this dispute is already being addressed in case 10983.721445/2014-78. We requested cancellation of the contested tax assessment of R$ 19 million, due to the amount being charged twice by the tax authority.

28 Employee benefits

28.1 Private pension plan

The Company and its subsidiaries, since 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência - Banco do Brasil Pension Fund, and has 28 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

The main actuarial assumptions used were:

	Parent Company
	March 31, 2017 and 2016
Economic Hypotheses	
Discount Rate	6% p.a. (real)
Expected Rate of Return on Assets	6% p.a. (real)
Future Salary Increases	2% p.a. (real) up to 47 years
Increase in Social Security Benefits and Limits	2% p.a. (real) as of 48 years
Inflation	Disregarded
Capacit Facter	
Salaries	100%
Benefits	100%
Demografic Hypotheses	
Mortality Table	AT 83
Mortality Table of Disabled People	Exp. IAPC
Disability Rate Table	Hunter Cojugada com Álvaro Vindas

28.2 Employee benefit expenses

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Compensation	32.703	32.137	36.126	35.773
Benefits				
Pension Plans	215	296	215	297
FGTS	2.695	2.607	3.008	3.038
Other	4.683	4.002	4.970	4.264
Total	40.296	39.042	44.319	43.372

Note to the financial statements

In thousands of Reais, unless stated otherwise

29 Long-term incentive

In 2012, the Company implemented the long-term incentive program (LTI). The program aims to attract, retain and recognize the performance of key professionals.

Directors, superintendents and managers, who through a membership contract become participants in the program are eligible for the LTI. Each member holds a number of titles that are called figuratively "benchmark stocks." These are not traded on the over-the-counter market and their "valuation" is calculated annually by the EBITDA performance and the ratio of EBITDA to net debt.

Payment is expected in three annual installments deferred for two years at the beginning of the period. The settlement will be made through monetary values in amount proportional to the gains recorded by the plan metrics.

The first group of participants joined in 2012. Currently there are 4 plans in progress. The present value of the obligation as of March 31, 2017 is R$ 7,313 in the parent company in the consolidated (R$ 7,312 in the parent company in the consolidated on December 31, 2016).

30 Shareholders' equity

a) Capital

On March 31, 2017, the Company had subscribed and paid-in capital in the amount of R$ 119,565 (R $ 119,565 on December 31, 2016), represented by 158,488,517 registered common shares, with no par value.

As of March 31, 2017 there were 72.849.374 outstanding shares, equivalent to 45.97% of total shares issued, which is the same percentage presented on December 31, 2016. The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

b) Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses and increase capital. As of March 31, 2017, the balance of legal reserve amounts to R$ 15.220 (R$ 15.220 as of December 31, 2016) as provided for by article 193 of the Corporation Law.

c) Profit Retention Reserve

The amount of R$ 103,197 refers to the business growth project established in the Company’s investment plan, approved in the Annual Shareholders' Meeting on April 29, 2016, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

Note to the financial statements

In thousands of Reais, unless stated otherwise

d) Profits at the disposal of the AGM

The amount of the "Revenue reserve to be allocated" on March 31, 2017 is R $ 2,713 and refers to the retention of the remaining balance of retained earnings for the year 2016, after the allocation of 5% to legal reserve and 25 % of mandatory minimum dividends. The Directors of the Company will propose at the General Meeting the allocation of the reserves in compliance with articles 199 of Law 6404/76 (Brazilian Corporation Law). With the allocation of net income for 2016 under the terms of the law and the Company's Bylaws, the balance of the profit reserves exceeded the value of the capital stock, which is why, based on article 199 of Law 6,404 / 76 it is proposed to apply the excess in the capital increase, to be resolved by the shareholders in the general meeting.

e) Equity evaluation adjustment - Deemed cost

In 2010, when the initial adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the revaluation of property, plant and equipment made in 2006 as an attributed cost, since it represented substantially the fair value at the transition date. It was constituted as a result of revaluations of land, buildings and improvements, supported by a revaluation report prepared by an independent valuation company. It is being realized as depreciation of revalued buildings and improvements recorded against retained earnings. The same effect of realizing the equity valuation adjustment is reflected in the result for the year, due to the depreciation of revalued assets.

	Equity Valuation Adjustments			
Parent Company and Consolidated	Assigned Cost	Cumulative Conversion Adjustments	Other Comprehensive Income	Total
As of December 31, 2016	37.060	(28.520)	(10.786)	(2.246)
Realization of the Revaluation Reserve	(296)	-	-	(296)
Actuarial Gain (Loss)	-	-	-	-
Foreign exchange variation of subsidiary located abroad	-	1.854	-	1.854
As of March 31, 2017	36.764	(26.666)	(10.786)	(688)

31 Revenue

The reconciliation of gross income to net income, presented in the statement of income for the quarter ended March 31, 2017, is as follows.

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Gross Sales Revenue	271.192	283.554	296.203	307.444
Deductions from Gross Revenue	(57.979)	(62.468)	(60.569)	(66.083)
Sales Taxes	(52.424)	(53.488)	(54.751)	(56.630)
Returns	(5.555)	(8.980)	(5.818)	(9.453)
Net Sales Revenue	213.213	221.086	235.634	241.361
Domestic Costumers	176.284	187.576	194.796	202.493
Overseas Costumers	36.929	33.510	40.838	38.868

Note to the financial statements

In thousands of Reais, unless stated otherwise

32 Expenses by nature

The cost of goods sold, selling expenses and administrative expenses for the quarter ended March 31, 2017, are as follows:

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Costs and Expenses				
Costs of Goods Sold and/or Services Rendered	(138.946)	(151.754)	(139.757)	(151.789)
Selling Expenses	(47.075)	(48.876)	(56.686)	(61.146)
General and Administrative	(8.110)	(8.511)	(8.275)	(8.911)
	(194.131)	(209.141)	(204.718)	(221.846)
Breakdown of Expenses by Nature				
Changes in Inventory of Finished Goods and Goods in Progress (a)	(1.833)	1.779	(1.780)	1.757
Direct Production Costs (Raw Materials and Consumables)	75.083	84.522	72.795	82.734
General Production Expenses (Including Maintenance)	10.447	6.444	10.447	6.443
Cost of Goods Resold	12.485	18.826	15.250	20.445
Expense of Transportation of Goods Sold	3.252	1.804	3.252	1.809
Salaries, Charges, and Employee Benefits	49.500	48.330	54.526	53.749
Labor and Outsourced Services	14.340	18.515	14.648	19.246
Amortization and Depreciation	9.090	8.828	9.843	9.389
Rental and Operating Lease Expenses	2.775	2.489	3.613	3.343
Sales Comission	6.279	6.208	6.753	6.600
Advertising and Marketing Expenses	3.434	2.151	4.135	4.214
Other Commercial Expenses	7.720	7.645	9.603	10.384
Other Administrative Expenses	1.559	1.600	1.633	1.733
Total	194.131	209.141	204.718	221.846

(a) The change in the inventory of finished goods in progress is the difference betw een the cost of the product produced and the cost of the good sold, w hich can be negative due to the w rite-off of CPV for products produced in prior periods included in the inventory.

33 Other net operating income and expenses

Other individual and consolidated operating income and expenses for the quarter ended March 31, 2017 are as follows:

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Other Operating Revenue				
Service Revenue	160	175	160	175
Reversal of Provision for Contingency (a)	20.247	-	20.247	-
Other Revenue	112	98	140	98
Total	20.519	273	20.547	273
Other Operating Expenses				
Provision for Contingencies (nota 26)	(691)	(407)	(792)	(426)
Provision for Long-Term Incentive (nota 29)	(364)	(392)	(364)	(392)
Provision for Profit Sharing	(1.784)	(1.564)	(1.784)	(1.564)
Idle Cost (b)	(5.241)	(4.391)	(5.241)	(4.391)
Other Expenses	(305)	(266)	(405)	(354)
Total	(8.385)	(7.020)	(8.586)	(7.127)
Net Total	12.134	(6.747)	11.961	(6.854)

(a) Reversal of the provision for contingencies regarding ICMS on the calculation basis of Pis and Cofins, net of fees.

(b) Expenses w ith adequacy of production equipment in order to adjust production to demand in the Northeast market.

Note to the financial statements

In thousands of Reais, unless stated otherwise

34 Financial income

The individual and consolidated financial income for the quarter ended March 31, 2017 is as follows:

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Financial Income				
Interest	2.919	5.565	3.053	5.746
Asset Restatement	2.485	2.482	2.485	2.482
Other	236	216	243	230
Total	5.640	8.263	5.781	8.458
Financial Expenses				
Interest	(9.008)	(8.901)	(9.051)	(9.007)
Financial Charges on Taxes	(1.451)	(1.680)	(1.461)	(1.695)
Update of Provisions for Contingencies	(1.614)	(1.419)	(1.624)	(1.424)
Reversal of Provision for Contingency (a)	3.381	-	3.381	-
Fees and Service Charges	(1.269)	-	(1.488)	-
Bank Discounts/Expenses	(121)	(520)	(122)	(536)
Income for Swap Transactions (b)	(1.677)	(7.976)	(1.677)	(7.976)
Interest on Debentures	(8.064)	(9.034)	(8.064)	(9.034)
Other	(568)	(1.201)	(604)	(1.485)
Total	(20.391)	(30.731)	(20.710)	(31.157)
Net Exchange Variations				
Trade Receivables and Payables	(2.963)	(9.450)	(2.957)	(9.820)
Loans and Financing	2.441	12.899	2.441	12.899
Total	(522)	3.449	(516)	3.079
Net Total	(15.273)	(19.019)	(15.445)	(19.620)

(a) Reversal of the provision for contingencies regarding ICMS on the calculation basis of PIS and COFINS, net of fees.

(b) Provision for the Results of the Swap operations, as detailed in note 7.

35 Earnings per share

a) Basic

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

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Profit Attributable to Shareholders	19.864	(6.224)	19.864	(6.224)
Weighted Average of Common Shares	158.489	158.489	158.489	158.489
Basic Earnings per Share	0,12533	(0,03927)	0,12533	(0,03927)

The consolidated profit attributable to shareholders does not include the non-controlling interest.

Note to the financial statements

In thousands of Reais, unless stated otherwise

b) Diluted

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

36 Dividends

Total dividends of 25% related to the 2016 fiscal year will be distributed, according to the Ordinary General Meeting held on April 28, 2017. The amount payable will be R $ 505 thousand and the payment date is June 1, 2017. Thus, the total shareholder remuneration related to the 2016 fiscal year will represent a yield of 0.16% (dividend per share divided by the final share quotation).

37 Segment reporting

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

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

A receita gerada pelos segmentos operacionais reportados é oriunda, exclusivamente, da fabricação e comercialização de revestimentos cerâmicos utilizados no setor de construção civil.

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

Information per business segment, reviewed by the Executive Board:

	At March 31, 2017			At March 31, 2016		
Continued Operations	Brazil	Other Countries	Total	Brazil	Other Countries	Total
Revenue	194.796	40.838	235.634	202.493	38.868	241.361
Cost of Goods Sold	(114.121)	(25.636)	(139.757)	(131.943)	(19.846)	(151.789)
Gross Operating Profit	80.675	15.202	95.877	70.550	19.022	89.572
Net Operating Income (Expenses)	(46.217)	(6.783)	(53.000)	(68.003)	(8.908)	(76.911)
General, Administrative, and Sales	(58.178)	(6.783)	(64.961)	(62.065)	(7.992)	(70.057)
Other Net Operating Income (Expenses)	11.961	-	11.961	(5.938)	(916)	(6.854)
Operating Income before Financial Income/Expenses	34.458	8.419	42.877	2.547	10.114	12.661
% Over ROL	18%	21%	18%	1%	26%	5%

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

38 Commitments

a) Commitments for the acquisition of assets

Expenses contracted at the balance sheet date, but not yet incurred in relation to Fixed Assets as of March 31, 2017, amount to R$ 5.643.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on March 31, 2017 and December 31, 2016, amount to R$ 1.022 and R$ 820, respectively, for less than one year. For more than one year and less than five years, R$ 448 and R$ 274, respectively.

Note to the financial statements

In thousands of Reais, unless stated otherwise

39 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. As of March 31, 2017, coverage for fire, lightning strikes and explosions of any nature was R$ 84,000, for windstorm and smoke with impact of vehicles, R$ 25,000, for loss of profit, R$ 51,115, and for electric damage, riots and civil liabilities, R$ 5,600. The policy is in force from June 13, 2016 to June 13, 2017.

The Company also has Civil Liability Insurance for Management (D&O), contracted from ACE Seguradora S/A to cover losses and damages to third parties resulting from actions related to the exercise of their functions and attributions, up to the amount of R$ 10 million, with validity from August 27, 2016 to August 27, 2017.

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

40 Related companies and parties

Transactions referring to obtaining and selling products, raw materials and sale and service contracting, as well as loans and fund raising financial transactions between the parent company and subsidiaries were realized as detailed below:

Nature	Transactions with Subsidiaries and Related Parties	March 31, 2017	December 31, 2016
Assets			
Dividends Receivable	Portobello Shop S.A.	15.893	15.893
Accounts Receivable	Portobello América, Inc.	64.870	66.727
Accounts Receivable	PBTech Com. Serv. Cer. Ltda.	194	2.231
Trade Receivables	PBTech Com. Serv. Cer. Ltda.	(1.252)	(3)
Amounts Receivable	Portobello Shop S.A.	97	95
Credits with Subsidiaries - Non-Current		63.909	69.050
Credits with Other Related Parties	Refinadora Catarinense S.A.	91.016	89.423
Other Transactions			
Advances to Suppliers	Mineração Portobello Ltda.	138	558
Accounts Receivable - Net of down Payment	Solução Cerâmica Com. Ltda.	338	442
Accounts Receivable	Flooring Revest. Cer. Ltda.	209	370
Advances	Flooring Revest. Cer. Ltda.	(723)	(527)
Accounts Payable	Gomes Part. Societárias Ltda.	-	34
Accounts Payable	Elog Logistica Sul Ltda	378	1.007
		340	1.884

Nature	Transactions with Subsidiaries and Related Parties	March 31, 2017	March 31, 2016
Revenue			
Sales of Goods	Solução Cerâmica Com. Ltda.	5.856	5.045
Sales of Goods	Flooring Revest. Cer. Ltda.	1.664	1.950
Sales of Goods	PBTech Com. Serv. Cer. Ltda.	5.961	3.657
Expenses			
Cost of Services Rendered	Mineração Portobello Ltda.	(2.288)	(1.788)
Prestação de serviços	Gomes Participações Societárias Ltda.	(111)	(90)
Rent	Elog Logistica Sul Ltda	(547)	-
		10.535	8.774

The subsidiary Portobello Shop is guarantor of the Company in certain financing operations (see Note 22).

Note to the financial statements

In thousands of Reais, unless stated otherwise

Related Party

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

Transactions with Related Parties	Nature	March 31, 2017	December 31, 2016	Natureza	March 31, 2017	March 31, 2016
	Ativo			Receitas		
Solução Cerâmica Com. Ltda.	Contas a receber	585	1.099	Royalties	1.450	1.257
Flooring Revest. Cer. Ltda.	Contas a receber	234	253	Royalties	428	505
		819	1.352		1.878	1.762

Compensation of key management personnel

The compensation paid to key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended March 31, 2017 are:

	Parent Company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Fixed Compensation				
Salaries	2.902	3.079	3.274	3.450
Fees	1.325	1.150	1.325	1.150
Variable Compensation	398	419	466	486
Short-Term Directi and Indirect Benefits			-	
Pension Plans	178	234	178	234
Other	403	499	446	598
Benefits after shutdown	-	-	-	-
	5.206	5.381	5.689	5.918

Report on the quarterly information review - ITR

Report on the quarterly information review - ITR

To the Directors, Officers and Shareholders PBG S.A.

Tijucas - SC

Introduction

We have reviewed the interim, individual and consolidated financial statements of the company PBG S.A. (“Company”), contained in the Quarterly Information Form - IRT for the quarter ended March 31, 2017, consisting of the balance sheets as of consisting of the balance sheets as of March 31, 2017 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders’ equity and statements of cash flows for the three- month period then ended, in addition to the notes to the financial statements.

Company Management is responsible for preparing the individual interim financial statements in accordance with CPC Technical Pronouncement 21(R1) - Interim reporting and the consolidated interim financial statements in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, for presenting this information in due accordance with the standards issued by the Brazilian Securities Commission that apply to the preparation of Quarterly Information - ITR. Our responsibility is to express an opinion on the interim financial statements based on our review.

Review Scope

We conducted our review in accordance with Brazilian and international standards for reviewing 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 of making inquiries, primarily to the management responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is significantly less than an audit to be conducted in accordance with auditing standards, and, consequently, it does not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. We are not therefore expressing an audit opinion.

Conclusion about the individual interim information

Our review did not detect any facts that suggest the individual interim financial statements were not prepared, in all material respects, in accordance with CPC 21 (R1) that applies to Quarterly Information - ITR, presented in accordance with the standards issued by the Brazilian Securities Commission - CVM.

Conclusion about the consolidated interim information

Based on our review we are not aware of any facts that lead us to believe the consolidated interim financial information included in the aforesaid quarterly information has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB applicable to the preparation of Quarterly Information - ITR, presented in a manner consistent with the requirements set forth by the Brazilian Securities Commission - CVM.

Other Matters

Statements of Added Value

We have also reviewed the individual and consolidated Statements of added value (DVA) for the three-month period ended March 31, 2017, prepared by Company management, the presentation of which in the interim information is required by the standards issued by the CVM - Brazilian Securities Commission applicable to the preparation of the Quarterly Information - ITR and is considered supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the same review procedures described above and based on our review we are not aware of any facts that lead us to believe they have not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Florianópolis, May 04, 2017

KPMG Auditores Independentes
CRC SC-000071/F-8

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

Opinions and Statements / Statement of Directors on the Financial Statements

Representation of the Officers about the Financial Statements and Review Report

Special Independent Auditor's Report

Pursuant to CVM Directive 480/09 (Article 28, I) and items V and VI of Article 25 of this Directive, the management of PBG S.A. represents that they have:

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 03.31.2017; and

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 03.31.2017.

Members of the Executive Board

Cesar Gomes Júnior – CEO

Cláudio Ávila da Silva – Vice-President

John Shojiro Suzuki – CFO and Investor Relations Officer

Mauro do Valle Pereira – Officer

Tijucas, May 04, 2017.

Opinions and Statements / Directors' Statement Independent Auditor's Report

Representation of the Officers about the Financial Statements and Review Report

Special Independent Auditor's Report

Pursuant to CVM Directive 480/09 (Article 28, I) and items V and VI of Article 25 of this Directive, the management of PBG S.A. represents that they have:

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 03.31.2017; and

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 03.31.2017.

Members of the Executive Board

Cesar Gomes Júnior – CEO

Cláudio Ávila da Silva – Vice-President

John Shojiro Suzuki – CFO and Investor Relations Officer

Mauro do Valle Pereira – Officer

Tijucas, May 04, 2017.