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Company information / Breakdown of capital

Number of shares (Thousand)	Current quarter 09/30/2017
Paid-in capital	
Common	158,488
Preferred	0
Total	158,488
Treasury stock	
Common	0
Preferred	0
Total	0

Individual financial statements / Statement of financial position - Assets

(Reais Thousand)

Account Code	Account Description	Current quarter 09/30/2017	Prior year 12/31/2016
1	Total assets	1,310,771	1,300,544
1.01	Current assets	504,268	529,775
1.01.01	Cash and cash equivalents	77,747	100,085
1.01.03	Accounts receivable	215,707	202,658
1.01.03.01	Trade receivables	215,707	202,658
1.01.04	Inventory	175,757	185,605
1.01.06	Recoverable taxes	18,683	16,943
1.01.06.01	Current taxes recoverable	18,683	16,943
1.01.06.01.01	Income and social contribution tax recoverable	8,768	4,330
1.01.06.01.02	Other current taxes recoverable	9,915	12,613
1.01.08	Other current assets	16,374	24,484
1.01.08.03	Other	16,374	24,484
1.01.08.03.01	Dividends receivable	0	15,893
1.01.08.03.03	Advance to suppliers	5,243	3,025
1.01.08.03.04	Other	11,131	5,566
1.02	Non-current assets	806,503	770,769
1.02.01	Long term assets	339,240	330,824
1.02.01.08	Related-party credits	158,841	158,473
1.02.01.08.02	Credits with Subsidiaries	65,146	69,050
1.02.01.08.04	Other Related-party Credits	93,695	89,423
1.02.01.09	Other non-current assets	180,399	172,351
1.02.01.09.03	Judicial deposits	90,313	81,693
1.02.01.09.04	Eletrobras Receivables	32,208	32,208
1.02.01.09.05	Recoverable taxes	6,321	6,124
1.02.01.09.06	Tax asset	37,761	26,735
1.02.01.09.07	Actuarial assets	4,369	4,369
1.02.01.09.08	Call deposits	6,873	6,451
1.02.01.09.09	Advance for future capital increase	0	13,976
1.02.01.09.10	Other	2,554	795
1.02.02	Investments	33,125	1,696
1.02.02.01	Equity interests	33,125	1,696
1.02.02.01.02	Interests in subsidiaries	32,834	1,454
1.02.02.01.04	Other equity interests	291	242
1.02.03	Property, plant and equipment	424,122	425,256
1.02.04	Intangible assets	10,016	12,993

Individual financial statements - Statement of financial position - Liabilities

(Reais Thousand)

Account Code	Account Description	Current quarter 09/30/2017	Prior year 12/31/2016
2	Total liabilities	1,310,771	1,300,544
2.01	Current liabilities	438,815	395,330
2.01.01	Social and labor obligations	39,250	24,382
2.01.02	Trade payables	110,443	98,557
2.01.03	Tax obligations	29,180	23,927
2.01.03.01	Federal tax liabilities	29,180	23,927
2.01.03.01.02	Financing of Taxes	14,576	9,788
2.01.03.01.03	Taxes, duties and contributions	14,604	14,139
2.01.04	Loans and Financing	192,578	197,004
2.01.04.01	Loans and Financing	137,659	171,249
2.01.04.02	Debentures	54,919	25,755
2.01.05	Other liabilities	62,520	51,460
2.01.05.02	Other	62,520	51,460
2.01.05.02.04	Loans Assignment Suppliers	24,318	21,522
2.01.05.02.05	Customer Advances	12,124	12,699
2.01.05.02.06	Dividends to be paid	381	879
2.01.05.02.07	Accounts payable from investments	12,459	0
2.01.05.02.08	Other	13,238	16,360
2.01.06	Provisions	4,844	0
2.01.06.02	Other provisions	4,844	0
2.01.06.02.06	Provision for profit sharing	4,844	0
2.02	Non-current liabilities	583,426	666,766
2.02.01	Loans and Financing	326,188	388,468
2.02.01.01	Loans and Financing	175,004	214,424
2.02.01.02	Debentures	151,184	174,044
2.02.02	Other liabilities	140,185	137,864
2.02.02.02	Other	140,185	137,864
2.02.02.02.03	Trade payables	75,947	68,990
2.02.02.02.06	Financing of Taxes	64,238	68,874
2.02.03	Deferred taxes	16,669	7,603
2.02.03.01	Deferred income and social contribution taxes	16,669	7,603
2.02.04	Provisions	100,384	132,831
2.02.04.02	Other provisions	100,384	132,831
2.02.04.02.04	Provision for devaluation of investments	64,838	74,515
2.02.04.02.05	Provisions for Contingencies	28,233	51,004
2.02.04.02.06	Provision for long-term incentive	7,313	7,312
2.03	Shareholders' equity	288,530	238,448
2.03.01	Realized Capital	130,000	119,565
2.03.04	Profit Reserves	110,619	121,129
2.03.04.01	Legal Reserve	15,219	15,219
2.03.04.05	Profit Retention Reserve	95,400	103,197
2.03.04.10	Unallocated Profit Reserve	0	2,713
2.03.05	Retained Earnings/Accumulated Losses	49,184	0
2.03.08	Other comprehensive income	-1,273	-2,246

Individual financial statements / Income Statement

(Reais Thousand)

Account Code	Account Description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
3.01	Income from sales of goods and/or services	250,482	699,566	247,942	702,508
3.02	Cost of goods and/or services sold	-162,482	-450,453	-173,708	-493,796
3.03	Gross income	88,000	249,113	74,234	208,712
3.04	Operating expenses/income	-56,456	-139,410	-46,479	-154,915
3.04.01	Sales expenses	-53,479	-152,640	-51,411	-148,522
3.04.02	General and administrative expenses	-7,536	-24,375	-3,744	-21,795
3.04.04	Other operating income	559	29,968	14,395	16,498
3.04.04.01	Other operating income	559	29,968	14,395	16,498
3.04.05	Other operating expenses	-6,582	-21,575	-7,888	-14,698
3.04.05.01	Other operating expenses	-6,582	-21,575	-7,888	-14,698
3.04.06	Equity in net income of subsidiaries	10,582	29,212	2,169	13,602
3.05	Income (loss) before financial income and taxes	31,544	109,703	27,755	53,797
3.06	Financial income (loss)	-15,856	-41,322	-30,388	-67,936
3.06.01	Financial income	1,686	19,597	6,825	28,159
3.06.01.01	Financial income	4,288	21,162	7,762	23,929
3.06.01.02	Net exchange rate change	-2,602	-1,565	-937	4,230
3.06.02	Financial expenses	-17,542	-60,919	-37,213	-96,095
3.06.02.01	Financial expenses	-17,542	-60,919	-37,213	-96,095
3.07	Income (loss) before income tax	15,688	68,381	-2,633	-14,139
3.08	Income and social contribution taxes	1,895	-9,066	1,709	11,025
3.08.01	Current	0	0	0	-1,150
3.08.02	Deferred assets	1,895	-9,066	1,709	12,175
3.09	Net income (loss) from continued operations	17,583	59,315	-924	-3,114
3.11	Income/loss for the period	17,583	59,315	-924	-3,114
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.11094	0.37425	-0.00583	-0.01965
3.99.02	Diluted earning per share				

Individual financial statements / Income Statement

(Reais Thousand)

Account Code	Account Description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
3.99.02.01	Common shares	0.00000	0.00000	-0.00583	-0.01965

Individual financial statements / Statement of comprehensive income

(Reais Thousand)

Account Code	Account Description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
4.01	Net income for the period	17,583	59,315	-924	-3,114
4.02	Other comprehensive income	2,868	1,862	-744	13,455
4.02.02	Exchange rate change from overseas subsidiary	2,868	1,862	-744	13,455
4.03	Comprehensive income for the period	20,451	61,177	-1,668	10,341

Individual financial statements / Statement of cash flows - Indirect method

(Reais Thousand)

Account Code	Account Description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
6.01	Net cash from operational activities	57,970	123,216
6.01.01	Cash generated in operations	73,318	54,901
6.01.01.01	Profit or loss for the year before taxes	68,381	-14,139
6.01.01.02	Depreciation and amortization	27,332	27,279
6.01.01.03	Equity in net income of subsidiaries	-29,212	-13,602
6.01.01.04	Unrealized exchange rate change	-331	-9,446
6.01.01.05	Provision for inventory at market value	-455	875
6.01.01.06	Allowance for doubtful accounts	-124	1,564
6.01.01.07	Provision for contingencies	-19,679	15,127
6.01.01.08	Provision for labor obligations	-13,713	-13,322
6.01.01.09	Provision for profit sharing and long-term incentive	4,845	-2,688
6.01.01.10	Other provisions	4,742	-3,445
6.01.01.12	Restatement of Eletrobrás compulsory loans	0	16,413
6.01.01.13	Adjustments to tax assets	-11,026	-3,179
6.01.01.14	Restatements of credits with other related parties	-4,272	-3,167
6.01.01.15	Finance charges on tax installments	2,598	4,914
6.01.01.18	Provisioned Loan Interest	39,993	50,019
6.01.01.20	Other	4,239	1,698
6.01.02	Changes in assets and liabilities	16,978	104,245
6.01.02.01	(Increase)/Decrease in accounts receivable	-12,925	-42,108
6.01.02.02	Increase/(Decrease) in advance from clients	-575	-498
6.01.02.04	(Increase)/Decrease in inventories	10,303	5,156
6.01.02.05	(Increase)/Decrease in recoverable taxes	2,501	-3,822
6.01.02.06	(Increase)/Decrease in judicial deposits	-8,620	-16,824
6.01.02.07	(Increase)/Decrease in attached financial investment	-422	99,974
6.01.02.08	(Increase)/Decrease in other assets	-7,324	4,231
6.01.02.09	Increase/(Decrease) in accounts payable	21,639	23,915
6.01.02.10	(Increase)/Decrease in advance to suppliers	-2,218	-963
6.01.02.11	(Increase)/Decrease in provisions for contingencies	-3,092	-1,845
6.01.02.12	Increase/(Decrease) in financing of taxes	-2,446	-7,174
6.01.02.13	Increase /(Decrease) in Tax and labor liabilities	28,021	34,160
6.01.02.14	Increase/(Decrease) in other accounts payable	-7,864	10,043
6.01.03	Other	-32,326	-35,930
6.01.03.01	Interest paid	-32,326	-35,930
6.02	Net cash used in investment activities	7,070	5,569
6.02.01	Acquisition of property, plant and equipment	-9,798	-17,045
6.02.02	Acquisition of intangible assets	-1,014	-1,076
6.02.03	Dividends received	15,893	9,000
6.02.05	Advance for future capital increase	0	13,345
6.02.06	(Grant)/Receipt of Credits with Related Parties	2,038	1,386
6.02.07	Other investments	-49	-41
6.03	Net cash from financing activities	-87,378	-58,781
6.03.01	Obtainment of loans and financings	35,787	105,793
6.03.02	Payment of loans and financing	-112,152	-156,433

Individual financial statements / Statement of cash flows - Indirect method

(Reais Thousand)

Account Code	Account Description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
6.03.03	Dividends paid	-11,013	-8,141
6.05	Increase (decrease) in cash and cash equivalents	-22,338	70,004
6.05.01	Opening balance of cash and cash equivalents	100,085	81,761
6.05.02	Closing balance of cash and cash equivalents	77,747	151,765

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017–09/30/2017

(Reais Thousand)

Account Code	Account Description	Paid-up capital	Capital 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
5.04	Capital transactions with partners	0	0	-75	-11,020	0	-11,095
5.04.07	Interest on own capital	0	0	-75	-11,020	0	-11,095
5.05	Total comprehensive income	0	0	0	60,204	973	61,177
5.05.01	Net income for the period	0	0	0	59,315	0	59,315
5.05.02	Other comprehensive income	0	0	0	889	973	1,862
5.05.02.06	Realization of revaluation reserve	0	0	0	889	-889	0
5.05.02.07	Exchange rate change from overseas subsidiary	0	0	0	0	1,862	1,862
5.06	Internal changes in shareholders' equity	10,435	0	-10,435	0	0	0
5.06.04	Capital increase	10,435	0	-10,435	0	0	0
5.07	Closing balances	130,000	0	110,619	49,184	-1,273	288,530

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2016–09/30/2016

(Reais thousand)

Account Code	Account Description	Paid-up capital	Capital 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	-2,214	12,555	10,341
5.05.01	Net income for the period	0	0	0	-3,114	0	-3,114
5.05.02	Other comprehensive income	0	0	0	900	12,555	13,455
5.05.02.06	Realization of revaluation reserve	0	0	0	900	-900	0
5.05.02.07	Exchange rate change from overseas subsidiary	0	0	0	0	13,455	13,455
5.06	Internal changes in shareholders' equity	20,000	0	-20,883	0	0	-883
5.06.04	Capital increase	20,000	0	-20,000	0	0	0
5.06.05	Interest on own capital	0	0	-883	0	0	-883
5.07	Closing balances	119,565	0	118,310	-2,214	5,643	241,304

Individual financial statements/ Statement of added value

(Reais Thousand)

Account Code	Account Description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
7.01	Income	896,426	905,128
7.01.01	Sale of goods, products and services	863,755	881,388
7.01.02	Other income	30,628	22,314
7.01.03	Income from construction of own assets	1,919	2,990
7.01.04	Formation/Reversal of allowance for doubtful accounts	124	-1,564
7.02	Consumables acquired from third parties	-427,527	-470,609
7.02.01	Cost of products, goods and services sold	-301,135	-342,637
7.02.02	Materials, Energy, Outsourced services and other	-126,499	-130,190
7.02.03	Loss/Recovery of Assets	107	2,218
7.03	Gross added value	468,899	434,519
7.04	Retentions	-27,339	-27,279
7.04.01	Depreciation, amortization and depletion	-27,339	-27,279
7.05	Net added value produced	441,560	407,240
7.06	Transferred Added Value	67,396	82,571
7.06.01	Equity in Net Income of Subsidiaries	29,212	13,602
7.06.02	Financial income	38,184	68,969
7.07	Total Added Value to be Distributed	508,956	489,811
7.08	Distribution of added value	508,956	489,811
7.08.01	Personnel	158,074	148,312
7.08.01.01	Direct remuneration	134,484	123,993
7.08.01.02	Benefits	15,006	15,896
7.08.01.03	Severance Pay Fund (FGTS)	8,584	8,423
7.08.02	Taxes, duties and contributions	203,736	199,536
7.08.02.01	Federal	92,209	84,942
7.08.02.02	State	110,893	114,025
7.08.02.03	Municipal	634	569
7.08.03	Remuneration of third-party Capital	87,831	145,077
7.08.03.01	Interest	79,506	136,906
7.08.03.02	Rentals	8,325	8,171
7.08.04	Remuneration of own capital	59,315	-3,114
7.08.04.03	Retained earnings / Loss for the period	59,315	-3,114

Consolidated financial statements / Statement of financial position – Assets

(Reais Thousand)

Account Code	Account Description	Current quarter 09/30/2017	Prior year 12/31/2016
1	Total assets	1,265,778	1,237,360
1.01	Current assets	538,914	535,369
1.01.01	Cash and cash equivalents	87,230	105,745
1.01.03	Accounts receivable	232,120	215,379
1.01.03.01	Trade receivables	232,120	215,379
1.01.04	Inventory	175,919	185,880
1.01.06	Recoverable taxes	20,112	19,079
1.01.06.01	Current taxes recoverable	20,112	19,079
1.01.06.01.01	Income and social contribution tax recoverable	8,772	5,017
1.01.06.01.02	Other current taxes recoverable	11,340	14,062
1.01.08	Other current assets	23,533	9,286
1.01.08.03	Other	23,533	9,286
1.01.08.03.03	Advance to suppliers	9,220	2,637
1.01.08.03.04	Other	14,313	6,649
1.02	Non-current assets	726,864	701,991
1.02.01	Long-term assets	274,646	247,847
1.02.01.08	Related-party credits	93,695	89,423
1.02.01.08.04	Other Related-party Credits	93,695	89,423
1.02.01.09	Other non-current assets	180,951	158,424
1.02.01.09.03	Judicial deposits	90,343	81,742
1.02.01.09.04	Eletrobras Receivables	32,208	32,208
1.02.01.09.05	Recoverable taxes	6,321	6,124
1.02.01.09.06	Tax assets	37,761	26,735
1.02.01.09.07	Actuarial assets	4,369	4,369
1.02.01.09.08	Call deposits	6,873	6,451
1.02.01.09.09	Deferred income and social contribution taxes	522	0
1.02.01.09.10	Other	2,554	795
1.02.02	Investments	291	243
1.02.02.01	Equity interests	291	243
1.02.02.01.04	Other equity interests	291	243
1.02.03	Property, plant and equipment	433,450	433,348
1.02.04	Intangible assets	18,477	20,553

Consolidated financial statements / Statement of financial position – Liabilities

(Reais Thousand)

Account Code	Account Description	Current quarter 09/30/2017	Prior year 12/31/2016
2	Total liabilities	1,265,778	1,237,360
2.01	Current liabilities	457,020	409,155
2.01.01	Social and labor obligations	43,547	27,155
2.01.02	Trade payables	116,796	102,929
2.01.03	Tax obligations	32,553	25,188
2.01.03.01	Federal tax liabilities	32,553	25,188
2.01.03.01.01	Income and social contribution tax payable	2,370	311
2.01.03.01.02	Financing of Taxes	14,670	9,857
2.01.03.01.03	Taxes, duties and contributions	15,513	15,020
2.01.04	Loans and Financing	192,578	197,004
2.01.04.01	Loans and Financing	137,659	171,249
2.01.04.02	Debentures	54,919	25,755
2.01.05	Other liabilities	66,702	56,879
2.01.05.02	Other	66,702	56,879
2.01.05.02.04	Loans Assignment Suppliers	24,318	21,522
2.01.05.02.05	Customer Advances	15,159	17,977
2.01.05.02.06	Dividends to be paid	381	915
2.01.05.02.07	Dividends to be paid from investments	13,033	0
2.01.05.02.08	Other	13,811	16,465
2.01.06	Provisions	4,844	0
2.01.06.02	Other provisions	4,844	0
2.01.06.02.06	Provision for profit sharing	4,844	0
2.02	Non-current liabilities	520,191	589,746
2.02.01	Loans and Financing	327,329	389,657
2.02.01.01	Loans and Financing	176,145	215,613
2.02.01.02	Debentures	151,184	174,044
2.02.02	Other liabilities	140,621	138,332
2.02.02.02	Other	140,621	138,332
2.02.02.02.03	**Trade payables**	75,947	68,990
2.02.02.02.06	Financing of Taxes	64,674	69,342
2.02.03	Deferred taxes	16,669	3,250
2.02.03.01	Deferred income and social contribution taxes	16,669	3,250
2.02.04	Provisions	35,572	58,507
2.02.04.02	Other provisions	35,572	58,507
2.02.04.02.05	Provisions for contingencies	28,259	51,195
2.02.04.02.06	Provision for long-term incentive	7,313	7,312
2.03	Consolidated shareholders' equity	288,567	238,459
2.03.01	Realized capital	130,000	119,565
2.03.04	Profit reserves	110,619	121,129
2.03.04.01	Legal reserve	15,219	15,219
2.03.04.05	Profit retention reserve	95,400	103,197
2.03.04.10	Unallocated profit reserve	0	2,713
2.03.05	Retained Earnings/Accumulated Losses	49,184	0
2.03.08	Other comprehensive income	-1,273	-2,246
2.03.09	Minority interests	37	11

Consolidated financial statements / Income Statement

(Reais Thousand)

Account Code	Account Description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
3.01	Income from sales of goods and/or services	275,612	769,774	273,316	771,252
3.02	Cost of goods and/or services sold	-163,139	-452,727	-174,878	-496,184
3.03	Gross income	112,473	317,047	98,438	275,068
3.04	Operating expenses/income	-78,017	-199,453	-69,182	-212,445
3.04.01	Sales expenses	-64,394	-183,487	-63,624	-184,379
3.04.02	General and administrative expenses	-7,735	-24,854	-8,567	-27,183
3.04.04	Other operating income	1,014	30,921	12,032	15,261
3.04.04.01	Other operating income	1,014	30,921	12,032	15,261
3.04.05	Other operating expenses	-6,902	-22,033	-9,023	-16,144
3.04.05.01	Other operating expenses	-6,902	-22,033	-9,023	-16,144
3.05	Income (loss) before financial income and taxes	34,456	117,594	29,256	62,623
3.06	Financial income (loss)	-15,911	-41,451	-30,816	-69,309
3.06.01	Financial income	1,825	20,140	7,086	28,575
3.06.01.01	Financial income	4,428	21,695	7,964	24,582
3.06.01.02	Net exchange rate change	-2,603	-1,555	-878	3,993
3.06.02	Financial expenses	-17,736	-61,591	-37,902	-97,884
3.06.02.01	Financial expenses	-17,736	-61,591	-37,902	-97,884
3.07	Income (loss) before income tax	18,545	76,143	-1,560	-6,686
3.08	Income and social contribution taxes	-952	-16,802	639	3,585
3.08.01	Current	-2,847	-7,736	-1,070	-8,590
3.08.02	Deferred assets	1,895	-9,066	1,709	12,175
3.09	Net income (loss) from continued operations	17,593	59,341	-921	-3,101
3.11	Income/loss for the period	17,593	59,341	-921	-3,101
3.11.01	Attributed to Partners of the Parent Company	17,583	59,315	-924	-3,114
3.11.02	Attributed to Minority Partners	10	26	3	13
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.11094	0.37425	-0.00583	-0.01965

Consolidated financial statements / Income Statement

(Reais Thousand)

Account Code	Account Description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
3.99.02	Diluted earning per share				
3.99.02.01	Common shares	0.11094	0.37425	-0.00583	0.00000

Consolidated financial statements / Statement of comprehensive income

(Reais Thousand)

Account Code	Account Description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
4.01	Consolidated net income for the period	17,593	59,341	-921	-3,101
4.02	Other comprehensive income	2,868	1,862	-744	13,455
4.02.02	Exchange rate change from overseas subsidiary	2,868	1,862	-744	13,455
4.03	Consolidated comprehensive income for the period	20,461	61,203	-1,665	10,354
4.03.01	Attributed to Partners of the Parent Company	20,451	61,177	-1,668	10,341
4.03.02	Attributed to Minority Partners	10	26	3	13

Consolidated financial statements / Statement of cash flows - Indirect method

(Reais Thousand)

Account Code	Account Description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
6.01	Net cash from operational activities	83,658	143,397
6.01.01	Cash generated in operations	110,983	78,445
6.01.01.01	Profit or loss for the year before taxes	76,143	-6,686
6.01.01.02	Depreciation and amortization	29,620	29,161
6.01.01.04	Unrealized exchange rate change	-335	-8,732
6.01.01.05	Provision for inventory at market value	-455	875
6.01.01.06	Allowance for doubtful accounts	-124	1,657
6.01.01.07	Provision for contingencies	-19,844	15,200
6.01.01.08	Provision for labor obligations	-14,818	-13,841
6.01.01.09	Provision for profit sharing and long-term incentive	4,845	-2,928
6.01.01.10	Other provisions	4,402	-3,371
6.01.01.12	Restatement of Eletrobrás compulsory loans	0	16,413
6.01.01.13	Adjustments to tax assets	-11,026	-3,179
6.01.01.14	Restatements of credits with other related parties	-4,272	-3,167
6.01.01.15	Finance charges on tax installments	2,615	4,947
6.01.01.18	Provisioned Loan Interest	39,993	50,016
6.01.01.20	Other	4,239	2,080
6.01.02	Changes in assets and liabilities	12,382	104,323
6.01.02.01	(Increase)/Decrease in accounts receivable	-16,617	-22,948
6.01.02.02	Increase/(Decrease) in advance from clients	-2,818	2,776
6.01.02.04	(Increase)/Decrease in inventories	10,416	4,896
6.01.02.06	(Increase)/Decrease in judicial deposits	-8,601	-16,845
6.01.02.07	(Increase)/Decrease in attached financial investment	-422	99,974
6.01.02.08	(Increase)/Decrease in recoverable taxes	2,525	-3,740
6.01.02.09	(Increase)/Decrease in other assets	-9,423	4,036
6.01.02.10	Increase/(Decrease) in accounts payable	23,620	14,096
6.01.02.11	(Increase)/Decrease in advance to suppliers	-6,583	-1,219
6.01.02.12	(Increase)/Decrease in provisions for contingencies	-3,092	-1,856
6.01.02.13	Increase/(Decrease) in financing of taxes	-2,470	-7,222
6.01.02.14	Increase /(Decrease) in Tax and labor liabilities	32,903	22,580
6.01.02.15	Increase/(Decrease) in other accounts payable	-7,056	9,795
6.01.03	Other	-39,707	-39,371
6.01.03.01	Interest paid	-32,326	-35,930
6.01.03.02	Income and social contribution taxes paid	-7,381	-3,441
6.02	Net cash used in investment activities	-14,711	-21,351
6.02.01	Acquisition of property, plant and equipment	-12,419	-19,530
6.02.02	Acquisition of intangible assets	-2,244	-1,821
6.02.04	Receipt from sale of permanent assets	-48	0
6.03	Net cash from financing activities	-87,462	-50,587
6.03.01	Obtainment of loans and financings	35,787	105,847
6.03.02	Payment of loans and financing	-112,200	-156,433
6.03.03	Dividends paid	-11,049	-1
6.05	Increase (decrease) in cash and cash equivalents	-18,515	71,459
6.05.01	Opening balance of cash and cash equivalents	105,745	87,664

Consolidated financial statements / Statement of cash flows - Indirect method

(Reais Thousand)

Account Code	Account Description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
6.05.02	Closing balance of cash and cash equivalents	87,230	159,123

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017–09/30/2017

(Reais Thousand)

Account Code	Account Description	Paid-up 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
5.04	Capital transactions with partners	0	0	-75	-11,020	0	-11,095	0	-11,095
5.04.07	Interest on own capital	0	0	-75	-11,020	0	-11,095	0	-11,095
5.05	Total comprehensive income	0	0	0	60,204	973	61,177	26	61,203
5.05.01	Net income for the period	0	0	0	59,315	0	59,315	26	59,341
5.05.02	Other comprehensive income	0	0	0	889	973	1,862	0	1,862
5.05.02.05	Taxes on translation adjustments in the period	0	0	0	889	-889	0	0	0
5.05.02.06	Realization of revaluation reserve	0	0	0	0	1,862	1,862	0	1,862
5.06	Internal changes in shareholders' equity	10,435	0	-10,435	0	0	0	0	0
5.06.01	Formation of reserves	10,435	0	-10,435	0	0	0	0	0
5.07	Closing balances	130,000	0	110,619	49,184	-1,273	288,530	37	288,567

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2016–09/30/2016

(Reais Thousand)

Account Code	Account Description	Paid-up 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	-2,214	12,555	10,341	12	10,353
5.05.01	Net income for the period	0	0	0	-3,114	0	-3,114	12	-3,102
5.05.02	Other comprehensive income	0	0	0	900	12,555	13,455	0	13,455
5.05.02.06	Realization of revaluation reserve	0	0	0	900	-900	0	0	0
5.05.02.07	Exchange rate change from overseas subsidiary	0	0	0	0	13,455	13,455	0	13,455
5.06	Internal changes in shareholders' equity	20,000	0	-20,883	0	0	-883	0	-883
5.06.04	Capital increase	20,000	0	-20,000	0	0	0	0	0
5.06.05	Interest on own capital	0	0	-883	0	0	-883	0	-883
5.07	Closing balances	119,565	0	118,310	-2,214	5,643	241,304	22	241,326

Consolidated financial statements/ Statement of added value

(Reais Thousand)

Account Code	Account Description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
7.01	Income	973,769	977,152
7.01.01	Sale of goods, products and services	946,869	964,801
7.01.02	Other income	24,857	11,018
7.01.03	Income from construction of own assets	1,919	2,990
7.01.04	Formation/reversal of allowance for doubtful accounts	124	-1,657
7.02	Consumables acquired from third parties	-437,581	-488,554
7.02.01	Cost of products, goods and services sold	-302,518	-344,247
7.02.02	Materials, Energy, Outsourced Services and other	-134,881	-146,525
7.02.03	Loss/Recovery of Assets	-182	2,218
7.03	Gross added value	536,188	488,598
7.04	Retentions	-29,628	-29,161
7.04.01	Depreciation, amortization and depletion	-29,628	-29,161
7.05	Net added value produced	506,560	459,437
7.06	Transferred Added Value	38,727	69,538
7.06.02	Financial income	38,727	69,538
7.07	Total Added Value to be Distributed	545,287	528,975
7.08	Distribution of added value	545,287	528,975
7.08.01	Personnel	174,261	163,418
7.08.01.01	Direct remuneration	148,608	137,107
7.08.01.02	Benefits	15,997	16,748
7.08.01.03	Severance Pay Fund (FGTS)	9,656	9,563
7.08.02	Taxes, duties and contributions	220,558	219,104
7.08.02.01	Federal	108,755	104,113
7.08.02.02	State	111,138	114,376
7.08.02.03	Municipal	665	615
7.08.03	Remuneration of third-party Capital	91,127	149,554
7.08.03.01	Interest	80,193	138,862
7.08.03.02	Rentals	10,934	10,692
7.08.04	Remuneration of own capital	59,341	-3,101
7.08.04.03	Retained earnings / Loss for the period	59,315	-3,114
7.08.04.04	Minority interests in retained earnings	26	13

Performance comment

COMMENTS ON THE CONSOLIDATED PERFORMANCE OF 3Q17

A PBG S.A. (BM&FBovespa: PTBL3 NM), current name of Portobello S.A., presents its results for the quarter ended September 30, 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, supply the domestic market through 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.

HIGHLIGHTS

- **GROSS INCOME** of R$ **961** million in the accumulated for the year, **similar** to the former year;
- **GROSS PROFIT** of **R$ 112 million** in 3Q17 and **R$ 317 million** in the accumulated for the year, **14% above** 3Q16 and **15% above** 9M16, respectively.
- **GROSS MARGIN** of **41%** in 3Q17, a growth of 5 p.p.;
- **EBITDA** of **R$ 44 million** in 3Q17, with EBITDA margin of 16%, and **R$ 147 million,** with EBITDA margin of 19% in 9M17;
- **NET INCOME** of R$ **59 million** accumulated for the nine months of the year;
- **Decrease** in net **INDEBTEDNESS** in the amount of R$ 55 million, **13%** lower than 3Q16, with a significant **decrease** of **Net debt/EBITDA ratio** from **3.6x** (in 3Q16) to 2.4x (in 3Q17).

MANAGEMENT COMMENTS

The third quarter of 2017 presents a continuity in the good performance perceived during the semester. Although the market is still resistant and shows slow growth, the Company continues with its profitability growth strategy, based on the differentials and internal levers of result. We also highlight the slight contribution of exports in the result, which has been a profitable path in the unpredictable and volatile scenario of the Brazilian economy.

Performance comment

Sales in 3Q17 amounted to R$ 343 million, virtually the same as 3Q16. According to Abramat, deflated billings of the construction finishing materials market presented fall of 5.3% in the last 12 months, indicating a gain of market share for the Company in the industry.

The Company maintains its commercial strategy focused on a *mix* of more profitable products in the domestic market, albeit with lower sales volume. Thus, despite the 4% drop of income in the domestic market, the consolidated gross margin presented a gain of 5 pp between 3Q17 and 3Q16. In the foreign market, there was a growth of 30% in reais between 3Q17 and 3Q16 directly affected by the increase of exports. There were US$ 16 million in 3Q17 and US$ 45 million in 9M17. The first nine months of 2017 have already exceeded the total billing in U.S. dollar for the year 2016.

Cash generation measured by EBITDA totaled R$ 44 million and net income was R$ 18 million in 3Q17. In September, the Company closes the nine months of the year generating R$ 147 million of EBITDA, 60% higher than the same period of the former year. The EBITDA margin reached 19% in 9M17, 7 pp above 9M16.

The net margin of 8% in 9M17 also presented an increase of 8 pp compared to the same period of the former year, result of the increase of gross margin, strict management of expenses, readjustment of the new businesses to the current context and slight reduction of financial expenses with interest.

Portobello Shop maintains its expansion plan for the exhibit area and its leading role in the Company’s growth.
This quarter the national convention of the network was held. The event gathers all the franchise owners and is an important opportunity for exchange of experiences. Approximately 280 people were able to see a *preview* of the 2018 collection and take part in lectures and awards.

For Pointer brand, the Company maintains plans of improvement of gross margins and adjustment of the plant. The Northeastern market is more restricted and has a significantly slower recovery. In view of the foregoing, the production capacity of Alagoas plant was redimensioned to cover the estimated lower demand in the medium term. In addition, adjustments of cost and portfolio continue.

At Tijucas plant, manufacturing costs were positively affected by the reduction of the price of natural gas at the beginning of this year. In addition, the plant maintains the initiatives of ongoing update and optimization of the structure.

The positive result of the third semester is in line with the expectations of Management. The good performance of the margins, associated to the adjustment of expenses, shows the Company’s reliance on its strategy, business model, management and competitive differentials.

The reduction of debt and increase of EBITDA contribute to a less onerous financial leverage. And permit the early resumption of investments. The debt/EBITDA ratio was reduced to 2.4 times.

Performance comment

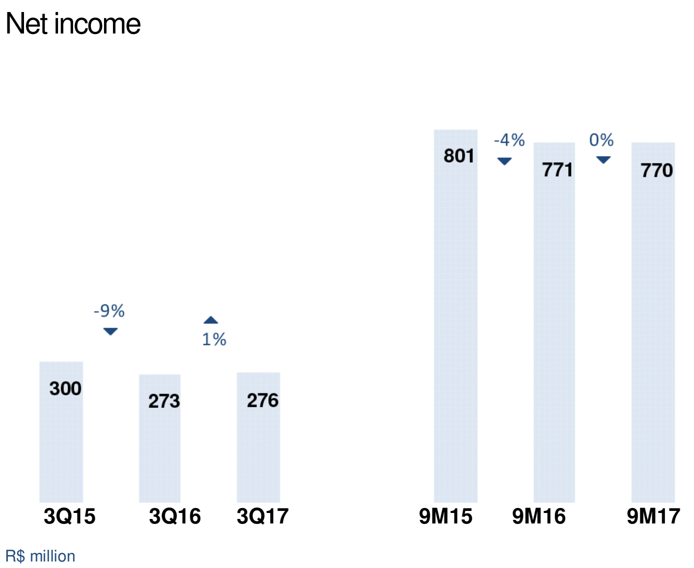
Accordingly, the Company is confident and reaffirms that by the end of 2017 the gains of a competitive and well-structured company will continue being noticeable.

ECONOMIC AND FINANCIAL PERFORMANCE

	R$ thousand	3Q15	3Q16	3Q17	▲ %	9M15	9M16	9M17	▲ %
PERFORMANCE	**Gross income**	**378,492**	**351,884**	**343,389**	**-2%**	**1,012,467**	**988,285**	**961,077**	**-3%**
	Net Sales	300,249	273,316	275,612	1%	800,913	771,252	769,774	0%
	Gross profit	**110,741**	**98,438**	**112,473**	**14%**	**300,365**	**275,068**	**317,047**	**15%**
	Gross margin	36.9%	36.0%	40.8%	4.8 p.p.	37.5%	35.7%	41.2%	5.5 p.p.
	EBIT	**39,051**	**29,256**	**34,456**	**18%**	**105,877**	**62,623**	**117,594**	**88%**
	EBIT margin	13.0%	10.7%	12.5%	1.8 p.p.	13.2%	8.1%	15.3%	7.2 p.p.
	Financial income (loss)	(15,942)	(30,816)	(15,911)	-48%	(42,115)	(69,309)	(41,451)	-40%
	Net income	**15,309**	**(921)**	**17,593**	**-2010%**	**40,333**	**(3,101)**	**59,341**	**-2014%**
	Net Margin	5.1%	-0.3%	6.4%	6.7 p.p.	5.0%	-0.4%	7.7%	8.1 p.p.
	EBITDA	**47,980**	**39,284**	**44,408**	**13%**	**129,074**	**91,784**	**147,222**	**60%**
	EBITDA margin	*16.0%*	*14.4%*	*16.1%*	1.7 p.p.	*16.1%*	*11.9%*	*19.1%*	7.2 p.p.
INDICATORS	Current liquidity					*0.9*	*1.5*	*1.2*	(0.32)
	Net debt					515,497	466,028	411,453	-12%
	Net debt/EBITDA					*2.7*	*3.6*	*2.4*	(1.19)
	Net debt / Shareholders' equity					*2.3*	*1.9*	*1.4*	(0.51)
PTBL3	Closing quotation					2.32	2.69	5.10	90%
	Market value					367,693	426,334	808,291	

Performance comment

Net income



Consolidated net income totaled R$276 million in 3Q17 and R$ 770 million in the accumulated, maintaining practically the same performance of same period of prior year.

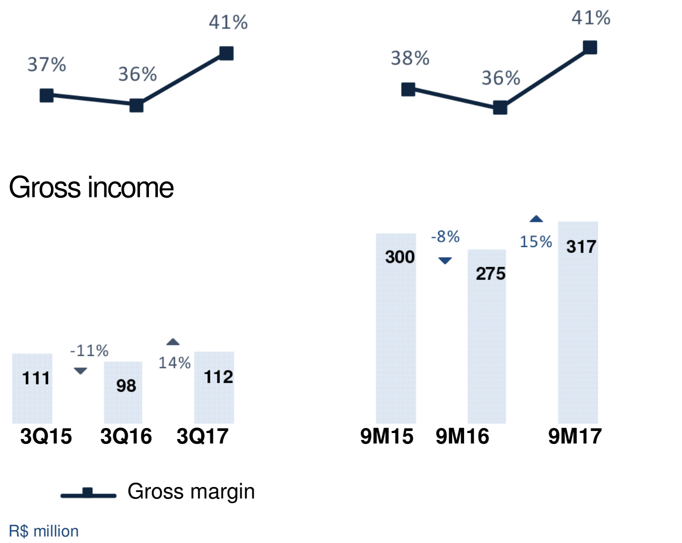
Domestic market net income represented 82% of total and decreased 4% in relation to 3Q16. The reduction follows the market retraction. According to ABRAMAT, domestic finishing material market presented a reduction of 5.3% (deflated) in gross billings.

In the foreign market, sales grew 30% compared to 3Q16. Exports this quarter reached US$ 16 million and US$ 45 million in the accumulated for the year (37% higher than 9M16).

	3Q15	3Q16	3Q17	▲ %	9M15	9M16	9M17	▲ %
Net income	**300,249**	**273,316**	**275,612**	**1%**	**800,913**	**771,252**	**769,774**	**0%**
Domestic market	256,332	236,035	226,984	-4%	694,447	654,530	631,090	-4%
Foreign market	43,917	37,281	48,628	30%	106,466	116,722	138,684	19%

Gross income

Gross income totaled R$ 112 million in the third quarter of 2017, presenting a growth of 14% compared to the third quarter 2016. Gross margin presented a gain of 5 pp, due to a sales *mix* with products with higher profitability and reduction of costs. The constant increase of the margin perceived during this year results from efforts for qualification of sales with products with higher profitability and reduction of production costs.



Performance comment

Operating income

Sales expenses amounted to R$ 64 million in 3Q17 and R$ 183 million in 9M17, virtually unchanged compared to the same period of 2016. This is mainly due to the increase of cost efficiency related to logistic operators and adjustment of its operation capacity. Freight expenses and logistic structure represent 16% of commercial expenses. The Company believes that implementation of a more effective distribution structure is an important difference to the Company's position in the market, as service quality would improve.

In relation to net income, sales expenses represented 23% and 24% in 3Q17 and in 9M17 respectively, similar to the performance in the former year. The Company believes that this level is adequate to support its current operation.

	3Q15	3Q16	%RL	3Q17	%RL	▲ %	9M15	9M16	%RL	9M17	%RL	▲ %
Operating expenses	**(71,690)**	**(69,182)**	**25%**	**(78,017)**	**28%**	**13%**	**(194,488)**	**(212,445)**	**28%**	**(199,453)**	**26%**	**-6%**
Sales	(57,059)	(63,624)	23%	(64,394)	23%	1%	(151,524)	(184,379)	24%	(183,487)	24%	0%
General and administrative expenses	(8,708)	(8,567)	3%	(7,735)	3%	-10%	(25,511)	(27,183)	4%	(24,854)	3%	-9%
Other income (expenses)	(5,923)	3,009	-1%	(5,888)	2%	-296%	(17,453)	(883)	0%	8,888	-1%	

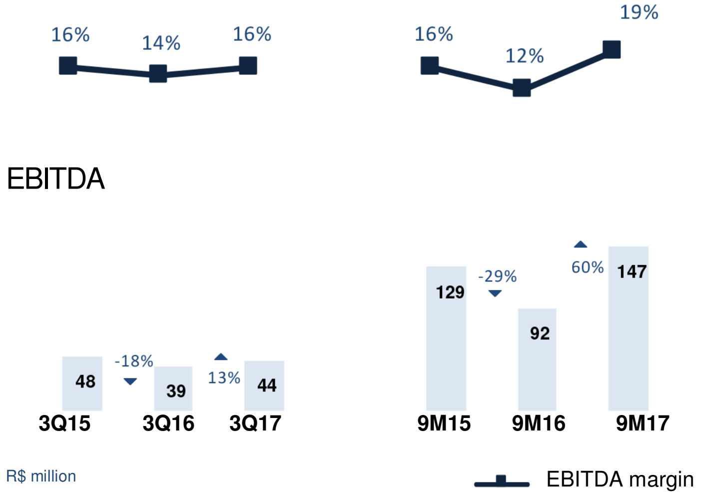
Administrative expenses totaled R$ 7.7 million in 3Q17, 10% below the same period of 2016, mainly due to the adjustment of the structure for Pointer/Alagoas operation and review of the cost structure at the end of 2016. In regard to net income, they maintained the rate of 3% comparing 3Q17 to 3Q16.

Other operating expenses in 3Q17 amounted to R$ 6 million, similar to expenses in 3Q15. In 3Q16, other expenses had been positively affected by untimely tax credits recognized at that time. In the year, other income amounted to R$ 9 million, due to favorable court decisions recognized in the first six months of the year.

Performance comment

EBITDA

The Company closes nine-month period of the year with EBITDA of R$147 million, representing a growth of 60% over the same period in 2016, and margin of 19%.

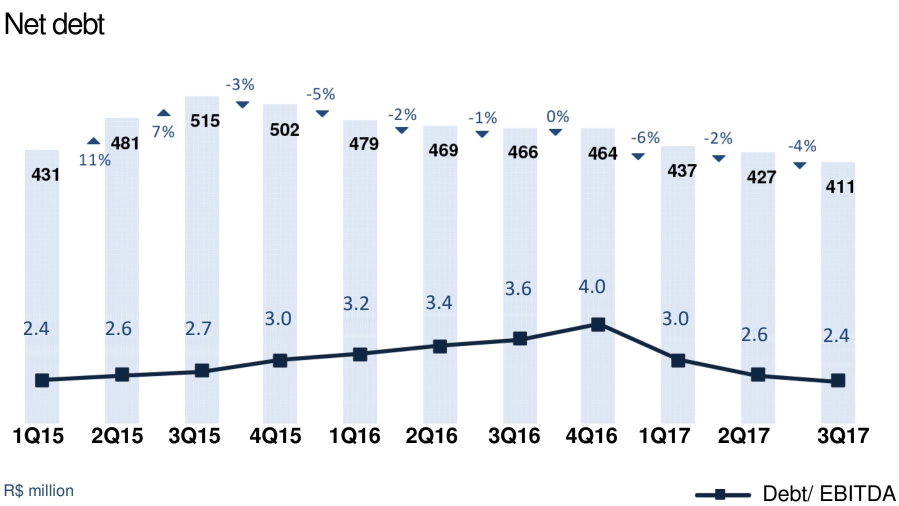


	3Q15	3Q16	3Q17	%RL	▲ %	9M15	9M16	9M17	%RL	▲ %
Net income	15,309	(921)	17,593	6%	-2010%	40,333	(3,101)	59,341	8%	
(+) Financial results	15,942	30,816	15,912	6%	-48%	42,115	69,309	41,452	5%	-40%
(+) Depreciation and amortization	8,929	10,028	9,952	4%	-1%	23,197	29,161	29,628	4%	2%
(+) Taxes on income	7,800	(639)	951	0%		23,429	(3,585)	16,801	2%	
EBITDA	**47,980**	**39,284**	**44,408**	**16%**	**13%**	**129,074**	**91,784**	**147,222**	**19%**	**60%**

Net income

3Q17 presented net income of R$ 18 million, totaling R$ 59 million in the accumulated for the year. Values significantly higher than in the same periods of the former year.

INDEBTEDNESS/CAPITAL STRUCTURE



The Company's net indebtedness was R$ 411 million at the end of September 2017, which is equivalent to 2.4 times EBITDA for the last 12 months and 1.4x the shareholders' equity. In 3Q17, there was the lowest Net Debt/EBITDA ratio for the past 10 quarters.

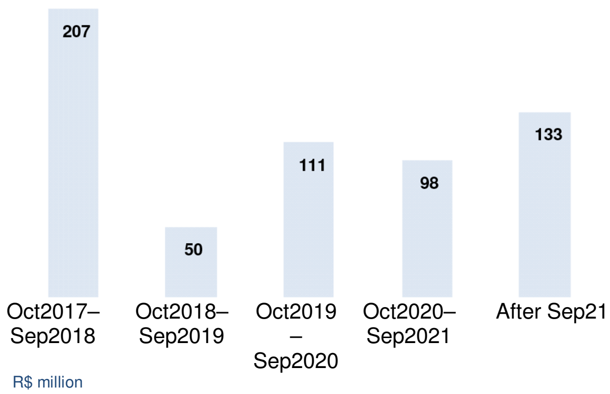
Performance comment

In September 2017, the waiver was obtained for two minimum covenants in financing contract with DEG that were not reached. In relation to debentures, the Company closed the period within the limits of the *covenants,* whether those approved in the renegotiation of August 2016 or those originals defined in the issuance.

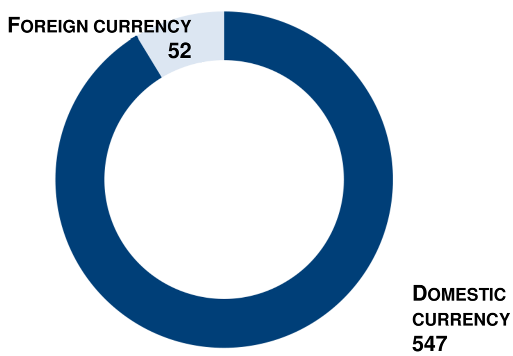
	Sep 2015	Sep2016	Sep2017	▲ R$
Bank debt	577,936	639,029	519,907	(119,122)
Tax debt	83,094	80,220	79,344	(876)
(=) Gross indebtedness	**661,030**	**719,249**	**599,251**	**(119,998)**
(+) Available funds	(51,174)	(165,453)	(94,103)	71,350
(+) Related-party credits	(94,359)	(87,768)	(93,695)	(5,927)
(=) Net indebtedness	**515,497**	**466,028**	**411,453**	**(54,575)**
EBITDA (last 12 months)	191,984	129,479	170,750	41,271
Net debt/ EBITDA	*2.7*	*3.6*	*2.4*	
Net debt / Income (loss)	*2.3*	*19*	*1.4*	

Gross indebtedness value is divided into: 35% maturing in the short-term and 65% maturing in the long term.

Amortization schedule
(gross debt)



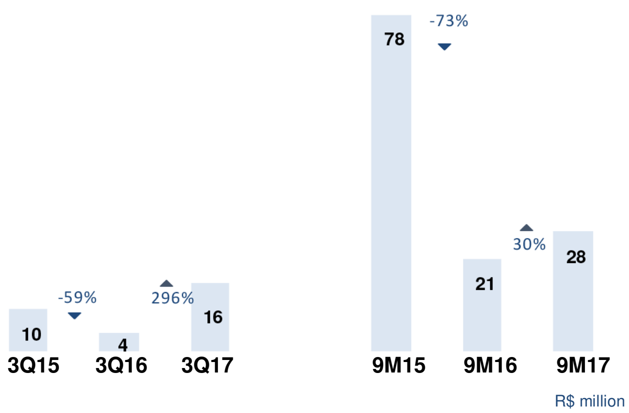
Origin of debt



INVESTMENTS

In 3Q17, the organic investments were resumed, totaling R$ 28 million in the year, of which R$ 16 million in 3Q17. Of this amount, R$ 18 million (64%) corresponds to the preparation and refurbishment of the industrial park located in Tijucas for the production of products with higher added value. The other investments were allocated to own stores (15%), to make Alagoas (3%) manufacturing plant adequate and to systems (2%).

Investments



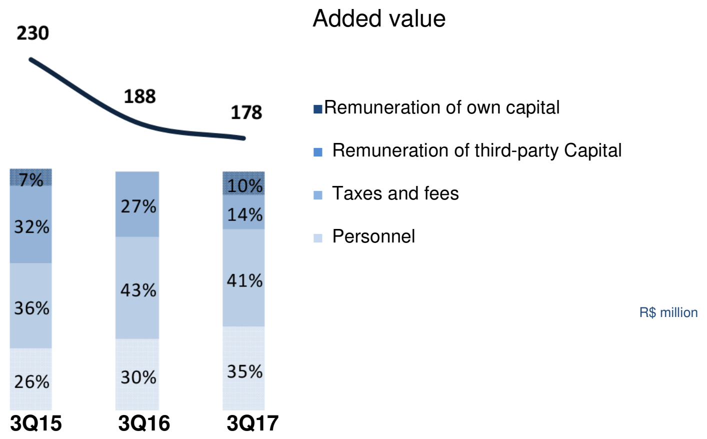
Performance comment

REMUNERATION TO THE SHAREHOLDERS AND RESOLUTIONS OF THE MEETING

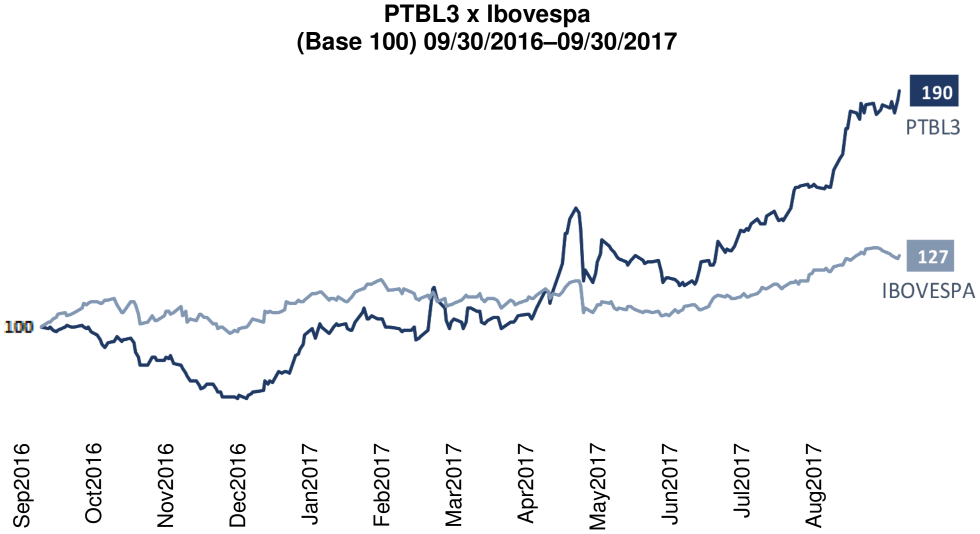
On August 18, proceeds in the net amount of R$ 9,911 thousand for 2017 were distributed as interest on own capital. In addition, on June 1, 2017, dividends in the net amount of R$ 505 thousand related to year 2016 had already been distributed, also as interest on own capital. In the end of 3Q17, the Company represented a yield (dividend per share divided by final share quotation) of 1.30%.

ADDED VALUE

Added value in 3Q17 totaled R$178 million (R$188 million in 3Q16). Of this amount, 41% was allocated to taxes, 35% to labor (personnel) remuneration, and 14% to remuneration of third parties and 10% retained as income for the period.



PERFORMANCE OF PTBL3 SHARES



Common shares issued by PBG S.A., traded at BM&FBovespa under code PTBL3, closed June 2017 last trading session quoted at R$5.10, an appreciation of 90% in the last twelve months, and, in the same period, Ibovespa grew 27%.

Average financial volume traded in the last 12 months was R$ 33 million, an increase of 215% in face of the R$ 10 million for the same prior period. In the end of 3Q17, PBG S.A. presented a market value equivalent to R$ 808 million (R$ 426 million in September 2016).

Performance comment

OUTLOOK

- The Company continues confident about the gradual stabilization of the economic activity of the sector. Signs of upturn in the Retail sector are noticeable. In Engineering, the indicators of the sector show a slowdown in the decrease;
- Efforts in the foreign market through exports and investments are also maintained;
- Internally, the Company maintains its focus to qualifying sales mix, seeking margin gains. The expectation is to maintain the gross margin at the level of the values observed during 2017;
- Diligent control of costs and expenses has been maintained. The outlook is that the improvement in manufacturing costs caused by the reduction of the cost of natural gas will continue until the end of 2017;
- Portobello Shop maintains its strategy of expanding sales and display area. The diversification of the portfolio and aggregation of services enhance the business as one of the principal levers of the Company for the coming years;
- The plant of Alagoas and Pointer brand continue in the process of adjustment to the current market. Business is expected to achieve better profitability, even with expected slower market recovery. And it will continue with its production capacity dimensioned to the lower demand;
- Management will maintain efforts to reduce indebtedness and improve debt/EBITDA ratio. Actions are directed to discipline cash management, decrease working capital, and preserve liquidity;
- Actions to capitalize existing assets are maintained. Additionally, the Company resumes the pace of investment, anticipating the beginning of the projects of 2018;
- The Company remains confident about its competitive differences and reaffirms its efforts to improve results.

INDEPENDENT AUDIT

The policy of PBG S.A. towards its auditors with respect to service provision not related to external audits of financial statements, which is covered by the principles that preserve the professional independence. These principles are based on the assumption that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client. In the 3Q17, the Company did not hire independent auditors for services other than those related to external auditing.

Performance comment

MANAGEMENT COMPOSITION

Board of Directors

Name	Position
Cesar Bastos Gomes	Chairman
Cesar Gomes Júnior	Vice-President (CEO)
Nilton Torres de Bastos Filho	Board Member
Roberto Alves de Souza Waddington	Board Member (Independent Board Member)
Plínio Villares Musetti	Board Member (Independent Board Member)
Glauco José Côrte	Board Member (Independent Board Member)
Mário José Gonzaga Petrelli	Board Member (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

On Tuesday, November 14, 2017 at 10 a.m., teleconference in Portuguese will be held to address results for 3Q17.

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

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

Performance comment

Statement of financial position

Assets	09/30/2017	12/31/2016	Liabilities	09/30/2017	12/31/2016
Current assets	**538,914**	**535,369**	**Current liabilities**	**457,020**	**409,155**
Available funds	87,230	105,745	Loans/Debentures	192,578	197,004
Accounts receivable	232,120	215,379	Payable and Assignment	141,114	124,451
Inventory	175,919	185,880	Taxes and social contributions	32,553	25,188
Recoverable taxes	20,112	19,079	Social and labor obligations	43,547	27,155
Prepaid expenses	3,395	1,995	Customer Advances	15,159	17,977
Other	20,138	7,291	Dividends to be paid	381	915
			Other	31,688	16,465
Non-current assets	**726,864**	**701,991**	**Non-current liabilities**	**520,191**	**589,746**
Long-term assets	**274,646**	**247,847**	Loans/Debentures	327,329	389,657
Judicial deposits	90,343	81,742	Trade payables	75,947	68,990
Recoverable taxes	6,321	6,124	Deferred income and social contribution taxes	16,669	3,250
Tax assets	37,761	26,735	Tax obligations to be paid in installments	64,674	69,342
Related-party credits	93,695	89,423	Provisions	35,572	58,507
Eletrobrás Receivables	32,208	32,208			
Other non-current assets	14,318	11,615			
			Shareholders' equity	**288,567**	**238,459**
Investments	**291**	**243**	Capital	130,000	119,565
Property, plant and equipment	**433,450**	**433,348**	Profit reserves	110,619	121,129
Intangible assets	**18,477**	**20,553**	Other comprehensive income	(1,273)	(2,246)
			Retained earnings	49,184	-
			Minority interests	37	11
Total assets	**1,265,778**	**1,237,360**	**Total liabilities**	**1,265,778**	**1,237,360**

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

Notes to the financial statements

1. Operations

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 Bolsa de valores Brasil, Bolsa, Balcão (B3) under the code: PTBL3 The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011, and amended on August 04, 2017 and holds 54% of company's shares on September 30, 2016. Remaining 46% of shares are held by several shareholders.

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 eight 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; (i) 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 interim 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 November 09, 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 01, 2018. The Company did not adopt these changes in the preparation of quarterly information and does not intend to early adopt such standards.

- Financial Instruments (CPC 38/ IFRS 9)

The amendment includes new models for the classification and measurement of financial instruments and measurement of expected credit losses for financial and contractual assets, and new requirements on hedge accounting. The new standard maintains the IAS 39 guidelines about acknowledging and disacknowledging financial instruments.
Effective impact of this adoption on the Company’s financial statements for 2018, when this standard becomes effective, may not be reliably estimated, as it will depend on the Company’s scenario and on economic conditions, as well as on future decisions and accounting judgments. The new standard will require the review of accounting procedures and internal controls related to the classification and measurement of financial instruments. The Company has not yet conducted a preliminary evaluation of possible effects deriving from application of said pronouncement.

- IFRS 15 – Revenue from Contacts with Costumers

The pronouncement establishes principles for an entity to recognize income 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 income recognition. Additionally, it provides instructions for disclosing information to users about the nature, quantity, timing, and uncertainty of income 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 as of September 30, 2017 are the same as those used in the preparation of the financial statements for the year ended December 31, 2016, as well as content 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

The main judgments and uncertainties in the estimates used in applying accounting practices are the same as those detailed in the financial statements for the year ended December 31, 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.

Notes to the financial statements

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.

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

	In BRL			
	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Accounts receivable	54,672	43,969	54,672	43,969
Checking account	7,452	1,186	7,452	1,186
Credits with Subsidiaries	64,862	66,727	-	-
Exposed assets	126,986	111,882	62,124	45,155
Provision for devaluation of investments	(64,838)	(66,647)	-	-
Accounts payable, net of advances	(15,410)	(9,317)	(15,410)	(9,317)
Loans and Financing	(52,304)	(77,402)	(52,304)	(77,402)
(-) Swap	5,292	21,778	5,292	21,778
Exposed liabilities	(127,260)	(131,588)	(62,422)	(64,941)
Net exposure	(274)	(19,706)	(298)	(19,786)

	In Euros				In USD			
	Parent company		Consolidated		Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Accounts receivable	613	367	613	367	13,379	9,887	13,379	9,887
Checking account	-	-	-	-	2,352	364	2,352	364
Credits with Subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for devaluation of investments	-	-	-	-	(20,467)	(20,448)	-	-
Accounts payable, net of advances	(2,368)	(282)	(2,368)	(282)	(2,063)	(2,567)	(2,063)	(2,567)
Loans and Financing	-	-	-	-	(16,510)	(23,750)	(16,510)	(23,750)
(-) Swap	-	-	-	-	1,670	19,624	1,670	19,624
	(1,755)	85	(1,755)	85	(1,165)	3,584	(1,172)	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 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.

The Company and its subsidiaries continuously monitor market interest rates in order to assess the possible need to contract new operations to protect against the risk of volatility of these rates, by using an interest rate swap transaction which receives variable interest rates and pays fixed interest rates and has the economic effect of converting the floating rate of loans into fixed rates. The fixed rates, which are the result of that swap transaction, are lower than those that would be available if the Company had taken the loans directly at fixed rates.

Regarding financial investments, they are mostly made in investment funds as 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							
	September 30, 2017				December 31, 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	192,024	554	110,443	14,576	196,975	782	98,557	9,788
Between one and two years	140,975	-	75,947	21,120	224,882	349	68,990	20,158
Between two and five years	165,421	-	-	31,680	146,726	-	-	30,237
Over five years	24,979	-	-	11,438	25,134	-	-	18,479
	523,399	554	186,390	78,814	593,717	1,131	167,547	78,662

* The difference between the loan and debentures total presented in this table and the statement of financial position is due to the Prodec AVP, see Note 21a).

	Consolidated							
	September 30, 2017				December 31, 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	192,024	554	116,796	14,670	196,975	782	102,929	9,857
Between one and two years	142,116	-	75,947	21,262	226,071	349	68,990	20,296
Between two and five years	165,421	-	-	31,893	146,726	-	-	30,444
Over five years	24,979	-	-	11,519	25,134	-	-	18,602
	524,540	554	192,743	79,344	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 21a).

Notes to the financial statements

d) Sensitivity analysis

i) Sensitivity analysis of changes in the interest rates

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

On September 30, 2017, the Management considered CDI rate at 8.15% and Selic of 8.25% 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 BRL							
	September 30, 2017	Risk	Probable		Possible (25%)*		Remote (50%)*	
Operation			%	R$	%	R$	%	R$
Investments (yielding 97.9% of CDI)	76,068	CDI decr.	8.15%	6,069	6.11%	4,552	4.08%	3,035
	76,068			6,069		4,552		3,035
Operation								
Loans – Working capital	(1,141)	CDI incr.	8.15%	(93)	10.19%	(116)	12.23%	(139)
Loans – Export Credit Note	(77,922)	CDI incr.	8.15%	(6,351)	10.19%	(7,938)	12.23%	(9,526)
Loans - Trade 4131 Swap	(7,363)	CDI incr.	8.15%	(600)	10.19%	(750)	12.23%	(900)
Debentures	(206,103)	CDI incr.	8.15%	(16,797)	10.19%	(20,997)	12.23%	(25,196)
Financing of Taxes	(79,344)	SELIC incr.	8.25%	(6,546)	10.31%	(8,182)	12.38%	(9,819)
	(371,873)			(30,387)		(37,983)		(45,580)

*Possible and remote scenarios calculated based on probable rate.

ii) Sensitivity analysis of changes in the exchange rates

The Company has assets and liabilities pegged to foreign currency in the statement of financial position as of September 30, 2017 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of this quarterly information 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.

Thus, the table below simulates the exchange rate effect on the deferred income (loss):

	Consolidated in BRL						
	September 30, 2017	Probable		Possible (25%)		Remote (50%)	
		USD rate	Gain (loss)	USD rate	Gain (loss)	USD rate	Gain (loss)
Accounts receivable	54,672	3,200	(991)	4,000	6,585	4,800	18,837
Checking account	7,452	3,200	75	4,000	898	4,800	2,567
Accounts payable, net of advances	(15,410)	3,200	279	4,000	(1,856)	4,800	(5,309)
Loans and Financing	(52,304)	3,200	948	4,000	(6,300)	4,800	(18,021)
(-) Swap	5,292	3,200	(96)	4,000	637	4,800	1,823
Net exposure	(298)	3,200	215	4,000	(36)	4,800	(103)

* Possible and remote scenarios calculated based on probable rate, based on the Brazilian Central Bank (BACEN) Focus Report on October 06, 2017.

Notes to the financial statements

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 September 30, 2017 can be summarized as follows:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Loans and Financing	518,766	585,472	519,907	586,661
Financing of Taxes	78,814	78,662	79,344	79,199
Less: Cash and cash equivalents	(77,747)	(100,085)	(87,230)	(105,745)
Other Related-party Credits	(93,695)	(89,423)	(93,695)	(89,423)
Call deposits	(6,873)	(6,451)	(6,873)	(6,451)
Net debt	419,265	468,175	411,453	464,241
Total shareholders' equity	288,530	238,448	288,567	238,459
Total capital	707,795	706,623	700,020	702,700
Leverage index (%)	59	66	59	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	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Assets, loans and receivables				
Cash and cash equivalents	77,747	100,085	87,230	105,745
Trade receivables	215,707	202,658	232,120	215,379
Other Related-party Credits	93,695	89,423	93,695	89,423
Assets Stated at Fair Value Through Profit or Loss				
Call deposits	6,873	6,451	6,873	6,451
Derivatives	197	-	197	-
	394,219	398,617	420,115	416,998
Liabilities, other financial liabilities				
Payable and Assignment	134,761	120,079	141,114	124,451
Loans, financing and debentures	518,766	585,472	519,907	586,661
Financing of Taxes	78,814	78,662	79,344	79,199
Derivatives	-	2,452	-	2,452
	732,341	786,665	740,365	792,763

Notes to the financial statements

6 Cash and cash equivalents

	Parent Company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Checking account	8,648	6,211	11,162	11,172
Call Deposits	69,099	93,874	76,068	94,573
	77,747	100,085	87,230	105,745

The financial investments designated as cash equivalents are participations in investment funds whose average fund return in September 2017 was equivalent to 97.9% of the interbank deposit certificate (CDI) rate and the application can be redeemed at any time without penalties.

7 Financial instruments

Derivatives for trading are classified as current or non-current 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 liabilities, as follows:

a) In December 2012, the Company entered into an operation under the rules established by Law 4131 (trade exporter) in the amount of R$ 50,000 at the prefixed 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 semiannual.

b) In November 2014, the Company executed an Export Credit (NCE) transaction in the amount of US$15,000, equivalent to R$37,600 at the cost of 1.65% p.a. + LIBOR-03 + FX, p.a., with swap of 109% CDI p.a. and payment period of 36 months with grace period of 11 months. Amortizations are made on a quarterly basis. This contract was renegotiated in June 2015 and then in August 2015 to adjust initial parity of the transaction.

Fair value of these transactions' gains and losses were recorded under caption "Other" in current liabilities as of September 30, 2017 and December 31, 2016.

Agreements	Maturity	Notional value	September 30, 2017	December 31, 2016
a) Law 4131	Dec2017	7,163	(29)	(55)
b) Export Credit	Nov2017	5,292	(412)	(2,200)
		12,455	(441)	(2,255)

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

Notes to the financial statements

8. Trade receivables

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Accounts receivable from third parties:				
Domestic market	161,685	158,989	178,098	171,710
Foreign market	54,672	43,969	54,672	43,969
	216,357	202,958	232,770	215,679
Accounts receivable from related parties				
Entities related to the Management	2,074	2,548	2,074	2,548
	2,074	2,548	2,074	2,548
Impairment of trade receivables:				
Allowance for doubtful accounts	(2,724)	(2,848)	(2,724)	(2,848)
	(2,724)	(2,848)	(2,724)	(2,848)
	215,707	202,658	232,120	215,379

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

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

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

	Parent company							
	September 30, 2017	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2016	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Neither past due nor impaired	213,744	213,744	-	-	191,258	191,258	-	-
Up to 30 days overdue	1,050	-	1,050	-	5,733	-	5,733	-
31 to 90 days overdue	676	-	635	41	2,011	-	1,908	103
91 to 180 days overdue	662	-	84	578	1,251	-	824	427
181 to 360 days overdue	1,529	-	188	1,341	4,388		2,904	1,484
More than 360 days overdue	770	-	6	764	865	-	31	834
	218,431	213,744	1,963	2,724	205,506	191,258	11,400	2,848

	Consolidated							
	September 30, 2017	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2016	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Neither past due nor impaired	229,607	229,607	-	-	203,154	203,154	-	-
Up to 30 days overdue	1,392	-	1,392	-	6,144	-	6,144	-
31 to 90 days overdue	721	-	680	41	2,191	-	2,088	103
91 to 180 days overdue	815	-	237	578	1,298	-	871	427
181 to 360 days overdue	1,539	-	198	1,341	4,570		3,086	1,484
More than 360 days overdue	770	-	6	764	870	-	36	834
	234,844	229,607	2,513	2,724	218,227	203,154	12,225	2,848

The Company’s receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 21. Its sum is calculated based on a percentage of the residual balance of the debt. On September 30, 2017, the total amount of accounts receivable pledged as collateral was R$ 73,457 (R$ 83,642 on December 31, 2016).

9. Inventory

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Finished goods	145,428	152,789	145,590	153,064
Work in process	6,401	6,279	6,401	6,279
Raw materials and consumption materials	30,057	31,693	30,057	31,693
Provision for inventory appraisal at realizable value	(9,041)	(9,496)	(9,041)	(9,496)
Imports in transit	2,912	4,340	2,912	4,340
	175,757	185,605	175,919	185,880

10. Recoverable taxes

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Current				
ICMS	5,720	8,060	6,188	8,524
IPI (a)	2,723	1,948	3,071	2,295
IRRF/CSRF	1,307	-	1,352	-
IRPJ/CSLL	8,768	4,330	8,772	5,017
PIS/COFINS (b)	-	-	421	427
INSS	-	2,496	-	2,496
Other	165	109	308	320
	18,683	16,943	20,112	19,079
Non-current*				
ICMS	2,924	3,051	2,924	3,051
PIS/COFINS	3,397	3,073	3,397	3,073
	6,321	6,124	6,321	6,124

Taxes recoverable deriving from acquisitions of property, plant and equipment items.

On June 30, tax credits from the favorable decision on the Semi-Annual Payment of PIS (note 15) were classified as "recoverable taxes". In the third quarter, they were reclassified to the caption "tax asset" and await the qualification of the credit by the Federal Revenue Service.

a) Decrease in IPI (Excise Tax) rate percentages

The decrease in percentages of the rates of IPI (excise tax) levied on the products produced and traded by the Company is allowed by Decree 8950 dated December 29, 2016 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.

11. Other Related-party Credits

Between 2001 and 2003, the Company acquired tax credits against the National Treasury from the related party Refinadora Catarinense S.A. ("Refinadora"). These credits result from a Writ of Mandamus claiming the right to reimbursement of IPI premium credit. The Company used such credited for the settlement of federal taxes. As provided for in the contract between the parties, in the event these credits are not validated by the National Treasury, “Refinadora” should refund the Company.
The Federal Supreme Court made a pronouncement in mid-2009 defining the nullifying milestone of this incentive on October 4, 1990, abolishing the pretensions of use of this credit. Given this fact the Company

adhered to the payment scheduling provided for in Law 11941/09, then including the debt resulting from the use of the credit acquired from “Refinadora”.

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

At the time of adhesion to the payment scheduling of Law 11941/09, 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 September 30, 2017, these credits that also originate in proceeding 87.00.00967-9, represent R$ 93,695 (R$ 89,423 on December 31, 2016) and are restated by the SELIC rate, according to the contract.

It should be mentioned that the pledged credits have already become court-ordered debt payment. In fact, the Company received four 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. Also, in September 2016, the amount of R$2,167 was received to supplement installment 4. Installments 05, 06 and 07 are already deposited to the Refining company, however, transfer depends on release permit, which is in progress.

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

12. Judicial deposits

The Company and its subsidiaries are parties involved in tax, civil and labor lawsuits (see Note 25) and are discussing these issues in both the administrative and judicial scopes and, when applicable, said lawsuits are backed by judicial deposits. These are recorded at the original value restated by the indices relating to the basic remuneration of the savings account, TR (reference rate) + 0.5%.

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

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Civil (a)	76,019	69,043	76,019	69,061
Labor	8,177	8,111	8,177	8,111
Tax	6,117	4,539	6,147	4,570
	90,313	81,693	90,343	81,742

a) The Company, as a result of an untimely and unilateral decision by supplier SC Gás of canceling discount on contracted gas monthly value, benefit called loyalty program, filed a lawsuit postulating maintenance of said benefit, and an injunction was authorized determining that amounts referring to the discount should be deposited in court.

13. Receivables - Eletrobras

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

In 2005, this suit was held well-founded and, in February 2006, the Company filed a writ of execution and recognized the amount determined by judicial expert investigation, adjusting it on a monthly basis at INPC plus 12% p.a. After that period, calculation was submitted to reviews by Federal Court accountants.

In 2014, Eletrobras was convicted to pay R$35,395, calculated by experts considering base date August 2013. The Company challenged this decision and requested rectification of calculations and establishment of criteria adopted for quantification of conviction value, due to divergences between the parties. In view of this situation, in July 2014, the Company decided to interrupt asset adjustment until a new decision on value and criteria used in this process is issued, maintaining a restated book balance of R$ 48,621.

After final decision on award calculation proceedings, occurred in August 2014, an accounting expert was hired in 2016 to quantify credit, which will be the object of future execution of judgment proceedings. Expert report presented value R$16,413 lower than that recognized by the Company. This balance was written-off in 2016, and R$9,562 referred to adjustments that were reversed against financial income, and R$6,851 were recognized in other operating expenses. The Company opted to not restate the balance, due to uncertainty of the rate used, and maintains the amount of the assets as of September 30, 2017 of R$ 32,208 (R$ 32,208 on December 31, 2016).

14. Income and social contribution taxes

a) Income and social contribution taxes on net income

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

	Current assets				Current liabilities			
	Parent company		Consolidated		Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Income tax	7,557	4,137	7,561	4,716	-	-	(1,740)	(227)
Social contribution	1,211	193	1,211	301	-	-	(630)	(84)
	8,768	4,330	8,772	5,017	-	-	(2,370)	(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 and social contribution taxes for the parent company and consolidated are as follow:

Notes to the financial statements

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Tax losses	11,550	7,393	11,550	11,741
Temporary credit differences	25,985	35,295	26,507	35,300
Exchange rate change at cash basis	4,311	6,207	4,311	6,207
Provision for adjustment to market value	2,101	2,494	2,101	2,494
Provision for contingencies	8,711	8,914	8,711	8,914
Provision for PIS and COFINS with reduced bases for ICMS	-	7,969	-	7,969
Provision for profit sharing and long-term incentives	4,133	2,486	4,133	2,486
Other temporary difference - assets	6,729	7,225	7,251	7,230
Temporary liability differences	(54,204)	(50,291)	(54,204)	(50,291)
Portobello Private Pension	(1,485)	(1,485)	(1,485)	(1,485)
Realization of revaluation reserve	(18,633)	(19,091)	(18,633)	(19,091)
Eletrobras Receivables	(10,951)	(10,951)	(10,951)	(10,951)
Contingent asset - Semi-Annual Payment of PIS	(2,970)		(2,970)	
Contingent assets - IPI premium credit - Phase II	(9,869)	(9,090)	(9,869)	(9,090)
Adjustment to present value	(1,764)	(3,187)	(1,764)	(3,187)
Adjustment of depreciation (for the useful life of assets)	(8,532)	(6,487)	(8,532)	(6,487)
Deferred income and social contribution taxes, net	(16,669)	(7,603)	(16,147)	(3,250)
Non-current assets	-	-	522	-
Non-current liabilities	(16,669)	(7,603)	(16,669)	(3,250)
Deferred income and social contribution taxes, net	(16,669)	(7,603)	(16,147)	(3,250)

The net changes in income and social contribution taxes at September 30, 2017 are as follows:

	Parent company	Consolidated
December 31, 2016	(7,603)	(3,250)
Tax losses	4,157	(191)
Temporary credit differences	(9,310)	(8,793)
Temporary liability differences	(4,371)	(4,371)
Revaluation reserve	458	458
September 30, 2017	(16,669)	(16,147)

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

Notes to the financial statements

	Parent company	Consolidated
	September 30, 2017	September 30, 2017
Deferred tax asset charged to (recognized in) income		
Tax losses	4,157	4,157
Tax credits	-	(4,348)
Exchange rate change at cash basis	(1,896)	(1,896)
Provision for adjustment to market value	(393)	(393)
Provision for contingencies	(203)	(203)
Provision for PIS and COFINS with a reduced bases for ICMS	(7,969)	(7,969)
Provision for profit sharing and long-term incentives	1,647	1,647
Other temporary difference - assets	(496)	21
	(5,153)	(8,984)
Realization of revaluation reserve	458	458
Contingent asset - Semi-Annual Payment of PIS	(2,970)	(2,970)
Contingent assets - IPI premium credit - Phase II	(779)	(779)
Adjustment to present value	1,423	1,423
Adjustment of depreciation (for the useful life of assets)	(2,045)	(2,045)
	(3,913)	(3,913)
	(9,066)	(12,897)

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

Income and social contribution tax expenses are as follow:

Changes in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income (loss) before taxes	15,688	(2,633)	18,545	(1,560)
Tax calculated based on nominal rate - 34%	(5,334)	894	(6,305)	530
Income (loss) of subsidiaries by the equity method	3,598	738	-	-
Nondeductible expenses for tax purposes	3,631	77	3,631	77
Depreciation of revalued assets	(153)	(154)	(153)	(154)
Tax credits on tax losses and temporary differences	(1,742)	(1,555)	(20)	(1,523)
Current tax on income for the year	-	-	(2,847)	(1,070)
Formation of deferred income and social contribution taxes	1,895	1,709	1,895	1,709
Income and social contribution tax expense	1,895	1,709	(952)	639
Effective rate	-12.1%	-	5.1%	-

Notes to the financial statements

Changes in accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income (loss) before taxes	68,381	(14,139)	76,143	(6,686)
Tax calculated based on nominal rate - 34%	(23,250)	4,807	(25,889)	2,273
Income (loss) of subsidiaries by the equity method	9,932	4,625	-	-
Non-deductible expenses	4,251	1,761	4,251	1,659
Depreciation of revalued assets	(458)	(463)	(458)	(617)
Tax credits on tax losses and temporary differences	9,525	(11,880)	14,360	(11,905)
Current tax on income for the year	-	(1,150)	(7,736)	(8,590)
Formation of deferred income and social contribution taxes	(9,066)	12,175	(9,066)	12,175
Income and social contribution tax expense	(9,066)	11,025	(16,802)	3,585
Effective rate	13.3%	-	22.1%	-

15. Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled ‘IPI premium credit’, in different calculation periods. Proceeding 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts, the amount recognized in November 2009, restated up to September 30, 2017 is R$ 21,544 (R$ 19,843 as of December 31, 2016).

As regards lawsuit 1984.00.020114-0, referring to the period from December 7, 1979 to March 31, 1981, after final decision issued more than 10 years ago, stage for award calculation and settlement of judgment started, and an expert report prepared by a court expert was presented. Parties were notified of the *'quantum'* calculated to respond about report acceptance or impugnation. The Company agreed with presented calculations. The Union, represented by the National Treasury Attorney's Office, did not respond, leading to a tacit agreement and estoppels. Therefore, the suit is concluded for sentencing and no challenge is allowed. In 2015, the Company recognized amount determined by judicial expert, R$4,983, and, as the Company understands that success of said suit is practically certain, it recorded tax assets in June 2015, which, adjusted through September 30, 2017 is R$7,482 (R$6,891 as of December 31, 2016).

In May 2017, the Company recognized the asset related to the Semi-Annual Payment of PIS in the amount of R$ 8,735. The recognition is based on the final and unappealable judgment dated May 26, 2017, whereby the Company obtained favorable decision at the Federal Higher Court - STF to review overpaid amounts of PIS. On October 06, the Company filed a request for qualification of the credit, and is awaiting response by the Federal Revenue Service.

The total sum of tax assets on September 30, 2017 is R$ 37,761 (R$ 26,735 on December 31, 2016).

16. Contingent assets

The contingent asset refers to lawsuit 1998.34.00.029022-4 and also involve the recognition of tax benefits entitled ‘IPI premium credit’, which received final decision in March 2015. The Company is already performing the execution of judgment, and the judge of the case determined that the judicial accountant should inform the correct adoption of the criteria defined in award calculation for further homologation of the value due *('quantum[1])*. Law firm Souza Cescon Barrieu & Flesch, when asked to calculate the value of stated judicial credits, quantified the Company's right before Federal Union as R$112,736, date base February 2012. These values are not accounted for as they do not comply with recognition criteria as provided for in CPC 25 Provision contingent liabilities and contingent assets.

17. Investments

a) Interest 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".

	Organization Country	Ownership interest	Assets	Liabilities	Income	Income (loss)
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
September 30, 2017						
Portobello América Inc. and other	United States	100.00%	38	64,876	-	(53)
PBTech Ltda.	Brazil	99.94%	17,077	12,724	44,721	3,634
Portobello Shop S/A	Brazil	99.90%	34,617	8,872	48,337	25,265
Mineração Portobello Ltda.	Brazil	99.76%	1,944	1,343	6,869	356
Companhia Brasileira de Cerâmica S/A	Brazil	99.91%	2,121	2	-	10

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

	Shareholders' equity	Income (loss) for the period	Ownership interest	December 31, 2016	Exchange rate change	Paid-up capital	Equity income (loss)	Changes in ownership interest	September 30, 2017
Investments									
Portobello América Inc. and other	(64,838)	(53)	100%	(66,647)	1,862	-	(53)	-	(64,838)
PBTech Ltda.	4,356	3,636	99.94%	719	-	-	3,634	-	4,353
Portobello Shop S.A.	25,771	25,290	99.90%	480	-	-	25,265	-	25,745
Mineração Portobello Ltda.	602	357	99.76%	245	-	-	356	-	601
Companhia Brasileira de Cerâmica S/A	2,121	10	99.91%	(7,868)	-	10,145	10	(162)	2,125
Other	130			10	-	-	-		10
Net total of investment in subsidiaries				(73,061)	1,862	10,145	29,212	(162)	(32,004)
Interest in subsidiaries				1,454					32,834
Provision for devaluation of investments				(74,515)					(64,838)

b) Advance for future capital increase

According to the Extraordinary Shareholders' Meeting held on June 23, 2017, PBG paid up capital in the amount of R$ 10,145 to the subsidiary Companhia Brasileira de Cerâmica, value originated from the current balance of AFAC. The remaining balance is R$3,831, was settled by means of assignment of deferred tax credits.

18 Property, plant and equipment

a) Breakdown

		Parent company				Consolidated	
		September 30, 2017			December 31, 2016	September 30, 2017	December 31, 2016
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Net value	Net value
Land		12,141	-	12,141	12,141	13,062	13,062
Buildings, civil works and improvements	3%	203,530	(40,442)	163,088	167,914	157,859	164,634
Machinery and equipment	15%	522,406	(298,554)	223,852	236,675	223,853	236,676
Furniture and fixtures	10%	9,452	(8,329)	1,122	1,261	1,136	1,277
Computers	20%	19,880	(16,018)	3,862	3,880	3,867	3,893
Other fixed assets	20%	209	(192)	17	22	12,130	10,353
Construction in process		20,040	-	20,040	3,363	21,543	3,453
		787,658	(363,535)	424,122	425,256	433,450	433,348

In 2010, upon 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 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 29c).

As provided for in Technical Interpretation ICPC 10 of the Accounting Pronouncement Committee, approved by CVM Resolution 619/09 and effective as of 01/01/2009, 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, reviews of rates are regularly performed and the last change was in 2016.

b) Changes in property, plant and equipment

	Parent company									
	December 31, 2015	Additions	Transfers	Depreciation	December 31, 2016	Additions	Transfers	Depreciation	Write-offs	September 30, 2017
Land	12,141	-	-	-	12,141	-	-	-	-	12,141
Buildings and improvements	164,853	-	10,050	(6,989)	167,914	-	411	(5,237)	-	163,088
Machinery and equipment	224,665	696	34,627	(23,313)	236,675	502	3,755	(17,030)	(50)	223,852
Furniture and fixtures	1,418	-	37	(194)	1,261	7	-	(146)	-	1,122
Computers	4,123	389	597	(1,229)	3,880	75	830	(923)	-	3,862
Other fixed assets	30	-	-	(8)	22	-	-	(5)	-	17
Construction in process	29,449	19,225	(45,311)	-	3,363	21,673	(4,996)	-	-	20,040
	436,679	20,310	-	(31,733)	425,256	22,257	-	(23,341)	(50)	424,122

Notes to the financial statements

	Consolidated										
	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	December 31, 2016	Additions	Transfers	Depreciation	Write-offs	September 30, 2017
Land	13,062	-	-	-	-	13,062	-	-	-	-	13,062
Buildings and improvements	163,773	-	10,050	(9,189)	-	164,634	-	411	(7,186)	-	157,859
Machinery and equipment	224,665	697	34,627	(23,313)	-	236,676	502	3,755	(17,030)	(50)	223,853
Furniture and fixtures	1,440	-	37	(197)	(3)	1,277	7	-	(148)	-	1,136
Computers	4,147	396	591	(1,241)	-	3,893	75	830	(931)	-	3,867
Other fixed assets	5,494	-	5,038	(8)	(171)	10,353	-	1,782	(5)	-	12,130
Construction in process	31,613	22,183	(50,343)	-	-	3,453	24,868	(6,778)	-	-	21,543
	444,194	23,276	-	(33,948)	(174)	433,348	25,452	-	(25,300)	(50)	433,450

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

	Parent company		Consolidated		Parent company		Consolidated	
	3rd quarter				Accumulated			
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cost of products sold	7,046	7,236	7,046	7,236	21,033	21,145	21,034	21,145
Commercial expenses	520	538	1,205	1,126	1,572	1,568	3,523	3,147
Administrative expenses	247	257	250	259	736	764	743	770
	7,813	8,031	8,501	8,621	23,341	23,477	25,300	25,062

19 Intangible assets

a) Breakdown

		Parent company				Consolidated	
		September 30, 2017			December 31, 2016	September 30, 2017	December 31, 2016
	Annual average rate of amortization	Cost	Accumulated amortization	Net value	Net value	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	150
Software	20%	21,248	(14,898)	6,350	6,598	6,350	6,598
Right to exploration of outcrops	20%	1,000	(1,000)	-	-	399	729
Goodwill	-	-	-	-	-	8,061	6,831
Software under development	-	680	-	680	653	680	653
Management system (a)	21%	18,887	(16,051)	2 . 836	5,592	2,837	5,592
		41,965	(31,949)	10,016	12,993	18,477	20,553

(a) Expenditures with acquisition and implementation of business management systems, represented by the Oracle, WMS and Demantra systems and Inventory Optimization and by the developments carried out in the value chain management process.

Notes to the financial statements

b) Changes in intangible assets

	Parent company									
	December 31, 2015	Additions	Amortizations	Transfer	Write-offs	December 31, 2016	Additions	Amortizations	Transfer	September 30, 2017
Trademarks and patents	150	-	-	-	-	150	-	-	-	150
Software	2,032	548	(1,172)	5,190	-	6,598	216	(1,235)	771	6,350
Right to exploration of outcrops	773	-	(29)	-	(744)	-	-	-	-	-
Software under development	5,315	528	-	(5,190)	-	653	798	-	(771)	680
Management system	9,540	-	(3,948)	-	-	5,592	-	(2,756)	-	2,836
	17,810	1,076	(5,149)	-	(744)	12,993	1,014	(3,991)	-	10,016

	Consolidated									
	December 31, 2015	Additions	Amortizations	Transfer	Write-offs	December 31, 2016	Additions	Amortizations	Transfer	September 30, 2017
Trademarks and patents	150	-	-	-	-	150	-	-	-	150
Software	2,032	548	(1,172)	5,190	-	6,598	216	(1,235)	771	6,350
Right to exploration of outcrops	1,164	745	(436)	-	(744)	729	-	(330)	-	399
Goodwill	7,039	-	-	-	(208)	6,831	1,230	-	-	8,061
Software under development	5,315	528	-	(5,190)	-	653	798	-	(771)	680
Management system	9,540	-	(3,948)	-	-	5,592	-	(2,755)	-	2,837
	25,240	1,821	(5,556)	-	(952)	20,553	2,244	(4,320)	-	18,477

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

	Parent company		Consolidated		Parent company		Consolidated	
	3rd quarter				Accumulated			
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	September 30, 2017	Septemb er 30, 2016
Cost of products sold	196	191	306	301	593	518	921	815
Commercial expenses	705	703	705	703	2,095	2,111	2,095	2,111
Administrative expenses	440	403	440	403	1,303	1,173	1,304	1,173
	1,341	1,297	1,451	1,407	3,991	3,802	4,320	4,099

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

	2017	2018	2019	2020	2021–2023	Total
Software	454	1,788	1,778	1,568	762	6,350
Right to exploration of outcrops	110	51	51	51	136	399
Management system	919	1,917	-	-	-	2,836
	1,483	3,756	1,829	1,619	898	9,585

The brands and patents, goodwill and software items under development in the total amount of R$ 8,892 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in these financial statements for the year of the year.

Notes to the financial statements

20 Payable and Assignment

a) Trade payables

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Domestic market	93,987	89,220	100,340	93,592
Foreign market	16,456	9,337	16,456	9,337
Current	110,443	98,557	116,796	102,929
Domestic market (i)	75,947	68,990	75,947	68,990
Non-current	75,947	68,990	75,947	68,990
	186,390	167,547	192,743	171,919

(i) Provision for payment to gas supplier resulting from matter mentioned in note 12

b) Payable and Assignment

The Company carried out payable and assignment transactions with prime financial institutions, in the amount of R$24,318 as of September 30, 2017 and R$21,522 as of December 31, 2016, for the purpose of providing its partner suppliers with more attractive credit facilities aiming at maintaining commercial relations.

In said transactions, there was no change in payment and price conditions negotiated with suppliers.

c) Accounts payable from investments

The Company presents a balance of R$ 12,459 in the parent company and R$ 13,033 in the consolidated in current liabilities which refers to construction in progress for update of the plants, investment in own stores and systems.

Notes to the financial statements

21 Loans, financing and debentures

a) Loans and Financing

				Parent company		Consolidated	
	Currency	Maturities	Charges	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Current							
Financial lease (a)	R$	May2018	11.48% p.a.	554	782	554	782
Banco do Nordeste S.A. (b)	R$	Jun2025	3.00% p.a.	9,793	9,801	9,793	9,801
Law 4131 (c)	R$	Dec2017	9.74% p.a.	7,363	14,387	7,363	14,387
NCE (d)	R$	May2019	10.30% a.a.1	62,630	88,543	62,630	88,543
Prepayment (e)	US$	May2018	5.75% p.a.+FX	2,975	4,083	2,975	4,083
PRODEC (f)	R$	Mar2021	4.00% a.a.1	19,434	10,897	19,434	10,897
FINEP (g)	R$	May2021	8.60% a.a.1	18,423	10,161	18,423	10,161
DEG (h)	US$	Oct2021	6.30% p.a.+FX	10,773	10,394	10,773	10,394
FINAME (i)	R$	Aug2023	3.00% a.a.1	422	422	422	422
NCE (d)	US$	Nov2017	8.87% p.a.	5,292	21,779	5,292	21,779
Debentures 1st series (j)	R$	Nov2022	11.69% p.a.	22,336	10,298	22,336	10,298
Debentures 2nd series (j)	R$	Nov2020	11.29% p.a.	32,583	15,457	32,583	15,457
Total current			9.10% a.a.1	192,578	197,004	192,578	197,004
Total local currency				173,538	160,748	173,538	160,748
Total foreign currency				19,040	36,256	19,040	36,256
Non-current							
Working capital	R$			-	-	1,141	1,189
Financial lease (a)	R$	May2018	11.48% p.a.	-	349	-	349
Banco do Nordeste S.A. (b)	R$	Jun2025	3.00% p.a.	66,018	73,353	66,018	73,353
NCE (d)	R$	May2019	10.30% a.a.1	10,000	42,221	10,000	42,221
Prepayment (e)	US$	May2018	5.75% p.a.+FX	-	2,037	-	2,037
PRODEC (f)	R$	Mar2021	4.00% a.a.1	28,804	34,386	28,804	34,386
FINEP (g)	R$	May2021	8.60% a.a.1	35,002	20,739	35,002	20,739
DEG (h)	US$	Oct2021	6.30% p.a.+FX	33,264	39,109	33,264	39,109
FINAME (i)	R$	Aug2023	3.00% a.a.1	1,916	2,230	1,916	2,230
Debentures 1st series (j)	R$	Nov2022	11.69% p.a.	80,787	89,619	80,787	89,619
Debentures 2nd series (j)	R$	Nov2020	11.29% p.a.	70,397	84,425	70,397	84,425
Total non-current			8.23% a.a.1	326,188	388,468	327,329	389,657
Total local currency				292,924	347,322	294,065	348,511
Total foreign currency				33,264	41,146	33,264	41,146
Overall total			8.56% a.a.1	518,766	585,472	519,907	586,661
Total local currency				466,462	508,070	467,603	509,259
Total foreign currency				52,304	77,402	52,304	77,402

[1] Weighted average rate
FX - Foreign exchange

Notes to the financial statements

b) Contract details

Note	Contract	Date		Funding		Term (months)	Amortization	Grace period (months)	Guarantees
		Disbursement	Maturity						
(a)	Financial lease	May2015	May2015	R$	2,192	36	Monthly		Machinery and equipment
(b)	Banco do Nordeste	Aug2014	Jun2025	R$	96,819	133	Monthly	24	Mortgage of properties and machinery and equipment
	Contract executed in Jun 2013, in the amount of R$147,700. First tranche of financing was released by the Bank in Aug 2014 in the amount of R$29,221, 2nd tranche was released in Jan 2015 in the amount of R$45,765, 3rd tranche was released in Sep 2015 in the amount of R$14,700, 4th portion was released in Mar 2016 in the amount of R$4,713, and 5th tranche was released in Dec 2016 in the amount of R$ 2,418.								
(c)	4131 Trade	Dec2012	Dec2017	R$	50,000	60	Semi-annual	24	Receivables from Portobello S.A, in the amount of 50% of the debit balance of the contract
(d)	Export credit (NCE)	Jan2013	Dec2017	R$	20,000	60	Semi-annual	24	Receivables from Portobello S.A, in the amount of 50% of the debit balance of the contract
		Nov 2014	Nov2017	R$	15,000	36	Quarterly	12	Receivables from Portobello S.A, in the amount of 15% of the debit balance of the contract
		May2016	May2018	US$	50,000	24	Semi-annual	12	Receivables from Portobello S.A, in the amount of 15% of the debit balance of the contract
		Feb2015	Jan2018	R$	50,000	36	Quarterly	9	Receivables from Portobello S.A, in the amount of 15% of the debit balance of the contract
		Jun2016	May2019	R$	10,000	36	Quarterly	12	80% of trade notes + 20% interest earning bank deposit.
		Jun2016	May2019	R$	20,000	36	Quarterly	12	
	These contracts have minimum covenants that were complied with.								
(e)	Prepayment	Jul2013	Mar2021	US$	5,000	60	Quarterly	15	Commercial pledge
(f)	PRODEC					48	Bullet	Bullet	-
	(Programa de Desenvolvimento da Empresa Catarinense) - Santa Catarina State special regime obtained in July 2009. Balance is subject to adjustment to present value and rate used is current working capital average (12.58% p.a.). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with a grace period of 48 months, a term of 120 months and inflation adjustment of 4% per annum and changes in the UFIR rate.								
(g)	Finep	Jul2010	Sep2018	R$	30,103	99	Monthly	24	Bank guarantee
		All five financing tranches were released by the Bank, as follows: 1st - R$5,000 in Jul 2010, 2nd - R$5,100 in Aug 2010, 3rd - R$3,146 in Sep 2010, 4th - R$5,572 in Dec 2012 and 5th - R$11,282 in Aug 2013.							
		Jul 2014	May2021	R$	57,318	84	Monthly	24	Bank guarantee
		Contract executed in Jul 2014 in the amount of R$57,300, and first tranche of financing, in the amount of R$12,627, was released by the Bank in the same month. 2' tranche was released in Jan 2016 in the amount of R$12,479. 2' tranche was released in Jun 2017 in the amount of R$32,064.							
(h)	DEG	May2014	Oct2021	US$	18,000	90	Semi-annual	23	Machinery and equipment and promissory notes
	This contract has minimum covenants that were not complied with, however, the Company has already received a waiver for the 3Q17 and balance remains in non-current.								
(i)	Finame	May2013	May2023	R$	39	120	Monthly	25	Machinery and equipment
		May2013	Apr2023	R$	601	120	Monthly	24	
		Jul2013	Jul2023	R$	107	120	Monthly	25	
		Jul2013	Ago2023	R$	1,890	120	Monthly	26	
		Jan 2014	Jun2023	R$	577	114	Monthly	18	
(j)	1st series debentures	Dec2015	Nov2022	R$	100,000	83	Semi-annual	24	Actual and additional personal guarantee
	2nd series debentures	Dec2015	Nov2020	R$	100,000	59	Semi-annual	24	Actual and additional personal guarantee

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

For the other loans granted, real estate mortgages, equipment, receivables of the Parent company (Note 8) and of subsidiary (note 39), and sureties of the controlling shareholders and subsidiary were pledged in guarantee, inventory of finished products totaling R$ 11,016.

The long-term loans have the following payment schedule:

	Parent company		Consolidated	
Maturities on September 1st	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
2018	38,575	128,921	39,716	130,110
2019	100,194	91,419	100,194	91,419
2020	87,803	78,367	87,803	78,367
2021–2025	99,616	89,761	99,616	89,761
	326,188	388,468	327,329	389,657

Notes to the financial statements

The book values and the fair value of loans are presented Reais, segregated per type of currency:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
BRL	466,462	508,070	467,603	509,259
USD	52,304	77,402	52,304	77,402
	518,766	585,472	519,907	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 2nd Issuance of simple debentures, not convertible into shares, of the species actual and personal guarantee, in two series, for public distribution with restricted distribution efforts.

	September 30, 2017	December 31, 2016
Fund raising value		
1st series debentures	104,498	101,551
1st series debentures	104,357	101,515
Gross balance	208,855	203,066
Funding costs	(2,752)	(3,267)
Net balance	206,103	199,799
Current	54,919	25,755
Non-current	151,184	174,044

Issuance features	
Issuance	
Fiduciary agent	PLANNER TRUSTEE DTVM LTDA.
Agent Bank	Itaú Unibanco S.A.
Coordinating leader	Banco Bradesco S.A.
Depository Bank	ITAU CV S/A
Trading	CETIP
Series number	2
Issuance Volume R$	200,000,000,00
Total number of debentures	2,000
Unit Par Value - R$	100,000,00

Notes to the financial statements

Detailing of the operation per series		
Series	1st	2nd
CVM Reg. No.	480/09	
Asset code	PTBL12	PTBL22
Issuing Date	11/26/2015	
Maturity	11/26/2022	11/26/2020
Volume (R$)	100,000,000,00	100,000,000,00
Number of debentures	1,000	1,000
Unit Par Value - R$	100,000,00	100,000,00
Method	Regulatory and registered	
Type	Actual and additional personal guarantee	
Convertibility	Non-convertible into Issuer's issuance shares.	
Restatement	Nominal value will not be adjusted for inflation	
Remuneration	DI rate + 3.55% p.a. (year with basis 252 days)	DI rate + 3.15% p.a. (year with 252 days)
Remuneration Payment	Half-annual, with first remuneration on May 26, 2016	
Amortization	It will be amortized in 11 half-annual consecutive installments beginning as of the 24th month counted as of Issuance Date, with first payment on November 26, 2017.	It will be amortized in 7 half-annual consecutive installments beginning as of the 24th month counted as of Issuance Date, with first payment on November 26, 2017.
Corporate acts:	RCA on 11/17/2015	
Covenants	Division of Net Debt by EBITDA <= 3.35 times (year 2015), 3.00 times (Mar 2016 and Jun 2016), 4.50 times (Sep 2016 and Dec 2016), 4.25 times (Mar 2017), 4.00 times (Jun 2017), 3.75 times (Sep 2017), 3.50 times (Dec 2017), 3.25 times (Mar 2018 and Jun 2018), 3.00 times (Sep 2018 and Dec 2018), 2.50 times (years 2019, 2020, and 2021) and 3.00 times (beginning as of 2022).	
	Division of Current Assets by Current Liabilities >= 1.15 times	

This contract has covenants that were complied with.

22 Financing of Taxes

Tax obligations	Application for financing of taxes		Parent company		Consolidated	
	Date	Installments falling due	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
LAW 11941/09 (a)	Nov 2009	85	78,814	78,662	79,344	79,199

The payment schedule is as follows:

Maturity	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
2017	6,656	9,788	6,697	9,857
2018–2023 (*)	63,360	60,474	63,786	60,888
2024	8,798	8,400	8,861	8,454
	78,814	78,662	79,344	79,199
Current	14,576	9,788	14,670	9,857
Non-current	64,238	68,874	64,674	69,342

(*) The sum of annual installments totaling R$ 10,560 as of September 30, 2017 and R$ 10,079 as of December 31, 2016 to the Parent Company and R$ 10,631 and R$ 10,148 respectively to the Consolidated.

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

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

Between such participation and the Consolidation, the Company made the payment of minimum installment of R$ 395 as allowed by law. During this period, more precisely in the consolidation, decisions were made that reflected a positive economic adjustment of R$ 3,013, including R$ 3,613 with impact on other operating income and R$ 600 in financial expense. The main reflection occurred in virtue of the non-confirmation of migration of non-deferred debts in the installments of PM 470 to the installments of Law 11941/09 (see Note 23).

After consolidation, the Company undertakes to pay the monthly installments of R$ 818, restated at Selic rate, as well as withdrew from lawsuits and waive any claim of rights upon which such suits are based, under penalty of immediate termination of the installment, and consequent loss of the benefits introduced by Law 11941/09. These waivers of lawsuits against tax assessment notices do not affect the continuation of the ongoing processes in Court, referred to in Note 15 and 16.

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

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

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

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the “undue use” had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Notes 15 and 16. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of “undue use”, manifestly recognized by the Federal Revenue Service of Brazil in the reporting unit. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12.249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it’s practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit. As clarification, injunction filed to claim court homologation for payment in installments was rejected in the lower court. TRF of the 4th region partially approved the appeal. The Company maintains the proceeding of reversing remaining court dispute in the Higher Court of Justice.

In the remote event that PGFN's decision is maintained through the last legal level, the impact on the Company's results would be a loss of R$ 28,471 at September 30, 2017, based on legal advisors’ opinion, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debits as contingent liabilities. This possible tax liability will be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in Note 16.

Notes to the financial statements

24 Taxes, rates and contributions

As of September 30, 2017, taxes, fees and contributions recorded in current liabilities were stated as follows:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
IRRF	1,599	2,236	1,845	2,567
ICMS	10,388	9,910	10,403	9,933
PIS/COFINS	2,340	1,760	2,827	2,176
Other	277	233	438	344
	14,604	14,139	15,513	15,020

25 Provisions for contingencies

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

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

	Parent company		Consolidated	
Sum provisioned	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Civil	7,931	9,962	7,931	9,987
Labor	16,632	14,494	16,632	14,660
Tax	3,670	26,548	3,696	26,548
	28,233	51,004	28,259	51,195

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

	Parent company			Total
	Civil	Labor	Tax	
December 31, 2016	9,962	14,494	26,548	51,004
Debited (credited) to the statement of income:	(807)	3,405	(22,277)	(19,679)
Additional provisions	3,296	1,813	2,640	7,749
Reversals for non-use	(2,016)	(227)	(22,194)	(24,437)
Inflation adjustment (Note 34)	853	1,819	55	2,727
Reversal of inflation adjustment	(2,940)	-	(2,778)	(5,718)
Reversals by realization	(1,224)	(1,267)	(601)	(3,092)
September 30, 2017	7,931	16,632	3,670	28,233

Notes to the financial statements

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2016	9,987	14,660	26,548	51,195
Debited (credited) to the statement of income:	(832)	3,239	(22,251)	(1 9,844)
Additional provisions	3,296	1,813	2,671	7,780
Reversals for non-use	(2,041)	(393)	(22,199)	(24,633)
Inflation adjustment (Note 34)	853	1,819	55	2,727
Reversal of inflation adjustment	(2,940)	-	(2,778)	(5,718)
Reversals by realization	(1,224)	(1,267)	(601)	(3,092)
September 30, 2017	7,931	16,632	3,696	28,259

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 348 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 12).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 313 labor claims (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 12).

Alteration of Criterion for Labor Debt Correction

Superior Labor Court (TST), in a decision published on August 7, 2015, changed labor debts' correction index, so as to replace Reference Rate (TR) by the Special Extended National Consumer Price Index (IPCA-E), with effects retroactive to June 30, 2009. Change in criterion will impact the balance of labor provisions by approximately R$6.5 million in amounts in December 2016. However, Federal Supreme Court (STF), in a decision of Min. Dias Tófoli on Complaint 22012, accepted an injunction suspending effects of TST decision. Accordingly, the Company will not increase its labor provisions while final decision is not published on lawsuit in progress at STF.

Tax

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

The Company filed a writ of mandamus for the purpose of altering PIS and COFINS calculation basis to purge ICMS. Santa Catarina State Federal Court expressed its opinion in a decision on merit in favor of purging ICMS from calculation basis under discussion. Said decision was confirmed by the Federal Regional Court of the 4th Region. Federal Union, through the National Treasury Attorney's Office, appealed on this decision to Higher Courts (STF and STJ).

Based on favorable decision given by the STF on March 15, 2017, in general repercussion, in cases 5032720-26.2014.404.7200 the Company performed the reversal of the accrued amount, which represented R$ 25,544 (R$ 23,437 on December 31, 2016), accordingly the Company believes that the chance of loss is remote. The effect of the expurgation of ICMS on the result of the Company was an economy of R$ 2,612 in the quarter ended September 30, 2017.

The balances of provisions for tax contingencies are restated by the change in the SELIC rate in the period.

26 Lawsuits with significant possible and remote losses

a) Lawsuits with possible loss

It is understood that, in addition to provisions recognized in financial statements and classified as probable losses, there are other civil and labor lawsuits that were classified as possible losses. In accordance with evaluation of risks deriving from said lawsuits, the Company, based on its legal advisors' opinion, estimates contingent liability amounts as follows:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Civil	849	2,232	858	2,308
Labor	7,199	6,778	7,287	6,788
	8,048	9,010	8,145	9,096

b) Remote lawsuit referring to Administrative Proceedings 10983.721445/2014-78

On December 8, 2014, the Company was notified of Tax Assessments that established IRPJ and CSLL credits (as well as money penalties and interest) for calendar years from 2009 to 2013. As alleged by Tax Authorities, the Company would have committed the following infractions: (a) in 2009, would have: (a.1) taxable income deriving from tax benefits unduly excluded; (a.2) deducted unnecessary expenses related to main tax debts (IPI, PIS and COFINS) that were recorded in prior years' income; (a.3) non-deductible values related to IRPJ and CSLL excluded; (a.4) amounts referring to principal values of temporary additions that transited through prior years' income unduly excluded; and (a.5) non-deductible expenses related to ex-officio fines deducted; (b) in years 2010, 2011 and 2012, supposedly: (b.1) tax losses and CSLL negative bases offset at amounts higher than calculated; and (b.2) IRPJ and CSLL amounts determined by monthly estimate were not paid, which resulted in isolated fine; and (c) in 2013, supposedly offset CSLL negative bases at amounts higher than calculated. On January 6, 2015, the Company presented Impugnation against entries under discussion, rejecting all infractions ascribed to it, so that, since that date (January 6, 2015), it is awaiting a decision on said Impugnation, whose successful outcome, according to PBG S.A legal advisors, is practically certain and will result in cancellation of Tax Assessment Notice; in view of that, the Company understands that likelihood of loss is remote and opted not to record the amount of R$73 million as possible liabilities.

On March 7, 2016, the Company was notified of Tax Assessments referring to tax administrative proceedings 11516-720.299/2016-02 and 11516.7200300/2016-91, which established tax credits referring to undue IRPJ and CSLL offset. However, the Company defended that this discussion is already being made in proceeding 10983.721445/2014-78. Cancellation of challenged tax entry was requested for the amount of R$19 million, due to duplicity of tax authorities.

27 Employee benefits

27.1 Private pension plan

The Company and its subsidiaries, since 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência - Banco do Brasil Pension Fund, and has 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:

	Parent company
	September 30, 2017 and 2016
Economic assumptions	
Discount rate	6% p.a. (real)
Estimated rate of return for assets	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years
Growth of private pension benefits and limits	2% p.a. (real) as of 48 years
Inflation	Disregarded
Capacity factor	
Salaries	100%
Benefits	100%
Demographic assumptions	
Mortality Table	AT 83
Mortality table of individuals with permanent disability	Exp. IAPC
Table of new disability benefit vested	Hunter and Álvaro Vindas

27.2 Employee benefit expenses

a) Expenses incurred in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Remuneration	36,388	35,332	40,104	38,830
Benefits				
Pension plan	213	239	216	239
FGTS	3,167	2,817	3,570	3,166
Other	4,755	6,407	5,099	6,702
Total	44,523	44,795	48,989	48,937

b) Expenses incurred in the accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Remuneration	103,544	103,418	114,111	113,734
Benefits				
Pension plan	630	754	634	755
FGTS	8,583	8,422	9,656	9,563
Other	14,377	15,142	15,360	15,990
Total	127,134	127,736	139,761	140,042

28 Long-term incentive

In 2012, the Company implemented the long-term benefit program (ILP). The purpose of this program is to attract, retain and acknowledge performance of key professionals.

Officers, superintendents and managers are eligible to ILP and, by entering into a subscription contract, may become members of the program. Each member holds a number of securities that are figuratively called “reference shares”. They are not traded over-the-counter and its "appreciation" is calculated annually by the performance of EBITDA and the ratio between EBITDA and net debt.

Payment is expected in three annual installments with deferral of two years in the beginning of the period. Settlement will be made with amounts proportional to gains determined by the plan’s metrics.

The first group of members joined the plan in 2012. Currently, there are three plans in force. The present value of the obligation on September 30, 2017 is R$ 7,313 at the parent company and consolidated (R$ 7,312 at the parent company and at the consolidated on December 31, 2016).

29 Shareholders' equity

a) Capital

After decisions of the Annual Shareholders' Meeting held on April 28, 2017, the Company increased its capital by R$ 10,435, fully realized through capitalization of income, exclusively for the Company’s capitalization, with no change in total number of shares, as provided for in article 169, §1, Law 6404/76. Thus, on September 30, 2017, the Company has a capital subscribed and paid in the amount of R$ 130,000 (R$ 119,565 on December 31, 2016) comprising 158,488,517 common shares, nominative and with no par value.

On September 30, 2017 there were 72,982,224 outstanding shares, equivalent to 46.05% of total shares issued (compared to 72,849,374 on December 31, 2016, equivalent to 45.97% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Executive Board.

Notes to the financial statements

b) Profit reserve

The profit reserve in the amount of R$ 110,619 is composed of two reserves, the legal reserve and the profit retention reserve, as follows:

The legal reserve is formed 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 September 30, 2017, legal reserve balance is R$15,220 (R$15,219 as of December 31, 2016), as provided for in Article 193 of the Brazilian Corporate Law.

The amount of R$ 95,400 refers to profit retention reserve, based on business growth project established in the Company’s investment plan, approved in the Annual Shareholders' Meeting on April 28, 2017, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

c) Equity valuation adjustment

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 property, plant and equipment revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition. It was established as a result of land, buildings and improvements reevaluations, supported by appraisal report prepared by an independent appraising company. It is being realized according to the depreciation of re-appraised buildings and improvements recorded against retained earnings. The same effect of realization of the equity valuation adjustment is reflected in P/L for the period, by the depreciation of the re-appraised assets.

	Equity valuation adjustments			
Parent company and Consolidated	Deemed cost	Accumulated translation adjustments	Other comprehensive income	Total
December 31, 2016	37,060	(28,520)	(10,786)	(2,246)
Realization of revaluation reserve	(889)	-	-	(889)
Exchange rate change in foreign subsidiary	-	1,862	-	1,862
September 30, 2017	36,171	(26,658)	(10,786)	(1,273)

30 Income

The reconciliation of gross income to net income, presented in the income statement for the quarter ending September 30, 2017, is as follows.

Notes to the financial statements

a) Income incurred in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Gross income from sales	315,301	322,248	343,389	351,884
Deductions from gross income	(64,819)	(74,306)	(67,777)	(78,568)
Sales tax	(57,909)	(66,139)	(60,393)	(69,888)
Returns	(6,910)	(8,167)	(7,384)	(8,680)
Net sales	250,482	247,942	275,612	273,316
Domestic market	205,366	217,761	226,984	236,035
Foreign market	45,116	30,181	48,628	37,281

b) Income incurred in the accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Gross income from sales	882,697	907,863	961,077	988,285
Deductions from gross income	(183,131)	(205,355)	(191,303)	(217,033)
Sales tax	(164,189)	(178,880)	(171,229)	(189,086)
Returns	(18,942)	(26,475)	(20,074)	(27,947)
Net sales	699,566	702,508	769,774	771,252
Domestic market	572,198	605,047	631,090	654,530
Foreign market	127,368	97,461	138,684	116,722

31 Expenses per type

The cost of products sold, selling expenses and administrative expenses for the quarter ended September 30, 2017 are as follows:

Notes to the financial statements

a) Expenses incurred in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cost and expenses				
Cost of Goods and/or Services Sold	(162,482)	(173,708)	(163,139)	(174,878)
With sales	(53,479)	(51,411)	(64,394)	(63,624)
General and administrative expenses	(7,536)	(3,744)	(7,735)	(8,567)
	(223,497)	(228,863)	(235,268)	(247,069)
Breakdown of expenses by type				
Changes in inventories of finished products and work in process (a)	3,913	4,122	3,913	4,124
Direct production costs (raw materials and inputs)	86,353	91,817	83,989	89,711
General production expenses (including maintenance)	11,358	11,630	11,358	11,630
Cost of goods resold	13,092	19,538	15,790	22,551
Transportation of goods sold	4,541	3,072	4,541	3,072
Salaries, charges and benefits to employees	54,768	55,119	60,290	60,179
Third-party labor and services	15,599	17,372	15,967	17,997
Amortization and depreciation	9,155	9,328	9,952	10,029
Rentals and operating leases	2,751	3,039	3,631	3,849
Sales commissions	7,378	7,028	8,065	7,492
Marketing and advertising expenses	7,487	3,919	8,598	6,333
Reimbursement of contract with subsidiary	-	(4,480)	-	-
Other commercial expenses	6,317	6,591	8,291	9,249
Other administrative expenses	785	768	883	853
Total	223,497	228,863	235,268	247,069

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

b) Expenses incurred in the accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cost and expenses				
Cost of Goods and/or Services Sold	(450,453)	(493,796)	(452,727)	(496,184)
With sales	(152,640)	(148,522)	(183,487)	(184,379)
General and administrative expenses	(24,375)	(21,795)	(24,854)	(27,183)
	(627,468)	(664,113)	(661,068)	(707,746)
Breakdown of expenses by type				
Changes in inventories of finished products and work in process (a)	(593)	1,331	(531)	1,464
Direct production costs (raw materials and inputs)	243,437	269,641	236,552	264,062
General production expenses (including maintenance)	33,530	31,149	33,530	31,148
Cost of goods resold	37,633	58,868	45,839	65,925
Transportation of goods sold	12,018	8,110	12,018	8,115
Salaries, charges and benefits to employees	156,319	157,737	171,970	173,033
Third-party labor and services	45,831	50,631	46,957	52,572
Amortization and depreciation	27,339	27,278	29,628	29,162
Rentals and operating leases	8,325	8,171	10,934	10,692
Sales commissions	20,163	20,326	21,774	21,558
Marketing and advertising expenses	17,918	9,350	20,791	16,259
Reimbursement of contract with subsidiary	-	(4,480)	-	-
Other commercial expenses	21,123	21,336	26,954	28,798
Other administrative expenses	4,425	4,665	4,652	4,958
Total	627,468	664,113	661,068	707,746

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

Notes to the financial statements

32 Other operating income and (expenses), net

Other individual and consolidated operating income and expenses for the quarter ended September 30, 2017 are as follow:

a) Expenses incurred in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Other operating income				
Income from services	235	1,392	235	155
Tax credits	-	12,999	-	12,999
Other income	324	4	779	(1,122)
Total	559	14,395	1,014	12,032
Other operating expenses				
Provision for contingencies (Note 25)	(1,464)	(622)	(1,473)	(642)
Provision for profit sharing (a)	(4,910)	-	(5,219)	-
Review of Eletrobras compulsory loan balance	-	(6,851)	-	(6,851)
Other expenses	(208)	(415)	(210)	(1,530)
Total	(6,582)	(7,888)	(6,902)	(9,023)
Net total	(6,023)	6,507	(5,888)	3,009

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

b) Expenses incurred in the accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Other operating income				
Income from services	433	1,589	433	352
Tax credits (a)	8,735	14,135	8,735	14,135
Reversal of provision for contingency (b)	20,247	-	20,247	-
Other income	553	774	1,506	774
Total	29,968	16,498	30,921	15,261
Other operating expenses				
Provision for contingencies (Note 25)	(1,495)	(2,499)	(1,355)	(2,551)
Provision for profit sharing (c)	(10,746)	-	(11,055)	-
Review of Eletrobras compulsory loan balance	-	(6,851)	-	(6,851)
Idle capacity cost (d)	(8,579)	(4,391)	(8,579)	(4,391)
Other expenses	(755)	(957)	(1,044)	(2,351)
Total	(21,575)	(14,698)	(22,033)	(16,144)
Net total	8,393	1,800	8,888	(883)

(a) Tax credits related to the Semi-Annual Payment of PIS, pursuant to note 15.
(b) Reversal of reserve for contingencies related to ICMS on the Pis and Cofins tax base, net of fees.
(c) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.
(d) Expenses to make production equipment suitable for production to supply Northeast market demand.

Notes to the financial statements

33 Financial income (loss)

The individual and consolidated financial income (loss) for the quarter ended September 30, 2017 is as follows:

a) Expenses incurred in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	Septembe r 30, 2016
Financial income				
Interest	1,775	4,879	1,910	5,074
Restatement of assets	1,937	2,878	1,937	2,878
Other	576	5	581	12
Total	4,288	7,762	4,428	7,964
Financial expenses				
Interest	(7,038)	(10,506)	(7,066)	(10,563)
Financial charges on taxes	(839)	(2,082)	(856)	(2,094)
Restatement of provisions for contingencies	(831)	(1,822)	(831)	(1,822)
Commissions and service fees	(1,043)	(2,200)	(1,190)	(2,495)
Bank expenses	(58)	(88)	(58)	(88)
Review of Eletrobras compulsory loan balance	-	(9,562)	-	(9,562)
Income (loss) from swap operation	(737)	(1,065)	(737)	(1,065)
Interest on debentures	(6,501)	(8,997)	(6,501)	(8,997)
Other	(495)	(891)	(497)	(1 .216)
Total	(17,542)	(37,213)	(17,736)	(37,902)
Net exchange rate change				
Trade receivables and payables	(4,872)	163	(4,873)	222
Loans and Financing	2,270	(1,100)	2,270	(1,100)
Total	(2,602)	(937)	(2,603)	(878)
Net total	(15,856)	(30,388)	(15,911)	(30,816)

b) Expenses incurred in the accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	Septembe r 30, 2016
Financial income				
Interest	6,636	15,266	7,154	15,820
Restatement of assets	7,010	8,262	7,010	8,262
Inflation adjustment of contingency (a)	6,320	-	6,320	-
Other	1,196	401	1,211	500
Total	21,162	23,929	21,695	24,582
Financial expenses				
Interest	(23,909)	(28,529)	(23,916)	(28,792)
Financial charges on taxes	(3,526)	(5,478)	(3,566)	(5,516)
Restatement of provisions for contingencies	(3,329)	(4,854)	(3,339)	(4,864)
Commissions and service fees	(3,915)	(3,007)	(4,488)	(3,682)
Bank expenses	(353)	(804)	(354)	(823)
Review of Eletrobras compulsory loan balance	-	(9,562)	-	(9,562)
Income (loss) from swap operation	(2,414)	(14,953)	(2,414)	(14,953)
Interest on debentures	(21,689)	(25,874)	(21,689)	(25,874)
Other	(1,784)	(3,034)	(1,825)	(3,818)
Total	(60,919)	(96,095)	(61,591)	(97,884)
Net exchange rate change				
Trade receivables and payables	(3,841)	(17,767)	(3,831)	(18,004)
Loans and Financing	2,276	21,997	2,276	21,997
Total	(1,565)	4,230	(1,555)	3,993
Net total	(41,322)	(67,936)	(41,451)	(69,309)

(a) Reversal of the updates of reserve for contingencies related to the civil lawsuit of 2001 R$ 2.9 MM and related to ICMS on the Pis and Cofins tax base R$ 3.3 MM.

34 Earnings per share

a) Basic

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

Notes to the financial statements

Quarter income (loss):

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income (loss) attributable to Company's shareholders	17,583	(924)	17,583	(924)
Weighted average number of common shares	158,489	158,489	158,489	158,489
Basic earnings (losses) per share	0.11094	(0.00583)	0.11094	(0.00583)

Accumulated income (loss):

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income (loss) attributable to Company's shareholders	59,315	(3,114)	59,315	(3,114)
Weighted average number of common shares	158,489	158,489	158,489	158,489
Basic earnings (losses) per share	0.37425	(0.01965)	0.37425	(0.01965)

The consolidated income (loss) attributable to shareholders does not include the non-controlling interest, in subsidiaries.

b) Diluted

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

35 Dividends and interest on own capital

On August 18, 2017, proceeds in the net amount of R$ 9,911 thousand for 2017 were distributed as interest on own capital. In addition, on June 1, 2017, dividends in the net amount of R$ 505 thousand related to year 2016 had already been distributed, also as interest on own capital. In the end of 3Q17, the Company represented a yield (dividend per share divided by final share quotation) of 1.30%.

36 Information per business segment

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

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

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

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

Notes to the financial statements

a) Quarter income (loss):

	September 30, 2017			September 30, 2016		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	226,984	48,628	275,612	236,035	37,281	273,316
Cost of products sold	(132,622)	(30,517)	(163,139)	(151,317)	(23,561)	(174,878)
Gross operating income	94,362	18,111	112,473	84,718	13,720	98,438
Operating income (expenses), net	(67,889)	(10,128)	(78,017)	(60,108)	(9,074)	(69,182)
Sales, general and administrative	(62,001)	(10,128)	(72,129)	(62,349)	(9,842)	(72,191)
Other operating income (expenses), net	(5,888)	-	(5,888)	2,241	768	3,009
Operating income (loss) before financial income (loss)	26,473	7,983	34,456	24,610	4,646	29,256
% on ROL	12%	16%	13%	10%	12%	11%

b) Accumulated income (loss):

	September 30, 2017			September 30, 2016		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	631,090	138,684	769,774	654,530	116,722	771,252
Cost of products sold	(366,714)	(86,013)	(452,727)	(426,911)	(69,273)	(496,184)
Gross operating income	264,376	52,671	317,047	227,619	47,449	275,068
Operating income (expenses), net	(173,449)	(26,004)	(199,453)	(185,208)	(27,237)	(212,445)
Sales, general and administrative	(182,337)	(26,004)	(208,341)	(184,337)	(27,225)	(211,562)
Other operating income (expenses), net	8,888	-	8,888	(871)	(12)	(883)
Operating income (loss) before financial income (loss)	90,927	26,667	117,594	42,411	20,212	62,623
% on ROL	14%	19%	15%	6%	17%	8%

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

37 Commitments

a) Commitments for the acquisition of assets

Expenditures contracted on the statement of financial position date but not yet incurred referring to PP&E on September 30, 2017 totaled R$ 27,236, related to modernization of manufacturing equipment, according to Company's investment plan.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on September 30, 2017 and December 31, 2016, amount to R$ 776 and R$ 820, respectively, for less than one year. For more than one year and less than five years, R$ 619 and R$274, respectively.

38 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On September 30, 2017, coverage for fire, ray and explosion of any nature was R$95,000, for windstorm and smoke with impact of vehicles, R$3,000, for loss of profit, R$35,000, and for electric damage, riots and civil liabilities, R$3,600. Policy is valid from June 13, 2017 to June 13, 2018.

Notes to the financial statements

The Company also has Civil Liability Insurance for Management (D&O), contracted from XL 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, 2017 to August 27, 2018.

In addition, the Company contracted a policy from Fairfax Brasil to guarantee labor claim 0234100-60.1998.5.05.0015 totaling R$ 28,000, effective from August 18, 2016 to August 18, 2020.

39 Related companies and parties

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

Nature	Transactions with subsidiaries and associated companies	September 30, 2017	December 31, 2016
Assets			
Dividends receivable	Portobello Shop S.A.	3,059	15,893
Accounts receivable	Portobello América, Inc.	64,861	66,727
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	166	2,228
Amounts receivable	Portobello Shop S.A.	119	95
Credits with Subsidiaries - Non-current		65,146	69,050
Other Related-party Credits	Refinadora Catarinense S.A.	93,695	89,423
Other transactions			
Advance to suppliers	Mineração Portobello Ltda.	-	558
Accounts receivable - net of advances	Solução Cerâmica Com. Ltda.	251	442
Accounts receivable - net of advances	Flooring Revest. Cer. Ltda.	(361)	(157)
Accounts payable	Gomes Part. Societárias Ltda.	-	(34)
Accounts payable	Elog Logistica Sul Ltda.	-	(1,007)
		(110)	(198)

Nature	Transactions with subsidiaries and associated companies	3rd quarter September 30, 2017	3rd quarter September 30, 2016	Accumulated September 30, 2017	Accumulated September 30, 2016
Income					
Rendering of services	Portobello Shop S.A.	-	5,717	-	5,717
Sale of products	Solução Cerâmica Com. Ltda.	6,159	7,560	17,518	18,356
Sale of products	Flooring Revest. Cer. Ltda.	3,106	2,715	7,342	7,172
Sale of products	PBTech Com. Serv. Cer. Ltda.	6,316	5,897	18,005	14,724
Expenses					
Cost of services rendered	Portobello Shop S.A.	-	(4,481)	-	(4,481)
Purchase of products	Mineração Portobello Ltda.	(2,365)	(2,105)	(6,886)	(5,578)
Rent	Gomes Participações Societárias Ltda.	(95)	(89)	(340)	(271)
Freight services	Elog (Multilog) Logistica Sul Ltda	(523)	-	(1,670)	-
		12,598	15,214	33,969	35,639

The subsidiary Portobello Shop is guarantor of the Company in certain financing operations (see Note 21).

Notes to the financial statements

Related party transactions

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

Transactions with subsidiaries and associated companies	Nature	September 30, 2017	December 31, 2016	Nature	3rd quarter September 30, 2017	3rd quarter September 30, 2016	Accumulated September 30, 2017	Accumulated September 30, 2016
	Assets			Income				
Solução Cerâmica Com. Ltda.	Accounts receivable	525	1,099	Royalties	446	1,908	3,115	4,615
Flooring Revest. Cer. Ltda.	Accounts receivable	517	253	Royalties	270	670	1,377	1,807
		1,042	1,352		716	2,578	4,492	6,422

Remuneration of key management personnel

The expenses from remuneration of the key management personnel, comprising members of the Executive Board, Board of Directors, Tax Council and Management for the quarter ended September 30, 2017 are:

a) Expenses incurred in the quarter:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Fixed Compensation				
Salaries	3,060	3,534	3,531	3,827
Fees	1,357	1,264	1,357	1,264
Variable compensation	3,995	450	4,160	498
Direct and indirect short-term benefits			-	
Pension plan	184	206	186	206
Other	430	449	500	476
	9,026	5,903	9,734	6,271

b) Expenses incurred in the accumulated:

	Parent company		Consolidated	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Fixed Compensation				
Salaries	8,920	9,637	10,188	10,663
Fees	3,994	3,578	3,994	3,578
Variable compensation	4,754	3,589	5,044	3,920
Direct and indirect short-term benefits			-	
Pension plan	536	652	538	652
Other	1,233	1,384	1,383	1,543
	19,437	18,840	21,147	20,356

40 Supplementary information to the cash flow

During nine-month period ended September 30, 2017, we carried out the following transactions not involving cash and cash equivalents:

	Parent company	Consolidated
Capital increase (a)	(10,435)	(10,435)
Settlement of AFAC subsidiary CBC (b)	13,976	-
Capital increase	10,145	-
Assignment of deferred tax credits	3,831	-
Acquisition of property, plant and equipment (c)	12,459	12,459

a) Capital increase in financing activity, for further details, see note 29a).
b) Settlement of AFAC (future capital increase) in investment activities, for further details, see note 17b).
c) Acquisition of property, plant and equipment, for further details, see note 18b).

Opinions and Statements / Special Review Report - Unqualified

To the Board Members, Directors and Shareholders

of PBG S.A.

Tijucas - SC

Introduction

We have reviewed the interim, individual and consolidated financial information of PBG S.A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2017, consisting of the balance sheets as of September 30, 2017 and the related statements of income, the comprehensive statements of income for the three- and nine-month periods then ended, the statement of changes in shareholders' equity and statements of cash flows for the nine-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

Scope of review

We conducted our review in accordance with Brazilian and international standards on reviews of 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

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

Conclusion about the consolidated interim information

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

Other matters

Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the nine-month period ended September 30, 2017, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the review of the Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that aforementioned statements of added value were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Florianópolis, November 09, 2017.

KPMG Auditores Independentes

CRC SC-000071/F-8

Claudio Henrique Damasceno Reis

Accountant CRC SC-024494/O-1

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

Statement of the Executive Officers on the Financial Statements and Review Report

Special on Independent Auditors

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

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended September 30, 2017, and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended September 30, 2017.

Members of the Executive Board:

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Director Vice-presidente

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, November 09, 2017

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

Statement of the Executive Officers on the Financial Statements and Review Report

Special on Independent Auditors

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

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended September 30, 2017, and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended September 30, 2017.

Members of the Executive Board:

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Director Vice-presidente

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, November 09, 2017