PortobelloGrupo

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Company Data / Capital Breakdown

Number of Shares (thousand)	Last Financial Year 12/31/2015
Issued Capital	
Common	158,488
Preferred	0
Total	158,488
Treasury stock	
Common	0
Preferred	0
Total	0

Company Details / Dividends Approved

Event	Approval	Type	Payment start date	Share Type	Share Class	Amount per Share (Reais / Share)
Board of Directors' Meeting	8/5/2015	Interest on Shareholders' Equity	9/21/2015	Common		0.03748

Individual Financial Statements - Statement of Financial Position - Assets

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
1	Total Assets	1,421,200	1,179,847	953,107
1.01	Current Assets	611,817	493,268	427,954
1.01.01	Cash and Cash Equivalents	81,761	87,803	55,389
1.01.02	Short-term Investments	100,478	0	0
1.01.03	Accounts Receivable	175,837	179,292	158,522
1.01.03.01	Trade receivables	175,837	179,292	158,522
1.01.04	Inventory	205,088	191,600	177,666
1.01.06	Recoverable Taxes	20,153	15,017	17,281
1.01.06.01	Current Taxes Recoverable	20,153	15,017	17,281
1.01.06.01.01	Income taxes and contributions recoverable	4,964	0	10,522
1.01.06.01.02	Other Current Taxes Recoverable	15,189	15,017	6,759
1.01.08	Other Current Assets	28,500	19,556	19,096
1.01.08.03	Other	28,500	19,556	19,096
1.01.08.03.01	Dividends Receivable	14,850	9,472	2,934
1.01.08.03.03	Advances to Suppliers	2,796	3,157	11,388
1.01.08.03.04	Other	10,854	6,927	4,774
1.02	Noncurrent Assets	809,383	686,579	525,153
1.02.01	Long-Term Assets	354,216	281,813	241,993
1.02.01.08	Related-party Credits	168,864	150,318	149,871
1.02.01.08.02	Credit with Subsidiaries	84,263	61,425	55,331
1.02.01.08.04	Other Related-party Credits	84,601	88,893	94,540
1.02.01.09	Other Noncurrent Assets	185,352	131,495	92,122
1.02.01.09.03	Judicial Deposits	59,899	46,564	20,721
1.02.01.09.04	Eletrobrás Receivables	48,621	48,621	43,555
1.02.01.09.05	Recoverable Taxes	10,477	15,330	3,884
1.02.01.09.06	Tax Asset	22,718	15,386	13,896
1.02.01.09.07	Actuarial Asset	9,676	5,075	9,547
1.02.01.09.08	Call deposits	5,826	0	0
1.02.01.09.09	Advance for future capital increase	27,321	0	0

Individual Financial Statements - Statement of Financial Position - Assets

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
1.02.01.09.10	Other	814	519	519
1.02.02	Capital expenditure	678	678	678
1.02.02.01	Equity Interests	678	678	678
1.02.02.01.02	Interests in Subsidiaries	480	480	480
1.02.02.01.04	Other Equity Interests	198	198	198
1.02.03	Property, plant and equipment	436,679	387,451	264,424
1.02.04	Intangible assets	17,810	16,637	18,058

Individual Financial Statements - Statement of Financial Position - Liabilities

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
2	Total Liabilities	1,421,200	1,179,847	953,107
2.01	Current Liabilities	417,770	451,419	347,351
2.01.01	Social and labor obligations	26,192	22,266	19,398
2.01.02	Trade accounts payable	112,665	125,879	152,441
2.01.03	Tax Obligations	18,858	24,209	24,415
2.01.03.01	Federal Tax Liabilities	18,858	24,209	24,415
2.01.03.01.01	Income taxes and contributions payable	0	7,451	0
2.01.03.01.02	Financing of Taxes	9,018	8,300	17,674
2.01.03.01.03	Taxes, Duties and Contributions	9,840	8,458	6,741
2.01.04	Loans and Financing	210,714	172,722	91,068
2.01.04.01	Loans and Financing	210,053	172,722	91,068
2.01.04.02	Debentures	661	0	0
2.01.05	Other liabilities	45,476	82,442	39,458
2.01.05.02	Other	45,476	82,442	39,458
2.01.05.02.04	Loans Assignment Suppliers	15,642	23,703	0
2.01.05.02.05	Customer Advances	13,732	12,275	18,047
2.01.05.02.06	Dividends Payable	7,646	16,876	15,224
2.01.05.02.07	Investment accounts payable	0	21,466	0
2.01.05.02.08	Other	8,456	8,122	6,187
2.01.06	Provisions	3,865	23,901	20,571
2.01.06.02	Other Provisions	3,865	23,901	20,571
2.01.06.02.05	Provision for Contingencies	0	17,925	14,600
2.01.06.02.06	Provision for profit-sharing	3,865	5,976	5,971
2.02	Noncurrent Liabilities	771,584	491,158	413,907
2.02.01	Loans and Financing	485,904	273,645	201,100
2.02.01.01	Loans and Financing	289,067	273,645	201,100
2.02.01.02	Debentures	196,837	0	0
2.02.02	Other liabilities	120,842	109,467	116,667
2.02.02.02	Other	120,842	109,467	116,667

Individual Financial Statements - Statement of Financial Position - Liabilities

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
2.02.02.02.03	Trade accounts payable	47,923	33,287	15,966
2.02.02.02.04	Debt to Related Parties	0	0	2,544
2.02.02.02.06	Financing of Taxes	72,919	75,887	98,082
2.02.02.02.08	Other	0	293	75
2.02.03	Deferred Taxes	21,665	30,184	29,154
2.02.03.01	Deferred Income and Social Contribution Taxes	21,665	30,184	29,154
2.02.04	Provisions	143,173	77,862	66,986
2.02.04.02	Other Provisions	143,173	77,862	66,986
2.02.04.02.04	Provision for devaluation of investments	93,389	58,559	55,231
2.02.04.02.05	Provisions for Contingencies	41,075	9,738	5,887
2.02.04.02.06	Provision for Long-term Incentive	8,709	9,565	5,868
2.03	Shareholders’ Equity	231,846	237,270	191,849
2.03.01	Realized Capital	99,565	76,565	46,065
2.03.02	Capital Reserves	0	0	-2,545
2.03.02.05	Treasury Stock	0	0	-2,545
2.03.04	Profit Reserves	139,193	143,749	115,651
2.03.04.01	Legal Reserve	15,113	12,481	7,808
2.03.04.05	Profit Retention Reserve	86,070	66,201	41,786
2.03.04.08	Additional Dividend Proposed	12,504	22,198	8,597
2.03.04.10	Unallocated Profit Reserve	25,506	42,869	57,460
2.03.08	Other Comprehensive Income	-6,912	16,956	32,678

Individual Financial Statements / Income Statement

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
3.01	Revenue from goods sold and services rendered	931,873	885,018	781,638
3.02	Cost of goods and/or services sold	-612,785	-593,939	-531,382
3.03	Gross Profit	319,088	291,079	250,256
3.04	Operating Income/Expenses	-196,657	-148,262	-120,204
3.04.01	Sales Expenses	-166,825	-134,887	-104,430
3.04.02	General and Administrative Expenses	-31,122	-24,796	-23,085
3.04.04	Other Operating Income	8,040	10,621	9,097
3.04.04.01	Other Operating Income	8,040	10,621	9,097
3.04.05	Other Operating Expenses	-17,551	-20,596	-15,097
3.04.05.01	Other Operating Expenses	-17,551	-20,596	-15,097
3.04.06	Equity in Net Income of Subsidiaries	10,801	21,396	13,311
3.05	Earnings before financial income/loss and tax	122,431	142,817	130,052
3.06	Financial Income/Loss	-57,757	-21,128	-18,754
3.06.01	Financial Revenue	49,432	28,727	18,680
3.06.01.01	Financial Revenue	49,432	25,228	18,680
3.06.01.02	Net Exchange Variance	0	3,499	0
3.06.02	Financial Expenses	-107,189	-49,855	-37,434
3.06.02.01	Financial Expenses	-75,537	-49,855	-32,561
3.06.02.02	Net Exchange Variance	-31,652	0	-4,873
3.07	Earnings before tax on net income	64,674	121,689	111,298
3.08	Income and social contribution taxes on profit	-12,022	-28,225	-20,802
3.08.01	Current	-20,541	-30,660	-8,855
3.08.02	Deferred charges	8,519	2,435	-11,947
3.09	Net Earnings from Continued Operations	52,652	93,464	90,496
3.11	Net Income/Loss for the Period	52,652	93,464	90,496
3.99	Earnings per share - (Reais / Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Common	0.33221	0.59000	0.57000
3.99.02	Diluted Earnings per Share			

Individual Financial Statements / Income Statement

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
3.99.02.01	ON	0.33221	0.59000	0.57000

Individual Financial Statements - Comprehensive Statement of Income

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
4.01	Net Income for the Period	52,652	93,464	90,496
4.02	Other Comprehensive Income	-22,669	-13,046	-1,727
4.02.02	Actuarial Liability	2,790	-6,655	4,351
4.02.04	Exchange variance of Overseas Subsidiary	-25,459	-6,391	-6,078
4.03	Comprehensive Income for the Period	29,983	80,418	88,769

Individual Financial Statements / Statement of Cash Flows - Indirect Method

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
6.01	Net Cash from Operating Activities	-11,575	47,675	-2,720
6.01.01	Cash Provided by Operating Activities	155,143	167,327	138,793
6.01.01.01	Profit/Loss for the year before tax	64,674	121,689	111,298
6.01.01.02	Depreciation and Amortization	31,316	24,954	18,438
6.01.01.03	Equity in net income of subsidiaries and associated companies	-10,801	-21,396	-13,311
6.01.01.04	Unrealized Exchange Variance	35,128	3,779	11,925
6.01.01.05	Provision for Inventory at Market Value	-506	-1,273	-103
6.01.01.06	Allowance for Doubtful Accounts	54	-506	-362
6.01.01.07	Provision for Contingencies	14,683	7,176	-584
6.01.01.08	Provision for Labor Obligations	-1,796	-1,578	584
6.01.01.09	Profit-sharing and Long-term Incentive	-2,967	3,702	4,443
6.01.01.10	Other Provisions	-224	45	-2,585
6.01.01.11	Restatement of Eletrobrás Compulsory Loan	0	-5,066	-6,736
6.01.01.12	Restatement of Tax Assets	-7,332	-1,490	-1,024
6.01.01.13	Restatement of Credits with other Related Parties	-7,406	5,647	-5,397
6.01.01.14	Restatements of Financial Charges on Financed Taxes	6,716	7,821	7,129
6.01.01.15	Interest on loans provisioned for	35,742	27,169	18,935
6.01.01.16	Negative goodwill on credits received from related parties	1,698	2,032	1,431
6.01.01.17	Actuarial Asset	-1,811	-2,184	-1,555
6.01.01.18	Treasury Stock	0	0	-2,546
6.01.01.19	Other	-2,025	-3,194	-1,187
6.01.02	Changes in Assets and Liabilities		-72,335	-112,359
6.01.02.01	(Increase)/Decrease in Accounts Receivable	3,217	-20,242	-20,559
6.01.02.02	Increase/Decrease in customer advances	1,457	-5,772	-2,589
6.01.02.04	(Increase)/decrease in inventory	15,351	-12,661	-57,631
6.01.02.05	(Increase)/decrease in judicial deposits	-13,335	-25,843	-12,264
6.01.02.06	(Increase)/Decrease in related-party credits	10,000	-2,032	9,824
6.01.02.07	(Increase)/Decrease in recoverable taxes	8,831	-19,704	-7,511
6.01.02.08	(Increase)/Decrease in restricted short-term investments		0	0

Individual Financial Statements / Statement of Cash Flows - Indirect Method

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
6.01.02.09	(Increase)/(Decrease) in other assets	-4,222	-2,153	-2,852
6.01.02.10	Increase/(Decrease) in accounts payable	-6,798	14,385	47,946
6.01.02.11	(Increase)/decrease in advance to suppliers	361	8,231	-9,232
6.01.02.12	Increase/(Decrease)in Provisions for Contingencies	-1,271	0	-28,912
6.01.02.13	Increase (decrease) in financing	-8,965	-39,390	-22,963
6.01.02.14	Increase/(decrease) in tax and labor obligations	-6,661	11,816	-5,232
6.01.02.15	Increase/(decrease) in other accounts payable	265	21,030	-384
6.01.03	Other	-58,644	-47,317	-29,154
6.01.03.01	Interest Paid	-38,372	-28,977	-12,951
6.01.03.02	Income and social contribution taxes paid	-20,272	-18,340	-16,203
6.02	Net Cash from Investment Activities		-134,437	-99,768
6.02.01	Acquisition of property, plant and equipment	-98,174	-143,757	-95,291
6.02.02	Acquisition of intangible assets	-5,329	-2,803	-4,666
6.02.03	Dividends Received	15,234	11,844	14,273
6.02.04	Capital payments at subsidiaries	-440	-48	0
6.02.05	Receipt on sale of permanent assets	0	0	192
6.02.06	Advance for Future Capital Increase	-58,724	0	0
6.02.07	(Concession)/Receipt of Credits with Related Parties	2,726	327	-14,276
6.03	Net Cash from Financing Activities		119,176	101,301
6.03.01	Obtainment of loans and financing and debentures		248,188	252,063
6.03.02	Payment of loans and financings		-99,132	-135,695
6.03.03	Dividends paid	-44,636	-29,880	-15,067
6.05	Increase (Decrease) in Cash and Cash Equivalents	-6,042	32,414	-1,187
6.05.01	Opening Balance of Cash and Cash Equivalents	87,803	55,389	56,576
6.05.02	Closing Balance of Cash and Cash Equivalents	81,761	87,803	55,389

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 12/31/2015

(Thousands of Reais)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	76,565	0	143,749	0	16,956	237,270
5.03	Adjusted Opening Balances	76,565	0	143,749	0	16,956	237,270
5.04	Capital Transactions with Partners	0	0	0	-13,209	0	-13,209
5.04.06	Dividends	0	0	0	-7,269	0	-7,269
5.04.07	Interest on Shareholders' Equity	0	0	0	-5,940	0	-5,940
5.05	Total Comprehensive Income	0	0	0	53,851	-23,868	29,983
5.05.01	Net Income for the Period	0	0	0	52,652	0	52,652
5.05.02	Other Comprehensive Income	0	0	0	1,199	-23,868	-22,669
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	1,199	-1,199	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-25,459	-25,459
5.05.02.08	Actuarial Gain (Loss)	0	0	0	0	2,790	2,790
5.06	Internal Changes in Shareholders' Equity	23,000	0	-4,556	-40,642	0	-22,198
5.06.04	Allocations after 2015 AGM - Capital increase	23,000	0	-23,000	0	0	0
5.06.05	Allocations after 2015 AGM - Approval of additional dividends	0	0	-22,198	0	0	-22,198
5.06.06	Creation of the Legal Reserve (5%)	0	0	2,632	-2,632	0	0
5.06.07	Creation of Unallocated Profit Reserve	0	0	38,010	-38,010	0	0
5.07	Closing Balances	99,565	0	139,193	0	-6,912	231,846

Individual Financial Statements - Statements of Changes in Shareholders’ Equity - 1/1/2014 to 12/31/2014

(Thousands of Reais)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders’ Equity
5.01	Opening Balances	46,065	-2,545	115,651	0	32,678	191,849
5.03	Adjusted Opening Balances	46,065	-2,545	115,651	0	32,678	191,849
5.04	Capital Transactions with Partners	0	2,545	19,653	-45,133	0	-22,935
5.04.07	Interest on Shareholders’ Equity	0	0	0	-6,447	0	-6,447
5.04.08	Minimum Mandatory Dividends	0	0	0	-16,488	0	-16,488
5.04.09	Proposed allocation of additional dividends	0	0	22,198	-22,198	0	0
5.04.10	Treasury Stock	0	2,545	-2,545	0	0	0
5.05	Total Comprehensive Income	0	0	0	92,675	-15,722	76,953
5.05.01	Net Income for the Period	0	0	0	93,464	0	93,464
5.05.02	Other Comprehensive Income	0	0	0	-789	-15,722	-16,511
5.05.02.06	Realization of the revaluation reserve	0	0	0	-789	-2,676	-3,465
5.05.02.07	Actuarial Gains(losses)	0	0	0	0	-6,656	-6,656
5.05.02.08	Exchange variance of overseas subsidiary	0	0	0	0	-6,390	-6,390
5.06	Internal Changes in Shareholders' Equity	30,500	0	8,445	-47,542	0	-8,597
5.06.04	Allocations after 2014 AGM - Capital increase	30,500	0	-30,500	0	0	0
5.06.06	Allocations after 201 AGM - Approval of additional dividends	0	0	-8,597	0	0	-8,597
5.06.07	Creation of the Legal Reserve (5%)	0	0	4,673	-4,673	0	0
5.06.08	Creation of unallocated profit reserve	0	0	42,869	-42,869	0	0
5.07	Closing Balances	76,565	0	143,749	0	16,956	237,270

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2013 to 12/31/2013

(Thousands of Reais)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	40,798	267	50,069	0	35,985	127,119
5.03	Adjusted Opening Balances	40,798	267	50,069	0	35,985	127,119
5.04	Capital Transactions with Partners	0	-2,545	8,597	-30,091	0	-24,039
5.04.08	Minimum Mandatory Dividends	0	0	0	-17,836	0	-17,836
5.04.09	Interest on Shareholders' Equity	0	0	0	-3,658	0	-3,658
5.04.10	Proposed allocation of additional dividends	0	0	8,597	-8,597	0	0
5.04.11	Treasury stock	0	-2,545	0	0	0	-2,545
5.05	Total Comprehensive Income	0	0	0	92,076	-3,307	88,769
5.05.01	Net Income for the Period	0	0	0	90,496	0	90,496
5.05.02	Other Comprehensive Income	0	0	0	1,580	-3,307	-1,727
5.05.02.06	Actuarial Gain (Loss)	0	0	0	0	4,351	4,351
5.05.02.07	Exchange variance of Overseas Subsidiary	0	0	0	0	-6,078	-6,078
5.05.02.08	Realization of the Revaluation Reserve	0	0	0	1,580	-1,580	0
5.06	Internal Changes in Shareholders' Equity	5,267	-267	56,985	-61,985	0	0
5.06.04	Allocations after 2012 AGM - Capital increase	5,000	0	-5,000	0	0	0
5.06.05	Allocations after 2012 AGM - Capital increase	267	-267	0	0	0	0
5.06.06	Creation of the Legal Reserve (5%)	0	0	4,525	-4,525	0	0
5.06.07	Creation of Unallocated Profit Reserve	0	0	57,460	-57,460	0	0
5.07	Closing Balances	46,065	-2,545	115,651	0	32,678	191,849

Individual Financial Statements – Statement of Added Value

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
7.01	Revenue	1,205,418	1,166,840	993,249
7.01.01	Sales of Goods, Products and Services	1,158,487	1,098,069	971,514
7.01.02	Other Revenue	14,363	16,281	13,918
7.01.03	Revenue relating to construction of company assets	32,622	52,996	7,455
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-54	-506	362
7.02	Consumables acquired from third parties	-623,310	-615,435	-503,198
7.02.01	Cost of goods and services sold	-453,524	-445,460	-407,112
7.02.02	Material, Energy, Outsourced Services and Other	-170,390	-170,101	-97,857
7.02.03	Loss/Recovery of Assets	604	126	1,771
7.03	Gross Added Value	582,108	551,405	490,051
7.04	Retentions	-31,316	-24,952	-18,438
7.04.01	Depreciation, Amortization and Depletion	-31,316	-24,952	-18,438
7.05	Net Added Value Produced	550,792	526,453	471,613
7.06	Transferred Added Value	155,107	100,903	71,388
7.06.01	Equity in Net Income of Subsidiaries	10,801	21,396	13,311
7.06.02	Financial Revenue	144,306	79,507	58,077
7.07	Total Added Value to be Distributed	705,899	627,356	543,001
7.08	Distribution of Added Value	705,899	627,356	543,001
7.08.01	Personnel	184,548	163,932	139,108
7.08.01.01	Direct Remuneration	156,323	140,839	121,520
7.08.01.02	Benefits	17,322	14,196	10,225
7.08.01.03	F.G.T.S.	10,903	8,897	7,363
7.08.02	Taxes, Duties and Contributions	257,993	259,228	227,786
7.08.02.01	Federal	131,628	144,217	123,277
7.08.02.02	State	125,940	114,722	104,057
7.08.02.03	Municipal	425	289	452
7.08.03	Interest Expenses	210,706	110,732	85,611
7.08.03.01	Interest	202,063	100,633	76,830
7.08.03.02	Rent	8,643	10,099	8,781

Individual Financial Statements – Statement of Added Value

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
7.08.04	Interest earnings	52,652	93,464	90,496
7.08.04.01	Interest on Shareholders’ Equity	5,940	6,447	3,658
7.08.04.02	Dividends	7,269	38,686	26,433
7.08.04.03	Retained Earnings/Loss for the Period	39,443	48,331	60,405

Consolidated Financial Statements / Statement of Financial Position - Assets

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
1	Total Assets	1,351,893	1,132,348	904,908
1.01	Current Assets	639,604	497,839	433,732
1.01.01	Cash and Cash Equivalents	87,664	92,383	57,677
1.01.02	Short-term Investments	100,478	0	0
1.01.03	Accounts Receivable	208,367	187,918	163,801
1.01.03.01	Trade receivables	208,367	187,918	163,801
1.01.04	Inventory	205,291	192,292	177,847
1.01.06	Recoverable Taxes	22,775	15,648	17,883
1.01.06.01	Current Taxes Recoverable	22,775	15,648	17,883
1.01.06.01.01	Income taxes and contributions recoverable	6,020	452	10,978
1.01.06.01.02	Other Current Taxes Recoverable	16,755	15,196	6,905
1.01.08	Other Current Assets	15,029	9,598	16,524
1.01.08.03	Other	15,029	9,598	16,524
1.01.08.03.03	Advances to Suppliers	2,053	1,788	9,975
1.01.08.03.04	Other	12,976	7,810	6,549
1.02	Noncurrent Assets	712,289	634,509	471,176
1.02.01	Long-Term Assets	242,657	220,405	186,662
1.02.01.08	Related-party Credits	84,601	88,893	94,540
1.02.01.08.04	Other Related-party Credits	84,601	88,893	94,540
1.02.01.09	Other Noncurrent Assets	158,056	131,512	92,122
1.02.01.09.03	Judicial Deposits	59,924	46,581	20,721
1.02.01.09.04	Eletrobrás Receivables	48,621	48,621	43,555
1.02.01.09.05	Recoverable Taxes	10,477	15,330	3,884
1.02.01.09.06	Tax Asset	22,718	15,386	13,896
1.02.01.09.07	Actuarial Asset	9,676	5,075	9,547
1.02.01.09.08	Short-term Investments	5,826	0	0
1.02.01.09.09	Other	814	519	519
1.02.02	Capital expenditure	198	198	198
1.02.02.01	Equity Interests	198	198	198

Consolidated Financial Statements / Statement of Financial Position - Assets

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
1.02.02.01.04	Other Equity Interests	198	198	198
1.02.03	Property, plant and equipment	444,194	392,585	265,572
1.02.04	Intangible assets	25,240	21,321	18,744

Consolidated Financial Statements / Statement of Financial Position – Liabilities

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
2	Total Liabilities	1,351,893	1,132,348	904,908
2.01	Current Liabilities	439,490	460,243	352,485
2.01.01	Social and labor obligations	29,015	24,501	20,483
2.01.02	Trade accounts payable	127,352	126,670	153,842
2.01.03	Tax Obligations	20,400	26,067	25,853
2.01.03.01	Federal Tax Liabilities	20,400	26,067	25,853
2.01.03.01.01	Income taxes and contributions payable	571	8,272	461
2.01.03.01.02	Financing of Taxes	9,081	8,358	18,080
2.01.03.01.03	Taxes, Duties and Contributions	10,748	9,437	7,312
2.01.04	Loans and Financing	210,714	172,722	91,068
2.01.04.01	Loans and Financing	210,053	172,722	91,068
2.01.04.02	Debentures	661	0	0
2.01.05	Other liabilities	47,481	86,005	40,003
2.01.05.02	Other	47,481	86,005	40,003
2.01.05.02.04	Loans Assignment Suppliers	15,642	23,703	0
2.01.05.02.05	Customer Advances	15,301	15,608	18,440
2.01.05.02.06	Dividends Payable	7,667	16,895	15,239
2.01.05.02.07	Investment dividends payable	0	21,466	0
2.01.05.02.08	Other	8,871	8,333	6,324
2.01.06	Provisions	4,528	24,278	21,236
2.01.06.02	Other Provisions	4,528	24,278	21,236
2.01.06.02.05	Provision for Contingencies	0	17,966	14,635
2.01.06.02.06	Provisions for profit-sharing	4,528	6,312	6,601
2.02	Noncurrent Liabilities	680,547	434,825	360,566
2.02.01	Loans and Financing	487,014	274,646	202,066
2.02.01.01	Loans and Financing	290,177	274,646	202,066
2.02.01.02	Debentures	196,837	0	0
2.02.02	Other liabilities	121,342	109,982	117,200
2.02.02.02	Other	121,342	109,982	117,200

Consolidated Financial Statements / Statement of Financial Position – Liabilities

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 12/31/2015	Penultimate Financial Year 12/31/2014	Antepenultimate Financial Year 12/31/2013
2.02.02.02.03	Trade accounts payable	47,923	33,287	15,966
2.02.02.02.05	Private Pension Plan	0	0	2,544
2.02.02.02.06	Financing of Taxes	73,414	76,402	98,616
2.02.02.02.08	Other	5	293	74
2.02.03	Deferred Taxes	21,665	30,184	29,154
2.02.03.01	Deferred Income and Social Contribution Taxes	21,665	30,184	29,154
2.02.04	Provisions	50,526	20,013	12,146
2.02.04.02	Other Provisions	50,526	20,013	12,146
2.02.04.02.05	Provision for Contingencies	41,190	9,764	5,908
2.02.04.02.06	Provision for Long-term Incentive	9,336	10,249	6,238
2.03	Consolidated Shareholders' Equity	231,856	237,280	191,857
2.03.01	Realized Capital	99,565	76,565	46,065
2.03.02	Capital Reserves	0	0	-2,545
2.03.02.05	Treasury Stock	0	0	-2,545
2.03.04	Profit Reserves	139,193	143,749	115,651
2.03.04.01	Legal Reserve	15,113	12,481	7,808
2.03.04.05	Profit Retention Reserve	86,070	66,201	41,786
2.03.04.08	Additional Dividend Proposed	12,504	22,198	8,597
2.03.04.10	Unallocated Profit Reserve	25,506	42,869	57,460
2.03.08	Other Comprehensive Income	-6,912	16,956	32,678
2.03.09	Minority Interests	10	10	8

Consolidated Financial Statements – Statement of Income

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
3.01	Revenue from goods sold and services rendered	1,060,395	949,147	834,032
3.02	Cost of goods and/or services sold	-664,193	-591,929	-530,279
3.03	Gross Profit	396,202	357,218	303,753
3.04	Operating Income/Expenses	-261,797	-206,484	-166,236
3.04.01	Sales Expenses	-214,205	-163,542	-126,984
3.04.02	General and Administrative Expenses	-34,568	-30,461	-28,410
3.04.04	Other Operating Income	8,045	9,404	7,011
3.04.04.01	Other Operating Income	8,045	9,404	7,011
3.04.05	Other Operating Expenses	-21,069	-21,885	-17,853
3.04.05.01	Other Operating Expenses	-21,069	-21,885	-17,853
3.05	Earnings before financial income/loss and tax	134,405	150,734	137,517
3.06	Financial Income/Loss	-58,024	-21,206	-18,468
3.06.01	Financial Revenue	50,244	29,581	19,774
3.06.01.01	Financial Revenue	50,244	26,082	19,774
3.06.01.02	Net Exchange Variance	0	3,499	0
3.06.02	Financial Expenses	-108,268	-50,787	-38,242
3.06.02.01	Financial Expenses	-76,726	-50,787	-33,369
3.06.02.02	Net Exchange Variance	-31,542	0	-4,873
3.07	Earnings before tax on net income	76,381	129,528	119,049
3.08	Income and social contribution taxes on profit	-23,708	-36,044	-28,538
3.08.01	Current	-32,227	-40,562	-16,591
3.08.02	Deferred charges	8,519	4,518	-11,947
3.09	Net Earnings from Continued Operations	52,673	93,484	90,511
3.11	Consolidated Net Income/Loss for the Period	52,673	93,484	90,511
3.11.01	Attributed to Partners of the Parent Company	52,652	93,464	90,496
3.11.02	Attributed to Minority Partners	21	20	15
3.99	Earnings per share - (Reais / Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Common	0.33000	0.59000	0.57000

Consolidated Financial Statements – Statement of Income

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
3.99.02	Diluted Earnings per Share			
3.99.02.01	Common	0.33000	0.59000	0.57000

Consolidated Financial Statements – Comprehensive Statement of Income

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
4.01	Consolidated Net Income for the Period	52,673	93,484	90,511
4.02	Other Comprehensive Income	-22,669	-13,046	-1,727
4.02.02	Actuarial Liability	2,790	-6,655	4,351
4.02.04	Exchange variance of Overseas Subsidiary	-25,459	-6,391	-6,078
4.03	Consolidated Comprehensive Income for the Period	30,004	80,438	88,784
4.03.01	Attributed to Partners of the Parent Company	29,983	80,418	88,769
4.03.02	Attributed to Minority Partners	21	20	15

Consolidated Financial Statements / Statement of Cash Flows - Indirect Method

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
6.01	Net Cash from Operating Activities	-45,134	70,580	-2,210
6.01.01	Cash Provided by Operating Activities	179,300	196,889	151,386
6.01.01.01	Profit/Loss for the year before tax	76,381	129,618	119,124
6.01.01.02	Depreciation and Amortization	32,363	25,255	18,534
6.01.01.04	Unrealized exchange variance	35,233	3,845	4,045
6.01.01.05	Provision for Inventory at Market Value	-506	-1,273	-867
6.01.01.06	Allowance for Doubtful Accounts	54	-506	-374
6.01.01.07	Provision for Contingencies	14,933	7,187	-571
6.01.01.08	Provision for Labor Obligations	-2,036	-1,837	584
6.01.01.09	Profit shares	-2,697	3,722	4,374
6.01.01.10	Other Provisions	-291	-8	-2,589
6.01.01.11	Restatement of Eletrobrás Compulsory Loan	0	-5,066	-6,736
6.01.01.12	Restatements of Tax Assets	-7,332	-1,490	-1,024
6.01.01.13	Restatements of Credits with other Related Parties	-7,406	5,647	-5,397
6.01.01.14	Restatements of Financial Charges on Financed Taxes	6,762	7,871	7,206
6.01.01.16	Interest on loans provisioned for	35,851	27,169	18,935
6.01.01.17	Negative goodwill on credits received from related parties	1,698	2,032	1,431
6.01.01.18	Actuarial Asset	-1,811	-2,184	-1,555
6.01.01.19	Treasury Stock	0	0	-2,546
6.01.01.20	Other	-1,896	-3,093	-1,188
6.01.02	Changes in Assets and Liabilities		-70,102	-117,095
6.01.02.01	(Increase)/Decrease in Accounts Receivable	-20,687	-23,589	-20,774
6.01.02.02	Increase/Decrease in customer advances	-307	-2,832	-2,373
6.01.02.03	(Increase)/Decrease in restricted short-term investments		0	0
6.01.02.04	(Increase)/decrease in inventory	-12,493	-13,172	-56,935
6.01.02.05	(Increase)/decrease in judicial deposits	-13,343	-25,860	-12,227
6.01.02.06	(Increase)/Decrease in related-party credits	10,000	-2,032	9,824
6.01.02.07	(Increase)/Decrease in recoverable taxes	3,294	-19,737	-7,502
6.01.02.08	Increase/(Decrease) in Provisions for Contingencies	-1,473	0	-28,912

Consolidated Financial Statements / Statement of Cash Flows - Indirect Method

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to 12/31/2015	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
6.01.02.09	(Increase)/(Decrease) in other assets	-5,461	-1,261	-3,045
6.01.02.10	Increase/(Decrease) in accounts payable	7,098	13,775	48,356
6.01.02.11	(Increase)/decrease in advance to suppliers	-265	8,187	-9,021
6.01.02.12	Increase (decrease) in financing	-9,027	-39,807	-23,917
6.01.02.13	Increase/(decrease) in tax and labor obligations	-5,319	15,068	-10,103
6.01.02.14	Increase/(decrease) in other accounts payable	541	21,158	-466
6.01.03	Other	-70,688	-56,207	-36,501
6.01.03.01	Interest Paid	-38,372	-28,977	-12,951
6.01.03.02	Income and social contribution taxes paid	-32,316	-27,230	-23,550
6.02	Net Cash from Investment Activities	-109,806	-155,036	-100,284
6.02.01	Acquisition of property, plant and equipment	-101,678	-148,103	-95,299
6.02.02	Acquisition of intangible assets	-8,128	-6,933	-5,177
6.02.05	Receipt on sale of permanent assets	0	0	192
6.03	Net Cash from Financing Activities	150,221	119,162	101,301
6.03.01	Obtainment of loans and financing and debentures	422,804	248,188	252,063
6.03.02	Payment of loans and financings	-227,928	-99,132	-135,695
6.03.03	Dividends Paid	-44,655	-29,894	-15,067
6.05	Increase (Decrease) in Cash and Cash Equivalents	-4,719	34,706	-1,193
6.05.01	Opening Balance of Cash and Cash Equivalents	92,383	57,677	58,870
6.05.02	Closing Balance of Cash and Cash Equivalents	87,664	92,383	57,677

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 12/31/2015

(Thousands of Reais)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.03	Adjusted Opening Balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.04	Capital Transactions with Partners	0	0	0	-13,209	0	-13,209	-21	-13,230
5.04.06	Dividends	0	0	0	-7,269	0	-7,269	-21	-7,290
5.04.07	Interest on Shareholders' Equity	0	0	0	-5,940	0	-5,940	0	-5,940
5.05	Total Comprehensive Income	0	0	0	53,851	-23,868	29,983	21	30,004
5.05.01	Net Income for the Period	0	0	0	52,652	0	52,652	21	52,673
5.05.02	Other Comprehensive Income	0	0	0	1,199	-23,868	-22,669	0	-22,669
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	1,199	-1,199	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-25,459	-25,459	0	-25,459
5.05.02.08	Actuarial Gain (Loss)	0	0	0	0	2,790	2,790	0	2,790
5.06	Internal Changes in Shareholders' Equity	23,000	0	-4,556	-40,642	0	-22,198	0	-22,198
5.06.04	Allocations after 2015 AGM - Capital increase	23,000	0	-23,000	0	0	0	0	0
5.06.05	Allocations after 2015 AGM - Approval of additional dividends	0	0	-22,198	0	0	-22,198	0	-22,198
5.06.06	Creation of the Legal Reserve (5%)	0	0	2,632	-2,632	0	0	0	0
5.06.07	Creation of Unallocated Profit Reserve	0	0	38,010	-38,010	0	0	0	0
5.07	Closing Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2014 to 12/31/2014

(Thousands of Reais)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857
5.03	Adjusted Opening Balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857
5.04	Capital Transactions with Partners	0	2,545	19,653	-45,133	0	-22,935	-18	-22,953
5.04.07	Interest on Shareholders' Equity	0	0	0	-6,447	0	-6,447	0	-6,447
5.04.08	Minimum Mandatory Dividends	0	0	0	-16,488	0	-16,488	-18	-16,506
5.04.09	Proposed allocation of additional dividends	0	0	22,198	-22,198	0	0	0	0
5.04.10	Treasury stock	0	2,545	-2,545	0	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	92,675	-15,722	76,953	20	76,973
5.05.01	Net Income for the Period	0	0	0	93,464	0	93,464	20	93,484
5.05.02	Other Comprehensive Income	0	0	0	-789	-15,722	-16,511	0	-16,511
5.05.02.06	Realization of the revaluation reserve	0	0	0	-789	-2,676	-3,465	0	-3,465
5.05.02.07	Actuarial Gains(losses)	0	0	0	0	-6,656	-6,656	0	-6,656
5.05.02.08	Exchange variance of overseas subsidiary	0	0	0	0	-6,390	-6,390	0	-6,390
5.06	Internal Changes in Shareholders' Equity	30,500	0	8,445	-47,542	0	-8,597	0	-8,597
5.06.04	Allocations after 2014 AGM - Capital increase	30,500	0	-30,500	0	0	0	0	0
5.06.05	Allocations after 2014 AGM - Approval of additional dividends	0	0	-8,597	0	0	-8,597	0	-8,597
5.06.06	Creation of the Legal Reserve - (5%)	0	0	4,673	-4,673	0	0	0	0
5.06.07	Creation of unallocated profit reserve	0	0	42,869	-42,869	0	0	0	0
5.07	Closing Balances	76,565	0	143,749	0	16,956	237,270	10	237,280

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2013 to 12/31/2013

(Thousands of Reais)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.03	Adjusted Opening Balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.04	Capital Transactions with Partners	0	-2,545	8,597	-30,091	0	-24,039	-15	-24,054
5.04.08	Minimum Mandatory Dividends	0	0	0	-17,836	0	-17,836	-15	-17,851
5.04.09	Interest on Shareholders' Equity	0	0	0	-3,658	0	-3,658	0	-3,658
5.04.10	Proposed allocation of additional dividends	0	0	8,597	-8,597	0	0	0	0
5.04.11	Treasury Stock	0	-2,545	0	0	0	-2,545	0	-2,545
5.05	Total Comprehensive Income	0	0	0	92,076	-3,307	88,769	15	88,784
5.05.01	Net Income for the Period	0	0	0	90,496	0	90,496	15	90,511
5.05.02	Other Comprehensive Income	0	0	0	1,580	-3,307	-1,727	0	-1,727
5.05.02.06	Actuarial Gain (Loss)	0	0	0	0	4,351	4,351	0	4,351
5.05.02.07	Exchange variance of Overseas Subsidiary	0	0	0	0	-6,078	-6,078	0	-6,078
5.05.02.08	Realization of the Revaluation Reserve	0	0	0	1,580	-1,580	0	0	0
5.06	Internal Changes in Shareholders' Equity	5,267	-267	56,985	-61,985	0	0	0	0
5.06.04	Allocations after 2012 AGM - Capital increase	5,000	0	-5,000	0	0	0	0	0
5.06.05	Allocations after 2012 AGM - Capital increase	267	-267	0	0	0	0	0	0
5.06.06	Creation of the Legal Reserve (5%)	0	0	4,525	-4,525	0	0	0	0
5.06.07	Creation of Unallocated Profit Reserve	0	0	57,460	-57,460	0	0	0	0
5.07	Closing Balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857

Consolidated Financial Statements – Statement of Added Value

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
7.01	Revenue	1,354,348	1,232,297	1,045,234
7.01.01	Sales of Goods, Products and Services	1,313,124	1,173,378	1,032,311
7.01.02	Other Revenue	8,656	6,429	5,093
7.01.03	Revenue relating to construction of company assets	32,622	52,996	7,455
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-54	-506	375
7.02	Consumables acquired from third parties	-685,854	-629,397	-519,052
7.02.01	Cost of goods and services sold	-483,094	-443,308	-405,912
7.02.02	Material, Energy, Outsourced Services and Other	-203,365	-186,215	-114,906
7.02.03	Loss/Recovery of Assets	605	126	1,766
7.03	Gross Added Value	668,494	602,900	526,182
7.04	Retentions	-32,363	-25,254	-18,534
7.04.01	Depreciation, Amortization and Depletion	-32,363	-25,254	-18,534
7.05	Net Added Value Produced	636,131	577,646	507,648
7.06	Transferred Added Value	145,232	80,360	59,172
7.06.02	Financial Revenue	145,232	80,360	59,172
7.07	Total Added Value to be Distributed	781,363	658,006	566,820
7.08	Distribution of Added Value	781,363	658,006	566,820
7.08.01	Personnel	213,759	175,355	146,791
7.08.01.01	Direct Remuneration	181,591	150,772	128,222
7.08.01.02	Benefits	19,136	14,811	10,681
7.08.01.03	F.G.T.S.	13,032	9,772	7,888
7.08.02	Taxes, Duties and Contributions	294,408	276,383	242,611
7.08.02.01	Federal	162,027	161,098	138,035
7.08.02.02	State	131,849	114,885	104,077
7.08.02.03	Municipal	532	400	499
7.08.03	Interest Expenses	220,523	112,784	86,907
7.08.03.01	Interest	203,256	101,578	77,644
7.08.03.02	Rent	17,267	11,206	9,263
7.08.04	Interest earnings	52,673	93,484	90,511

Consolidated Financial Statements – Statement of Added Value

(Thousands of Reais)

Account Code	Account Description	Last Financial Year 1/1/2015 to	Penultimate Financial Year 1/1/2014 to 12/31/2014	Antepenultimate Financial Year 1/1/2013 to 12/31/2013
7.08.04.01	Interest on Shareholders' Equity	5,940	6,447	3,658
7.08.04.02	Dividends	7,269	38,686	26,433
7.08.04.03	Retained Earnings/Loss for the Period	39,443	48,331	60,405
7.08.04.04	- Minority interests in retained earnings	21	20	15

Financial Statements

In thousands of Reais, unless stated otherwise

COMMENT ON THE CONSOLIDATED PERFORMANCE IN 2015

PBG S.A. (BM&FBovespa: PTBL3 NM) hereby presents its results for the financial year ended on December 31, 2015. The financial information presented in this document derives from the consolidated financial statements of PBG S.A., prepared in accordance with the standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

In order to streamline the company's structure and enhance administrative processes, the Company changed its name from Portobello S.A. to PBG S.A. in November 2015.

About PBG S.A.

PBG S.A.is currently Brazil's largest ceramic tiles company, grossing an annual R$ 1.3 billion. Its sales of over 40 million square meters are made to the domestic market through its network of Portobello Shops, home centers, real estate developers and construction firms, in addition to clients in five continents.

KEY FACTS

- Opening of plant in north-east Brazil.
- Net revenue of R$ 1 billion, up by 12% over 2014.
- Gross Profit of R$ 396 million, 11% more than 2014, with a margin of 37%.
- EBITDA of R$ 167 million, 5% less than FY 2014 and a margin of 16%.
- Network of Portobello Shop franchises with 143 stores, an increase of 6%.
- Net income of R$ 53 million, down by 44% in relation to 2014, due to exchange variance on foreign-currency loans.

MANAGEMENT COMMENTS

The Company closes 2015 with growth and commemoration for a year defined by resilience and efficiency. Amid the widespread deterioration of Brazil's economy, Management worked rigorously to keep costs and expenses in check, reviewing its investments and seeking to enhance multichannel distribution and product mix.

The international market proved to be an attractive opportunity, given the devaluation of the Brazilian currency against the US dollar and the competitiveness and flexibility of Portobello's product lines. In 2015 exports accounted for 14% of net revenue, up by 43% on the previous year.

Despite this, net income and cash generation did not meet Company expectations and did not reflect the progress achieved as a result of important investments.

The new plant was opened in Alagoas in 2015, in a total investment of around R$ 257 million, including Capex, pre-operating expenses and working capital. The new plant is the driver of the Pointer brand, which contributes to the Company's consolidated earnings.

The Pointer brand has been created for a specific public, with an exclusive portfolio primarily focusing on the north and north-east of Brazil, which will enable the Company to operate in a new segment with good growth prospects.

The two brands Portobello and Pointer were combined to draw on major business development potential, expanding the Company's operations in new segments and different market positions.

Financial Statements

In thousands of Reais, unless stated otherwise

Portobello Shop, in turn, is moving forward with its plans to open more stores. The chain currently consists of 143 franchises, and 7 owned stores. The Portobello Shop network is one of the group's competitive edges and its stores are part of a plan to enhance a unique franchise management model.

We fully expected 2015 to be a challenging year and planned for it accordingly, but the Company is closing the year confident in its strategy, business model, management and competitive edges. It is also maintaining its efforts to mitigate the effects of macroeconomic problems, planning for a worsening political crisis and economic deterioration.

ECONOMIC AND FINANCIAL PERFORMANCE

Consolidated net income	4Q13	4Q14	4Q15	▲%	2013	2014	2015	▲%
Gross revenue	288,373	318,894	332,548	4%	1,053,849	1,200,814	1,345,015	12%
Net revenue	229,731	258,077	259,482	1%	834,032	949,147	1,060,395	12%
Gross profit	89,870	102,659	95,837	-7%	303,753	357,218	396,202	11%
Gross margin	39.1%	39.8%	36.9%	-2,9 p.p.	36.4%	37.6%	37.4%	-0,2 p.p.
Operating expenses	(42,821)	(46,135)	(67,309)	46%	(166,161)	(206,484)	(261,797)	27%
Sales	(34,966)	(42,735)	(62,681)	47%	(126,984)	(163,542)	(214,205)	31%
General and administrative	(7,013)	(6,527)	(9,057)	39%	(28,410)	(30,461)	(34,568)	13%
Other income (expenses)	(842)	3,127	4,429	42%	(10,767)	(12,481)	(13,024)	4%
EBIT	47,049	56,524	28,528	-50%	137,592	150,734	134,405	-11%
EBIT Margin	20.5%	21.9%	11.0%	-10,9 p.p.	16.5%	15.9%	12.7%	-3,2 p.p.
Financial income	(634)	2,872	(15,909)	-654%	(18,468)	(21,206)	(58,024)	174%
Tax on net income	(7,060)	(13,123)	(279)	-98%	(28,538)	(36,044)	(23,708)	-34%
Net income	39,322	46,273	12,340	-73%	90,511	93,484	52,673	-44%
Net Margin	17.1%	17.9%	4.8%	-13.2 p.p.	10.9%	9.8%	5.0%	-4.9 p.p.
EBITDA	53,304	62,910	37,690	-40%	156,035	175,971	166,748	-5%
EBITDA Margin	*23.2%*	*24.4%*	*14.5%*	-9,9 p.p.	*18.7%*	*18.5%*	*15.7%*	-2,8 p.p.

Net Revenue

Consolidated net revenue surpassed one billion in 2015, 12% more than the R$ 949 million in 2014, with volume rising 15%. The growth resulted from projects to expand its own stores, implement distribution centers (service revenue) and sales of the Pointer brand, combined with exports and maintaining its unique commercial strategy, with targeted sales campaigns.

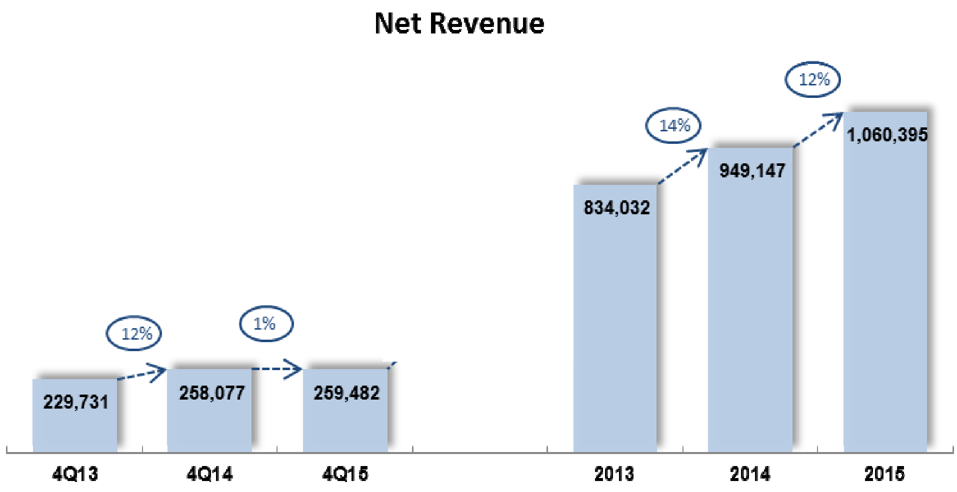
Domestic net revenue accounted for 86% of the total, rising by 9% over 2014, driven by the retail and engineering channels. Abramat announced that the civil construction sector contracted by 13% and domestic retail consumption by 5%. Despite this, the Company capitalized on opportunities in the segment, growing and gaining market share.

Driven by a better exchange rate, Portobello's net overseas revenue rose by 43% over FY 2014.

Net revenue	4Q13	4Q14	4Q15	▲%	2013	2014	2015	▲%
Domestic Market	206,552	223,272	218,359	-2%	757,156	845,782	912,806	8%
Overseas Market	23,179	34,805	41,123	18%	76,876	103,365	147,589	43%
Total	229,731	258,077	259,482	1%	834,032	949,147	1,060,395	12%

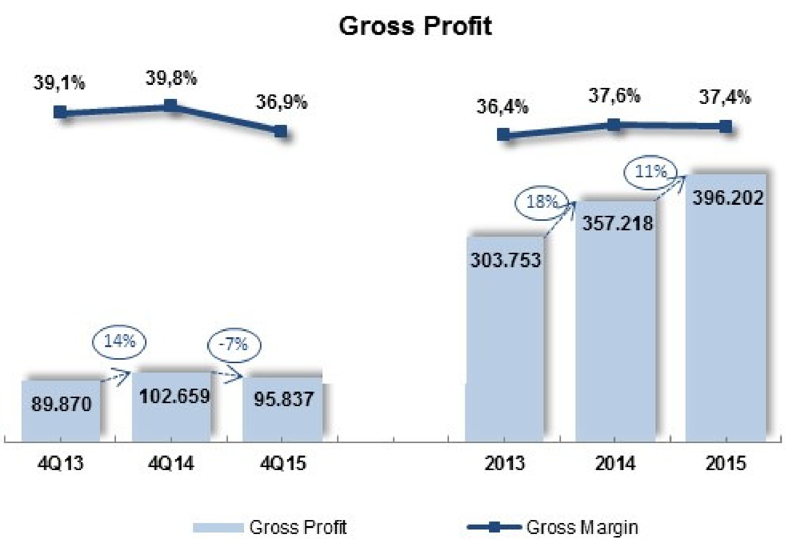
Financial Statements

In thousands of Reais, unless stated otherwise



Gross Profit

Gross Profit totaled R$ 396 million in 2015, growth of 11%, and the gross margin shrank by 0.5 percent. This was due to the combination of different situations faced by the two manufacturing plants. The plant in Santa Catarina state is experiencing a tangible improvement in manufacturing performance, evidenced by greater cost efficiency despite inflation, lower physical consumption and higher production volumes. During this initial stage, the new plant in Alagoas Is reaching maturity, still facing challenges in terms of sales volume and stabilizing costs and processes.



Operating Income

Sales expenses amounted to R$ 214 million in FY 2015, 27% greater than 2014, primarily due to distribution and logistics projects, with the opening of distribution centers and expansion of its Portobello Shop franchising network. CIF (Cost, Insurance and Freight) sales, which account for 2% of consolidated net revenue, generated freight expenses of approximately R$ 23 million, or 11% of the total sales expenses in the year.

Sales expenses account for 20% of net revenue and denote the new normal levels expected for commercial expenses.

Financial Statements

In thousands of Reais, unless stated otherwise

Administrative expenses amounted to R$ 35 million, 13% more than in 2014 and remaining at 3% of net revenue.

Operating expenses	4Q13	4Q14	4Q15	▲%	%RL	2013	2014	2015	▲%	%RL
Sales	(34,966)	(42,735)	(62,681)	47%	24%	(126,984)	(163,542)	(214,205)	31%	20%
General and administrative	(7,013)	(6,527)	(9,057)	39%	3%	(28,410)	(30,461)	(34,568)	13%	3%
Other income (expenses)	(842)	3,127	4,429	42%	-2%	(10,767)	(12,481)	(13,024)	4%	1%
Total	(42,821)	(46,135)	(67,309)	46%	26%	(166,161)	(206,484)	(261,797)	27%	25%

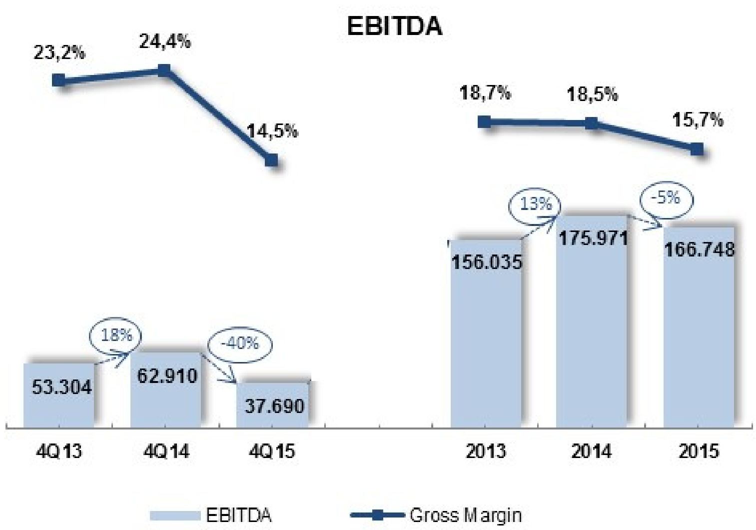
Other net operating expenses of R$ 13 million primarily consist of profit-sharing and preoperating expenses of the north-east plant.

EBITDA

The Company closed 2015 with a cash generation, as measured by EBITDA, of R$ 167 million, a decrease of 5% over 2014, and a margin of 16%. This decrease was primarily due to the bedding in of new business lines (Pointer brands, own stores and distribution centers).

If the preoperational expenses of the new plant in Alagoas were disregarded, the EBITDA would be R$ 174 million, a decrease of 3% over 2014.

EBITDA	4Q13	4Q14	4Q15	▲%	%RL	2013	2014	2015	▲%	%RL
Net income	39,318	46,268	12,335	-73%	5%	90,496	93,464	52,652	-44%	5%
(+) Financial income/expense	634	(2,872)	15,909	-654%	6%	18,468	21,206	58,024	174%	5%
(+) Depreciation and amortization	6,292	6,391	9,167	43%	4%	18,533	25,257	32,364	28%	3%
(+) income and social contribution taxes	7,060	13,123	279	-98%	0%	28,538	36,044	23,708	-34%	2%
EBITDA	53,304	62,910	37,690	-40%	15%	156,035	175,971	166,748	-5%	16%
(+) Pre-Op. Alagoas Plant	-	117	430	268%	0%	-	3,650	7,529		1%
Adjusted EBITDA	53,304	63,027	38,120	-40%	15%	156,035	179,621	174,277	-3%	16%



Net Income

The net income for the year was R$ 53 million, down by 44% over 2014, primarily due to the financial cost of the debt and the impact of exchange variance on the foreign currency portion of the debt.

Financial Statements

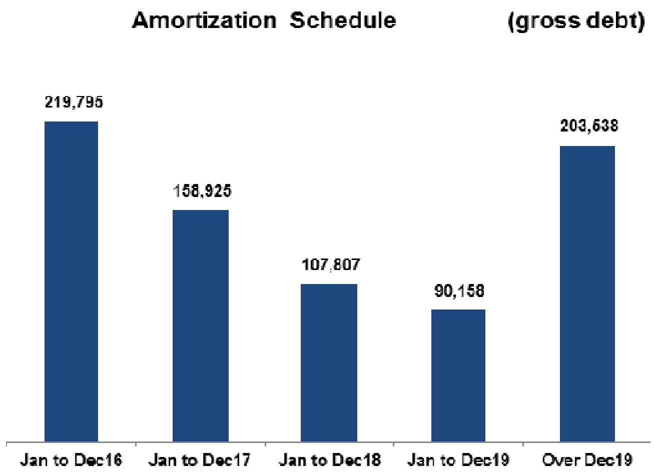
In thousands of Reais, unless stated otherwise

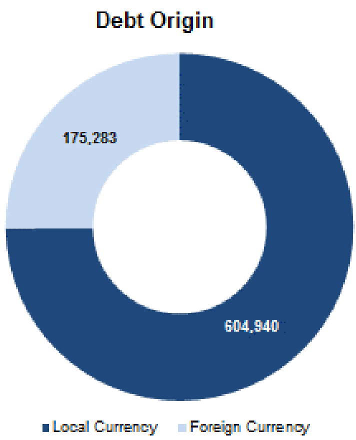
INDEBTEDNESS / CAPITAL STRUCTURE

In nominal terms, the Company's net debt was R$ 502 million at the end of December 2015, equal to 3.0x the EBITDA of the past twelve months and 2.2x the shareholders' equity. This increase of R$ 151 million in the debt compared with 2014 is related to the investment in expansions, mainly in the north-east plant. The gross debt stood at R$ 780 million, with approximately 28% maturing in the short term and 72% in the long term. In December 2015 the Company issued R$ 200 million of debentures intended to lengthen the Company's debt and preserve its financial liquidity.

Debt	Dec-13	Dec-14	Dec-15	▲R$
Bank	293,134	447,368	697,728	250,360
Tax	116,696	84,760	82,495	(2,265)
(=) Total debt	409,830	532,128	780,223	248,095
(+) Cash and cash equivalents	(57,677)	(92,383)	(193,968)	(101,585)
(+) Related-party credits	(94,540)	(88,893)	(84,601)	4,292
(=) Total net debt	257,613	350,852	501,654	150,802
EBITDA (last 12 months)	156,125	175,997	166,748	(9,249)
(=) Net debt / EBITDA	1.65	1.99	3.01	-
(=) Net debt / SE	1.34	1.48	2.16	-

The gross bank debt as of December 31, 2015 stands at R$ 698 million, compared with R$ 447 million as of December 31, 2014.



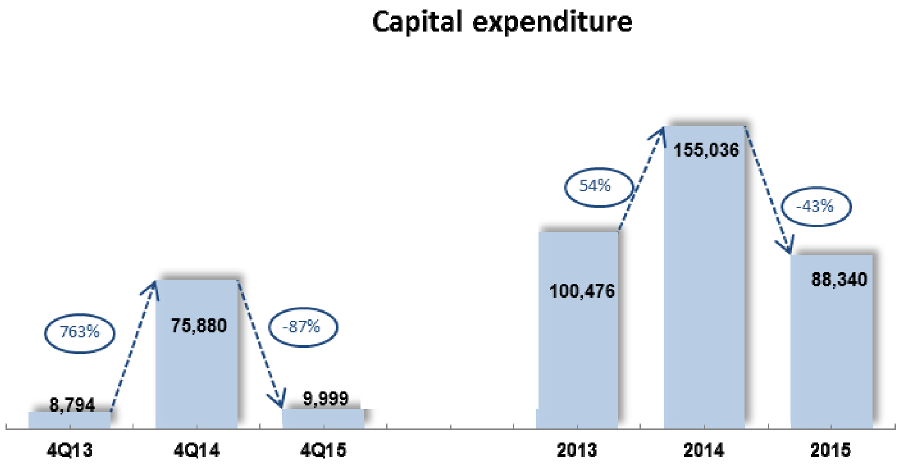


INVESTIMENTOS

In 2015, the investments in fixed assets amounted to R$ 88 million and primarily refer to the expansion program involving the construction of the plant in the north-east of Brazil.

Financial Statements

In thousands of Reais, unless stated otherwise

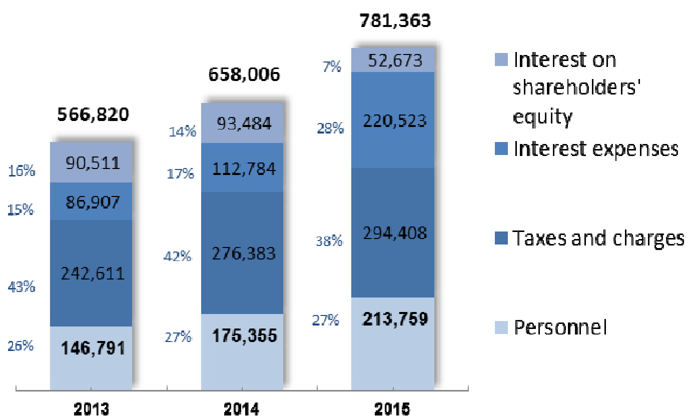


In order to sustain its growth projects, the Company has been investing in a new logistics market by creating distribution centers in strategic locations, and now has one in the state of Pernambuco, three in the state of São Paulo (Rio Claro, Itapecerica and Jundiaí) and one in the state of Rio de Janeiro and one in Paraná state, which came into operation in December. New distribution centers do not require a capital disbursement, rather an increase in commercial expenses, as they are created in partnership with logistical operators.

SHAREHOLDER PAYMENTS

On August 05, 2015 the Company's Board of Directors resolved and approved the payment in FY 2015 of R$ 5,940 as interest on shareholders' equity, which started on September 21, 2015 and amounted to R$ 0.037484 per common share. The total amount paid out constitutes a yield (dividend per share divided by closing share price) of 1.62%.

Management will propose to distribute total dividends of 25%. The amount payable is R$ 7,269 thousand, where the payment date will be resolved after the Annual General Meeting. The total remuneration to be distributed to the shareholders for FY 2015 is therefore R$ 12,505 thousand.



Financial Statements

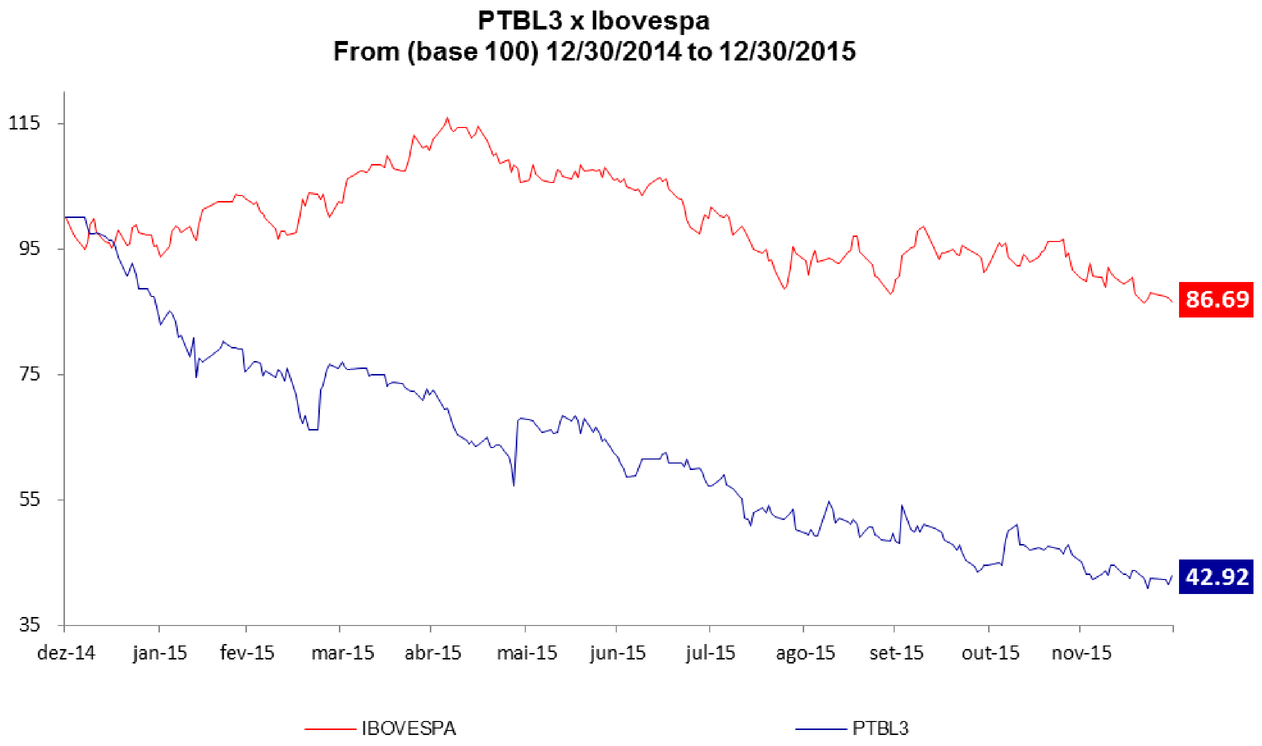
In thousands of Reais, unless stated otherwise

SHARE PERFORMANCE PTBL3

The common shares issued by PBG S.A., traded on BM&FBovespa under the code PTBL3, closed the last auction of December 2015 at R$ 2.06, resulting in a devaluation of 57% in the last twelve months, while Ibovespa dropped 13%.

The average financial volume traded in the last twelve was R$ 4.7 million, down by 61% compared with the R$ 12 million in the same period of 2014.

At the end of 2015, Portobello had a market value equal to R$ 326 million (R$ 761 million as of December 31, 2014).



OUTLOOK

- The Company believes the challenging economic situation will persist in 2016. In line with sector indicators, the real estate sector is expected to contract, which will primarily impact sales through our engineering channel. We have also noticed negative signals in the construction materials retail sector, which could affect the Company's earnings.
- To counter this Management has been implementing initiatives to maximize the profitability of existing assets and focus on existing competitive edges.
- Management will continue implementing actions by way of its commercial policies and product and channel mix management to mitigate the effects of the crisis, in addition to its expense containment plans, cost enhancement and investment reductions, seeking to readjust its structure to achieve the planned results.
- The Company also foresees challenges to keep its production costs in check in 2016, due to the increase in the exchange rate and cost inflation.
- Exports constitute the main alternative for mitigating domestic woes and are expected to rise in 2016, due to the greater competitiveness of our products, triggered by devaluation of the Brazilian real.
- Portobello Shop is maintaining its expansion plans, and aims to achieve the milestone of 157 stores by the end of 2016;

Financial Statements

In thousands of Reais, unless stated otherwise

- The Company believes that throughout 2016 the plant in Alagoas, via its Pointer brand, will reach maturity and continue making a substantial contribution to consolidated earnings.

INDEPENDENT AUDIT

Portobello's policy in relation to its independent auditors regarding services provided not related to the independent audit of the financial statements is underpinned by principles that uphold professional independence. These principles state that the auditor should not check their own work, carry out managerial activities or serve as an attorney for their client. In FY 2015 the Company did not engage independent auditors for other services not related to the independent audit.

MANAGEMENT COMPOSITION

Board of Directors

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

Executive Board

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

TELECONFERENCE WITH WEBCAST

A teleconference in Portuguese will take place on Thursday March 17, 2016 to present the earnings figures for 2015.
Time: 9h30 (Brasília time).

Connection Details
Tel.: +55 11 3193-1001
Password: PORTOBELLO
Supporting material: www.portobello.com.br/ri

For those unable to attend the teleconferences live we will provide a full audio recording, which can be directly accessed on the company site (www.portobello.com.br/ri).

See the Investor Relations site: *www.portobello.com.br/ri*

Financial Statements

In thousands of Reais, unless stated otherwise

1 Reporting entity

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

On December 07, 2015 the Extraordinary General Meeting resolved to change the Company's name from Portobello S.A. to PBG S.A., in order to streamline the company's structure and enhance administrative processes.

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

In addition, the Company holds shareholding interest in subsidiaries: (i) Portobello América, which was established for the purpose of selling Portobello products in the North-American market and is currently idle; (ii) Mineração Portobello, which is responsible for providing part of raw material used for ceramic coating production; (iii) PBTech, which is responsible for managing own Portobello Shop stores and, currently, manages seven stores; (iv) Portobello Shop, administrator of Portobello Shop and Empório Portobello store franchise chain, chain of 143 franchised stores specialized in porcelain floor tiles (porcellanato) and ceramic coatings; and (v) Companhia Brasileira de Cerâmica responsible for the operations in northeast region, whose operations were taken over by the parent company in December.

2 Presentation of the financial statements

a) Statement of compliance with IFRS and CPC standards

These financial statements include:

- Consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices generally accepted in Brazil (BR GAAP); and

- The individual financial statements of the parent company prepared in accordance with accounting practices generally accepted in Brazil (BR GAAP).

The difference in the presentation between the individual and consolidated statements is the recording of the provision for investment losses, which is not required under IFRS.

The recording of negative equity is the reason why the statements are not being presented in dual compliance.

These financial statements have been prepared in accordance with the standards issued by the Brazilian Securities Commission (CVM) that apply to the preparation of Financial Statements (DFP).

The Board of Directors approved the issuance of the individual and consolidated financial statements on March 10, 2016.

Financial Statements

In thousands of Reais, unless stated otherwise

b) Basis of measurement

The individual and consolidated financial statements have been prepared on the historical cost basis, except for the following items recognized in the financial statements:

- the defined-benefit actuarial asset which is recognized as a plan asset, plus actuarial losses, less gains and the present value of the defined-benefit obligation, which is limited, as stated in note 3.18.

- derivative financial instruments are measured at fair value

c) Functional and presentation currency

These individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries, except the functional currency of subsidiary Portobello América, Inc., which is the US dollar, translated to reais at the reporting date, as stated in note 3.3 b). All financial information presented in reais has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgements

Preparing the individual and consolidated financial statements in accordance with IFRS and CPC standards requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements and estimates regarding the accounting policies adopted that significantly affect the amounts stated in the individual and consolidated financial statements can be seen in note 4.

e) EmpresasNet (ENET) system

Note that in the table "Statement of Changes in Shareholders' Equity" of the CVM's "EmpresasNet - ENET" System, the equity appraisal adjustment has been recorded under "Other Comprehensive Income" despite the fact it does not relate to this item, as there was no other more suitable option for presenting this transaction in the CVM's standard statement.

3 Significant accounting policies

The main accounting policies used to prepare these consolidated financial statements are as follows. These policies were consistently applied to all the years presented, unless stipulated otherwise.

Financial Statements

In thousands of Reais, unless stated otherwise

3.1 Consolidation

3.1.1 Consolidated financial statements

a) Subsidiary

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, and in which it generally holds over half the voting rights (voting stock). The existence and the effect of possible voting rights currently exercisable or convertible are taken into account when evaluating whether the Company controls another entity. Subsidiaries undergo full consolidation from the date on which their control is transferred to the Company and cease to be consolidated when this control no longer exists.

The Company has the following equity interests in its subsidiaries as of December 31, 2015: Portobello América, Inc. 100%, PBTech Com. Serv. Revest. Cer. Ltda 99.94%, Portobello Shop S/A 99.90%; Mineração Portobello Ltda 99.76% and Companhia Brasileira de Cerâmica 98.00%.

Operations between the Company and its subsidiaries, in addition to balances, gains and losses not realized in these operations, have been eliminated for the purpose of preparing the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

b) Transactions with minority interests

The Company and its subsidiaries address transactions with minority interest the same as transactions with owners of assets classified as related parties. For acquisitions of minority interests, the difference between any consideration paid and the portion of the book value of the subsidiary's net assets acquired is recorded in the shareholders' equity. Gains or losses on sales to minority interests are also recorded in the shareholders' equity.

3.1.2 Individual Financial Statements

In the individual financial statements, the subsidiaries are accounted for under the equity method. Under this method, the investment is initially recognized at cost and subsequently adjusted for the recognition of the interest attributed to the Company in changes to the investee's net assets. Adjustments to the investment's carrying amount are also required due to recognizing the Company's proportional interest in changes in the balances of components comprising the investee's equity appraisal adjustments, directly recognized in its shareholders' equity. These changes are recognized reflectively, i.e. as an adjustment to the equity appraisal directly in shareholders' equity.

When using the equity income method, the portion of the subsidiaries' earnings allocated to dividends is recognized as dividends receivable in the current assets. The investment is therefore stated net of the dividend proposed by the subsidiary. Dividend revenue is not therefore recognized.

3.2 Segment reporting

Operating segments are reported consistently with the internal reports provided to the main operating decision takers. The main taker of operating decisions, responsible for allocating funds and evaluating the performance of operating segments, is the Executive Board, which is also responsible for taking the Company and its subsidiaries' strategic decisions.

3.3 Foreign currency translation

a) Transactions and balances

Foreign-currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction or valuation dates, on which the items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized as finance income in profit or loss, as described in note 35.

b) Subsidiaries

Foreign currency assets and liabilities (US dollars) recorded by the overseas subsidiary were translated to Reais at the exchange rate In force at the closure of the balance sheet, and the earnings were translated by average monthly exchange rates. Exchange variance on overseas investment was recorded as an accumulated translation adjustment in shareholders' equity under "Equity appraisal adjustments".

3.4 Financial Assets

3.4.1 Classification

The financial assets are classified in the following categories: loans and receivables, held-to-maturity, financial assets measured at fair value through profit or loss (held for trading) and financial assets available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period (in which case they are classified under noncurrent assets). The Company and its subsidiaries’ loans and receivables consist of trade accounts receivable, cash and cash equivalents and credits against subsidiaries.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash, checking account balances, other liquid call deposits with maturities of three months or less from the acquisition date, that are readily convertible into a known amount of cash and subject to an insignificant risk of impairment.

ii) Trade accounts receivable

Trade accounts receivable consists of amounts owed by customers for goods or services acquired in the normal course of business of the Company and its subsidiaries, and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less an allowance for doubtful accounts. Usually, in practice, they are recognized at the amount billed, adjusted by the provision for impairment, when necessary. If collection is expected in one year or less (or other term compatible with the Company and its subsidiaries' normal cycle), the accounts receivable is classified in current assets, otherwise they are presented in noncurrent assets.

The allowance for doubtful accounts is recorded if there exists objective evidence that the Company and its subsidiaries may not be able to receive all amounts due by the original deadlines of the accounts receivable. The allowance for doubtful accounts is calculated as sufficient to cover probable losses in the settlement of accounts receivable considering the situation of each client and respective guarantees offered.

b) Derivative financial instruments

Derivatives are measured initially at fair value; any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recorded in profit or loss.
The Company holds derivative financial instruments consisting of operations contracted to hedge its foreign currency and interest risk exposures posed by debt and future commitments. The Company does not carry out speculative financial transactions with derivatives or any other risk instrument.

c) Measured at fair value through profit or loss

Financial assets measured at fair value through profit and loss are financial assets held for active and frequent trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term and classified as current assets. Gains or losses deriving from changes to the fair value are stated in profit or loss under “financial gain/losses” in the period they occur in.

i) Short-term investments and derivatives

Short-term investments are recorded at acquisition cost and measured at fair value on the reporting date. The changes in fair values are recorded in profit and loss when applicable.

3.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase or sell the asset Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred to the Company; in the latter case, providing the Company has substantially transferred all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Subsequent to initial recognition, held-to-maturity loans and receivables and investments are measured at amortized cost using the effective interest method, less any impairment losses.

3.5 Impairment of financial assets

At the end of each year the Company and its subsidiaries assess whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor
ii) a breach of contract, such as a default or delinquency in interest or principal payments
iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization
iv) the disappearance of an active market for that financial asset because of financial difficulties; or
v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

3.6 Inventories

Stated at the lower of the cost and the net realizable value. The cost is determined by the average weighted variable cost. The cost of finished goods and goods in process consists of raw materials, direct labor, other direct costs and general production expenses (based on normal operational capacity), except for the costs of loans obtained. The net realizable value is the estimated sale price for the normal course of business, minus manufacturing costs and sales expenses.

3.7 Court deposits

The balances of court deposits are restated monetarily by the savings rate and recorded under noncurrent assets.

3.8 Eletrobrás Receivables

Eletrobrás receivables are a certainty and are recognized based on the calculation performed by the federal justice court treasury and are restated for inflation, plus 12% per annum as detailed in note 15.

3.9 Investment

The investments in subsidiaries are valued by the equity income method and recognized in profit or loss for the year as operating revenue or expenses. In the event of exchange variance on the investment in the subsidiary Portobello América Inc., the changes in investment deriving exclusively from exchange variance are recorded in the account "Equity appraisal adjustments" in the Company's shareholders' equity, and are only recorded in profit or loss for the year, when the investment is sold or written off as a loss.

The provision for investment losses is made when investment losses occur at subsidiaries exceeding the limit of the investment's carrying amount. The Company classifies the provision in noncurrent liabilities under "Provision for investment losses", and the counter entry of the provision is recorded under "Equity income" in profit and loss. Other investments are recognized at historical cost and adjusted for the impairment provision, in the event evidence exists of impairment. (Note 19).

3.10 Property, plant and equipment

Property, plant and equipment is recorded at deemed cost less accumulated depreciation. The counter entry of the revaluations is charged to an account of shareholders' equity and deferred taxes in noncurrent liabilities. In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of replaced items or parts is derecognized. All other repairs and maintenance are charged to production cost when incurred.
Depreciation is calculated using the straight-line method to allocate their costs down to their residual values over their estimated useful life, according to the depreciation rate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “Other operating revenue (expenses), net” in the statement of income.

3.11 Intangible assets

Intangible assets record rights over items lacking physical substance, like trademarks and patents, expenses on implementing software and management systems, mine exploration rights and goodwill. They are initially stated at acquisition or formation cost and subsequently deducted for accumulated amortization and impairment losses, when applicable. They are therefore stated at acquisition cost, combined with the annual amortization rates mentioned in note 21, calculated by the straight line method, taking into account the useful life defined for the asset.

The Company and its subsidiaries determine the useful life of trademarks and patents and goodwill as indefinite. An analysis of all material factors found that these assets did not present foreseeable limits for the period during which the assets are expected to generate net cash flows for the entities.

An intangible asset with an indefinite useful life is tested for impairment by comparing its recoverable value against its respective carrying amount. The procedure is performed annually whenever there are signs the intangible assets have lost economic substance, as required by CPC 01 - Asset Impairment.

3.12 Leases

Leases of property, plant and equipment where the Company and its subsidiaries have substantially all the risks and rewards of ownership are classified as finance lease under "Loans and financing", and recorded as a financed purchase, recognizing, at their start, an item of property, plant and equipment and a financing liability at fair value and subsequently amortized cost. The property, plant and equipment acquired under finance leases is depreciated at the usual rates described in 20.

Leases where part of the risks and rewards of ownership stay with the Company and its subsidiaries are classified as operating leases. Operating lease expenses are appropriated to profit and loss by the straight-line method over the term of the lease.

3.13 Impairment of non-financial assets (except inventory and deferred income and social contribution taxes)

Assets that are subject to depreciation and amortization are reviewed for impairment annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. This value is the higher between the fair value of an asset, minus selling costs, and its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). Non-financial assets that are subsequently reviewed for possible reversal of the impairment at each reporting date.

3.14 Trade accounts payable

Trade payables are obligations payable to suppliers for goods and services acquired in the normal course of business, and are classified as current liabilities if the payment is due within a year. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the related invoice.

3.15 Loans, financing and debentures

These are initially recognized at fair value, upon receipt of the funds, net of transaction costs. They are then stated at amortized cost, i.e. including charges and interest proportional to the period incurred (*pro rata temporis*).

They are classified as current liabilities unless the Company and its subsidiaries have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.16 Provisions for contingencies and contingent assets and liabilities

A provision for contingencies is recognized when the Company has a legal or unofficial obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, which can be reliably estimated. Provisions are measured by the present value of the expenses necessary to settle the obligation and are valued individually by the Company's legal advisers which rate them according to the expected chances of success. Any increase in the obligation over the course of time due to monetary restatement is recognized as a financial expense.

Contingent liabilities rated as a possible loss are not recognized in the accounting records, and are only reported in the notes to the financial statements. Contingent liabilities rated as a remote loss are neither provisioned for nor reported.

Asset contingencies are not recognized, unless the Company believes victory is a foregone conclusion or there are there are guarantees or favorable court rulings, which cannot be appealed further.

3.17 Current and deferred income and social contribution taxes

Current income and social contribution taxes are calculated based on effective income tax (25%) and social contribution (9%) rates on net income adjusted pursuant to the existing legislation. The offsetting of tax loss carryforwards and the negative base of social contribution is limited to 30% of the taxable income.

Deferred income and social contribution tax credits derive from tax loss carryforwards, negative bases of social contribution and temporary differences. Deferred income and social contribution tax liabilities derive from the revaluation of property, plant and equipment and temporary liability differences. The credits take into account the expected future generation of taxable earnings and are calculated at the rates currently in force under the tax legislation and are recorded until they are deemed realizable based on estimates prepared by the company.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same tax authority on the same entities subject to taxation.

3.18 Employee benefits

a) Private pension plan

The Company sponsors a defined contribution characteristic, but offers minimal retirement benefit for length of service or age (defined benefit components). A defined-contribution plan is a pension plan under which a Company pays fixed contributions to a separate entity and incurs no legal or constructive obligations to make contributions if the fund does not have sufficient assets to pay all employees the benefits related to the employee's service in the current and previous period. A defined-benefit plan is different to a defined-contribution plan. Defined-benefit plans generally establish a retirement benefit which the employee will receive upon retirement, which is normally determined by one or more factors, such as age, length of service and compensation.

The defined-benefit obligation is calculated annually by independent actuaries by the projected unit of credit method. The present value of the defined benefit obligation is determined by discounting future estimated cash disbursements using interest rates in line with market yields, which are denominated in the currency in which benefits are paid and have maturity terms close to those of the respective pension plan obligation. The liability recognized in the statement of financial position is the present value of the defined-benefit obligations established at the reporting date, less the fair value of the plan's assets, with the past service adjustments not recognized. When the calculation produces a benefit for the Company, the asset to be recognized is limited to the total of any past service costs not recognized and the present value of economic benefits available in the form of future reimbursements under the plan or decrease to the plan's future contributions.

The actuarial gains or losses arising from the adjustments based on experience and changes in actuarial assumptions are recorded in shareholders' equity as other comprehensive income, in "Equity appraisal adjustments".

Past service costs are immediately recognized in profit and loss, unless the pension plan changes are conditional on the employee remaining in their job for a specific period of time (the period during which the right is vested). In this case, past service costs are amortized by the straight line method during the period over which the right was vested.

In relation to defined-contribution plans, Company does not have any additional payment obligations after the contribution has been made. Contributions are recognized as an employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future current payments is available.

b) Profit-sharing plan

Profit shares are recognized monthly in current liabilities under "Other" and in profit or loss under "Other operating expenses". It is calculated by a formula which considers 80% of the profit before budgeted taxes and interest.

c) Long-term incentive

The Company operates a long-term incentives plan, under which the Company receives services from employees in exchange for cash payments. The fair value of the employee's services received in exchange for cash is recognized as an expense. The total amount to be recognized as an obligation is determined annually based on the following matters: EBITDA growth and the ration between EBITDA and the Company's net debt (note 30). The total value of the expenses is recognized during the vesting period; during which the specific acquisition conditions have to be met. At the reporting date the Company reviews its estimates based on the right acquisition conditions and recognizes the impact of its initial estimate review, if applicable, on the income statement, with a corresponding adjustment in liabilities.

3.19 Capital

The Company's share capital consists solely of common shares and has been classified in shareholders' equity as per 31.

3.20 Distribution of dividends and interest on shareholders' equity

Dividends paid to the Company's stockholders are recognized as a liability in the company's financial statements at the end of the year, pursuant to its bylaws. Any amount in excess of the mandatory minimum is only provisioned for on the date they are approved by the shareholders at the general meeting.

The tax incentive for interest on shareholders' equity is recognized in profit or loss.

3.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Company and its subsidiaries' activities. Revenue is stated net of tax, returns, rebates and discounts and after eliminating intercompany sales between the Company and its subsidiaries.

Sales revenue is recognized upon physical delivery of the goods or services, transfer of ownership and when all of the following conditions have been met: a) the client assumes significant risks and rewards deriving from ownership of the goods; b) the value of the revenue can be measured with certainty; c) the recognition of accounts receivable is probable; and d) the costs incurred or to be incurred referring to the transaction can be measured with certainty.

a) Sale of products - wholesale

The Company produces and sells a range of ceramic tiles in the wholesale market. Product sales are recognized when the Company delivers a product to the wholesaler, which then has full control over the product's channel and retail price, and there is no unsatisfied obligation that could affect the acceptance of the products by the wholesaler. Delivery does not occur until: (i) the products have been shipped to the specified location; (ii) the risks of obsolescence and loss have been transferred to the wholesaler; (iii) the wholesaler has accepted the products pursuant to the sale contract; and (iv) the acceptance terms have been agreed, or the Company has objective evidence that all acceptance criteria have been met.

Ceramic tiles are occasionally sold at discounts for volume. Clients are entitled to return defective products in the wholesale market. Sales are recorded based on the price specified in the sale contracts. Sales are made with payment terms that vary according to the type of client (Home Centers, Construction firms, Franchises), that are not financing and are consistent with market practices; these sales are not therefore discounted to present value.

b) Royalties revenue

Royalties revenue is recognized on the accrual basis, according to the essence of the applicable contracts.

c) Financial revenue

Interest income is recognized on the accrual basis, using the effective interest method, and is recognized according to the expected realization.

3.22 Statement of added value

The Group prepared individual and consolidated statements of added value (DVA) in accordance with technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP applicable to publicly held companies, while consisting of supplementary financial information under IFRS.

3.23 Finance expenses

Financial expenses consist of interest expenses on loans and financing, monetary variance on accounts payable to suppliers, exchange variance on loans and financing, restatement of financed taxes and discounts awarded to clients. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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

Pronouncements applicable to the Company from January 1, 2016

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

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

Pronouncements applicable to the Company from January 01, 2017

• IFRS 15 — Revenue from Contracts with Customers This pronouncement establishes principles for an entity to recognize income from transfer of products or services in the amount that reflects what the entity expects to receive in exchange for delivered product or rendered service. This rule also establishes 5 steps for income recognition. In addition, it provides instructions on disclosure of information to users about the nature, quantity, timeliness and uncertainty of income and cash flow deriving from contracts of the entity with clients. The Company is evaluating the possible effects from the implementation of the aforementioned pronouncement.

Pronouncements applicable to the Company from January 1, 2019

The Company is evaluating the impacts that the following standards will have on its financial statements.

IFRS 16 - Leasing: specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. There are no substantial changes for lessors, who shall continue to classify leases as operating or finance, as per IFRS 17.

3.25 Reclassifications referring to FY 2014

a) Other net gains (losses)

In the presentation of the financial statements as of December 31, 2015, the Company reclassified from the item "Other net gains (losses)" as of December 31, 2014 the amount of R$ 6,933 (Parent company and consolidated) originally presented in the statement of income for the year under operating income, before financing, to the specific item in finance income "Net Exchange Variance". This amount was reclassified to facilitate a comparison against the presentation of such operations as of December 31, 2015, as disclosed in note 35. There was no change in the total net income for the year ended December 31, 2014.

b) Trade payables

In the presentation of the financial statements as of December 31, 2015, the Company reclassified from supply loan assignments as of December 31, 2014 the amount of R$ 23,703 (Parent company and consolidated) originally presented in the statement of financial position under trade payables to the specific item in current liabilities "supplier credit assignment" to facilitate a comparison against the presentation of such operations as of December 31, 2015, as disclosed in note 22. There was no change to the total current liabilities originally presented of R$ 454,415 (parent company) and R$ 463,239 (consolidated) as of December 31, 2014.

4 Critical accounting estimates and judgments

4.1 Estimates

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

a) Revision of useful life and asset recovery

The company tests its assets for impairment whenever events or circumstantial changes indicate that the carrying amount of an asset or group of assets may not be recovered based on the future cash flows. If the carrying amount of these assets is greater than its recoverable amount, the net value is adjusted, and its useful life readjusted accordingly.

b) Provisions for contingencies

The Company is party to labor, civil and tax proceedings at several courts. The provisions for contingencies made to cover potential losses deriving from proceedings in progress are established and restated based on the opinions of management, supported by its legal advisers, and require a considerable degree of judgement regarding the matters involved.

c) Provisions for inventory losses

The provision for inventory for potential losses is made when, according to management estimates the items are defined as discontinued or slow-moving, and when inventory items have a cost higher than the net realizable value.

d) Deferred income and social contribution taxes

Deferred tax assets and liabilities are record on temporary differences and tax losses between the financial statements and tax basis. If the Company and its subsidiaries operate at a loss, are unable to generate sufficient future taxable earnings or there is a material change in the current tax rates or time period in which the underlying temporary differences become taxable or deductible, it will be necessary to reverse a significant part of our deferred tax assets, which could result in the effective tax rate rising.

e) Private pension plan

The current value of retirement plan obligations depends on a series of factors that are determined based on actuarial calculations, which rely on a series of assumptions. The assumptions used to determine net cost (revenue) for pension plans include the discount rate. Any changes in these assumptions will affect the carrying amount of pension plan obligations.

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of future estimated cash outflows necessary to settle pension plan obligations. Upon determining the appropriate discount rate, management uses the interest rates of high-quality private securities, which are maintained in the currency the benefits will be paid in and have maturity terms similar to the terms of the respective pension plan obligations.

Other important assumptions for pension plan obligations are partly based on current market conditions. Further Information can be seen in Note 29.

4.2 Critical accounting judgements

a) Eletrobrás Receivables

Eletrobrás receivables are recognized based on the opinion of the Company's legal advisers and supported by the fact the case is final and unappealable, where the award is currently being calculated. The figures have been determined by the Federal Justice accounting department, subject to the specifications of the judgement and the grounds observed by the presiding judge. The legal advisers therefore state that the amounts claimed will almost certainly be awarded.

b) Credits with other related parties with guarantees

The receivables against Refinadora Catarinense is recognized based on the value of the contract with the counterparty and the value of the guarantees submitted. The credits assigned as guarantee have been converted into government securities and included in the federal government's budget. Refinadora Catarinense S/A has paid four instalments (out of a total of ten, as per the contractual provision). One was paid in August 2011, one in March 2013, one in April 2014, and one in December 2015 in the amounts of R$ 8,505, R$ 9,824, R$ 9,995 and R$ 10,000, respectively.

c) Tax Financing - Law 470

The value of the financing under Law 470 was based on the opinion of its legal advisers that the Company will have its settlement application accepted.

The Company has applied for legal relief to obtain judicial ratification of the financing provided for by Law 470. This case - Writ of Mandamus - has a virtually certain outcome, according to the Company's legal department and two specialized law firms (Demarest Almeida and Souza Cescon). 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.

Financial Statements

In thousands of Reais, unless stated otherwise

d) ICMS tax incentives

The Company has an ICMS tax incentive called PRODEC - Development Program of Empresa Catarinense - awarded by the Santa Catarina state government, as described in note 23a). The Supreme Federal Court - STF has delivered decisions in Direct Actions, declaring the unconstitutionality of several state laws that awarded ICMS tax incentives without a prior arrangement between the States. Although it does not have ICMS tax incentives examined by the STF, the Company and its legal advisers have been monitoring the development of this matter before the courts to determine any impacts on its operations and consequent impacts on its financial statements.

In Alagoas state, the Company has the tax incentive PRODESIN - Integrated Development Program. The PRODESIN tax incentives consist of the deferral of ICMS on domestic and overseas purchases of fixed assets; deferral of ICMS on raw materials acquired domestically or overseas; presumed ICMS credit of 50% (fifty percent) for products of the branch located in the state; deferral for 360 (three hundred and sixty) days of the ICMS to be paid; financing of part of the ICMS owed to the state in up to 84 (eighty-four) monthly instalments, with a grace period of 24 (twenty-four) months for payment of the first instalment.

e) Assessment notice

On December 08, 2014, the Company A was notified about Tax Assessment Notices that formed tax credits for the IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) taxes (as well as monetary penalties and interest), for the calendar years from 2009 to 2013. The Company submitted its defense and is waiting for judgement of its contestation, as explained in note 28a).

5 Financial risk management

5.1 Financial risk factors

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

The management of risk is conducted by the Treasury and Financial Executive Board, under the policies approved by the Board of Directors. The Treasury and the Finance Division identify, evaluate and protect the Company and its subsidiaries against possible financial risks, in cooperation with the operating units. The Board of Directors establishes principles, for global risk management and for specific areas such as exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and cash surplus investment.

a) Market risk

i) Currency risk

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

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

Financial Statements

In thousands of Reais, unless stated otherwise

	In reais			
	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Accounts receivable	47,775	34,118	47,775	34,118
Current account	594	19,475	594	19,475
Credit with subsidiaries	79,947	54,383	-	-
Assets exposed	128,316	107,976	48,369	53,593
Provision for devaluation of investments	(79,676)	(54,128)	-	-
Accounts payable, net of advances	(17,640)	(46,721)	(17,640)	(46,721)
Loans and financing	(175,283)	(136,441)	(175,283)	(136,441)
(-) Swap	76,630	39,160	76,630	39,160
Liabilities exposed	(195,969)	(198,130)	(116,293)	(144,002)
Net exposure	(67,653)	(90,154)	(67,924)	(90,409)

	In Euros				In Dollars			
	Parent Company		Consolidated		Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Accounts receivable	458	293	458	293	9,412	9,387	9,412	9,387
Current account	-	-	-	-	152	7,332	152	7,332
Credit with subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for devaluation of investments	-	-	-	-	(20,392)	(20,378)	-	-
Accounts payable, net of advances	(1,468)	(6,193)	(1,468)	(6,193)	(2,953)	(1,010)	(2,953)	(1,010)
Loans and financing	-	-	-	-	(44,889)	(51,659)	(44,889)	(51,659)
(-) Swap	-	-	-	-	19,624	15,026	19,624	15,026
	(1,010)	(5,900)	(1,010)	(5,900)	(18,572)	(20,828)	(18,654)	(20,924)

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

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

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

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

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

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

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Note 6.

b) Credit risk

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

c) Liquidity risk

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

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

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

	Parent Company							
	December 31, 2015				December 31, 2014			
	Loans and debentures	Financial lease	Supplier and investment payment accounts	Financing of Taxes	Loans and debentures	Financial lease	Supplier	Financing of Taxes
Less than one year	210,808	705	128,623	9,018	172,586	476	157,715	8,300
Between one and two years	252,243	1,124	47,923	18,618	199,094	-	33,287	17,182
Between two and five years	191,774		-	27,927	58,704	-	-	25,773
Over five years	51,303		-	26,375	23,931	-	-	32,932
	706,128	1,829	176,546	81,938	454,315	476	191,002	84,187

*The variance in the loan total presented in this table is due to the Prodec AVP (Adjustment to present value); see note 23a).

	Consolidated							
	December 31, 2015				December 31, 2014			
	Loans and debentures	Financial lease	Supplier and investment payment accounts	Financing of Taxes	Loans and debentures	Financial lease	Supplier	Financing of Taxes
Less than one year	210,808	705	143,310	9,081	172,586	476	158,506	8,358
Between one and two years	253,353	1,124	47,923	18,744	199,094	-	33,287	17,298
Between two and five years	191,774	-	-	28,116	59,705	-	-	25,947
Over five years	51,303	-	-	26,554	23,931	-	-	33,157
	707,238	1,829	191,233	82,495	455,316	476	191,793	84,760

*The variance in the loan total presented in this table is due to the Prodec AVP (Adjustment to present value); see note 23a).

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 as TJLP, CDI and the Selic base interest rate.

As of December 31, 2015 Management considered a CDI rate at 14.14%, TJLP of 7.50% and Selic of

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14.25% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais							
	December 31, 2015	Risk	Probable		Possible (25%)*		Remote (50%)*	
Operation			%	R$	%	R$	%	R$
Investments (yielding 97.22% of CDI)	184,771	Write-off of	14.14%	25,401	10.61%	19,051	7.07%	12,700
	184,771			25,401		19,051		12,700
Operation								
Working capital loans	(15,541)	Increase in	14.14%	(2,197)	17.68%	(2,747)	21.21%	(3,296)
Loans - Export credit note	(164,655)	Increase in	14.14%	(23,282)	17.68%	(29,103)	21.21%	(34,923)
Loans - Trade 4131 Swap	(28,774)	Increase in	14.14%	(4,069)	17.68%	(5,086)	21.21%	(6,103)
Debentures	(197,499)	Increase in	14.14%	(27,926)	17.68%	(34,908)	21.21%	(41,890)
BNDES loans	(2,362)	Increase in	7.50%	(177)	9.38%	(221)	11.25%	(266)
Financing	(82,495)	Increase in	14.25%	(11,756)	17.81%	(14,694)	21.38%	(17,633)
	(491,326)			(69,407)		(86,759)		(104,111)

*Possible and remote scenarios calculated at the probable rate.

ii) Sensitivity analysis of changes in exchange rates

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

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

	Consolidated in Reais						
	December 31, 2015	Probable		Possible (25%)*		Remote (50%)*	
		Rate USD	Gain (Loss)	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Accounts receivable	47,775	4.280	4,591	5.350	11,944	6.420	23,888
Current account	594	4.280	57	5.350	149	6.420	297
Accounts payable, net of advances	(17,640)	4.280	(1,695)	5.350	(4,410)	6.420	(8,820)
Loans and financing	(175,283)	4.280	(16,842)	5.350	(43,821)	6.420	(87,641)
(-) Swap	76,630	4.280	7,363	5.350	19,158	6.420	38,315
Net exposure	(67,924)	4.280	(6,526)	5.350	(16,980)	6.420	(33,961)

*Possible and remote scenarios calculated at the probable rate.

5.2 Capital management

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

The capital is monitored based on the ratio of consolidated financial leverage. This index corresponds to net debt divided by total capital. Net debt, in turn, corresponds to total loans and installment payment of

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tax liabilities less the amount of cash and cash equivalents, receivables with other related credits with related parties and securities. Total capital is calculated by adding the shareholders' equity, as demonstrated in the consolidated balance sheet, to net debt.

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Loans and financing	696,618	446,367	697,728	447,368
Financing of Taxes	81,937	84,187	82,495	84,760
Less: Cash and cash equivalents	(81,761)	(87,803)	(87,664)	(92,383)
Credits with other related parties	(84,601)	(88,893)	(84,601)	(88,893)
Short-term Investments	(100,478)	-	(100,478)	-
Net debt	511,715	353,858	507,480	350,852
Total shareholders' equity	231,846	237,270	231,856	237,280
Total capital	743,561	591,128	739,336	588,132
Financial leverage index (%)	69	60	69	60

Additionally, the Company had a credit facility approved by the Banco do Nordeste do Brasil S/A in the amount of R$ 147,784, the purpose of which is to invest in the new manufacturing unit in the city of Marechal Deodoro, state of Alagoas, where the company has secured R$ 89,686.

5.3 Financial instruments by category

The table below classifies financial instruments by category at each of the reporting dates:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Assets, loans and receivables				
Cash and cash equivalents	81,761	87,803	87,664	92,383
Trade receivables	175,837	179,292	208,367	187,918
Ativos, avaliados pelo valor justo por meio de resultado				
Call deposits	100,478	-	100,478	-
Derivatives	5,435	-	5,435	-
	363,511	267,095	401,944	280,301
Liabilities, other financial liabilities				
Trade payables	128,307	149,582	142,994	150,373
Investment accounts payable	-	21,466	-	21,466
Loans and financing	696,618	446,367	697,728	447,368
Financing of Taxes	81,937	84,187	82,495	84,760
	906,862	701,602	923,217	703,967

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6 Cash and cash equivalents

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current account	5,553	22,329	9,147	24,097
Call deposits	76,208	65,474	78,517	68,286
	81,761	87,803	87,664	92,383

The short-term investments designated as cash equivalents denote interests in investment funds. The average yield of the fund in December 2015 was equal to 97.22% of the CDI rate (Interbank Deposit Certificate) and the amount can be redeemed at any time, without penalty.

7 Financial instruments

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

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

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

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

c) In July 2015 the Company entered into a transaction under the rules of Law No. 4131 (exporting trading companies) in the amount of R$ 20,000 at the cost of 2.97% p.a. plus exchange variance, but using the swap for CDI+1.60% per annum and 12 months for payment and a 4-month grace period. Amortization is quarterly. This contract was renegotiated in August 2015 to adjust the operation's initial parity.

d) In September 2015 the Company entered into a transaction under the rules of Law No. 4131 (exporting trading companies) in the amount of R$ 7,200 at the cost of 2.97% p.a. plus exchange variance, but using the swap for 111% of the CDI rate and 12 months for payment and a 4-month grace period. Amortization is quarterly.

The fair value of the gains and losses of the swap transactions was recorded net under "Other" in current assets:

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Contracts	Maturity	Notional Value	December 31, 2015	December 31, 2014
a) Law 4131	dez-17	28,774	(119)	(103)
b) Export Credit	nov-17	48,608	3,917	1,111
c) Law 4131	jun-16	15,368	1,097	-
d) Law 4131	ago-16	7,289	540	-
			5,435	1,008

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

8 Restricted short-term investments

As of December 31, 2015 the Company had short-term investments related to Debentures contracts amounting to R$ 100,478 recorded as current assets, which will be released after the guarantee encumbrances have been recorded. The non-current assets are related to the contract with Banco do Nordeste do Brasil S/A.

9 Trade accounts receivable

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Third-party accounts receivable:				
Domestic customers	128,120	144,640	160,650	153,266
Overseas customers	47,775	34,118	47,775	34,118
	175,895	178,758	208,425	187,384
Accounts receivable from related parties:				
Entities related to management	1,280	1,634	1,280	1,634
	1,280	1,634	1,280	1,634
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(1,080)	(1,026)	(1,080)	(1,026)
Recomposition of nominal value to present value	(258)	(74)	(258)	(74)
	(1,338)	(1,100)	(1,338)	(1,100)
	175,837	179,292	208,367	187,918

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

	Parent Company	Consolidated
December 31, 2014	1.026	1.026
Provision for (reversal of) impairment of accounts receivable	54	54
December 31, 2015	1.080	1.080

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.

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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							
	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2014	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Not yet due	169,633	169,633	-	-	169,411	169,411	-	-
30 days overdue	4,168	-	4,168	-	7,796	-	7,785	11
31 to 90 days overdue	1,576	-	1,536	40	1,899	-	1,777	122
Past due 91 to 360 days	1,248	-	747	501	761	-	348	413
More than 360 days overdue	550	-	11	539	525	-	45	480
	177,175	169,633	6,462	1,080	180,392	169,411	9,955	1,026

	Consolidated							
	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2014	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Not yet due	201,016	201,016	-	-	177,675	177,675	-	-
Up to 30 days overdue	4,731	-	4,731	-	7,979	-	7,968	11
31 to 90 days overdue	2,074	-	2,034	40	2,145	-	2,023	122
Past due 91 to 360 days	1,334	-	833	501	692	-	279	413
More than 360 days overdue	550	-	11	539	527	-	47	480
	209,705	201,016	7,609	1,080	189,018	177,675	10,317	1,026

The Company’s receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 23. Its sum is calculated based on a percentage of the residual balance of the debt. On December 31, 2015, the total amount of accounts receivable pledged as collateral was R$ 97,780 (R$ 79,126 on December 31, 2014).

10 Inventories

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Finished goods	167,498	158,259	167,701	158,951
Work in progress	5,756	5,407	5,756	5,407
Raw materials and consumables	33,410	16,150	33,410	16,150
Provision for valuation of inventory at realizable value	(6,169)	(6,675)	(6,169)	(6,675)
Imports in transit	4,593	18,459	4,593	18,459
	205,088	191,600	205,291	192,292

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11 Advances to suppliers

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Domestic customers	2.528	3.136	1.785	1.767
Overseas customers	268	21	268	21
	2.796	3.157	2.053	1.788

12 Recoverable taxes

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current				
ICMS (a)	12,313	13,828	12,821	13,828
IPI (b)	1,549	1,023	1,975	1,023
IRPJ/CSLL	4,964	-	6,020	452
PIS/COFINS	1,112	-	1,521	-
Other	215	166	438	345
	20,153	15,017	22,775	15,648
Non-current *				
ICMS	3,807	4,070	3,807	4,070
PIS/COFINS	6,670	11,260	6,670	11,260
	10,477	15,330	10,477	15,330

* Taxes recoverable on acquisitions of property, plant and equipment.

a) Presumed credit on imported products

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

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

In 2014, the Company hired a consulting company to perform a review on the ICMS tax, and some possibility was identified to use this credit, including for emergency purposes. Thus, as of December 31, 2015, from the amount of R$ 12,313 entered as current assets, R$ 5,379 are connected with recognition of the abovementioned ICMS tax credits, net of amounts already used.

b) Reduction of IPI rate percentages

The decrease in percentages of the rates of IPI (excise tax) levied on the products produced and traded by Portobello S.A. originally allowed by Decree no. 7,032 of December 14, 2009, was maintained up to

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March 31, 2014 according to Decree 7796 of August 30, 2012, and was revoked by the Federal Decree 7879 dated December 27, 2012, which establishes zero rate for Excise Tax - IPI of the sector for an indefinite period. This measure originates credits that are used on a quarterly basis to offset federal taxes.

13 Credits with other related parties

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

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

It is emphasized that "Refinadora" had already entered into a contract with the Company guaranteeing the reimbursement of the amounts used. The aforesaid guarantee was provided with credits also originated on the 'IPI premium credit' tax benefit, of calculation period prior to October 04, 1990, running in the Federal Courts of the Federal District, with award calculation decision handed down and favorable to Refinadora. At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and "Refinadora" signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On December 31, 2015, these credits that also originate in proceeding 87.00.00967-9, represent R$ 84,601 (R$ 88,893 on December 31, 2014) and are restated by the SELIC rate, according to the contract.

It should be mentioned that the pledged credits have already become court-ordered debt payment. In fact, the Company received 4 installments out of a total of 10 annual installments, as provided for in the contract. Receipts occurred in August 2011, March 2013, and April 2014 and December 2015, in the amounts of R$ 8,505, R$ 9,824, R$ 9,995 and R$ 10,000, respectively.

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.

14 Court deposits

The Company and its subsidiaries are parties involved in labor, civil and labor lawsuits (see Note 27) 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	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Civil (a)	47,924	33,289	47,944	33,307
Labor	9,407	9,347	9,407	9,347
Tax	2,568	3,928	2,573	3,927
	59,899	46,564	59,924	46,581

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

15 Eletrobrás Receivables

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

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

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

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

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

The amount presented as of December 31, 2015 is equal to R$ 48,621. The amount calculated by the experts is valid for August 2013, while the amount restated by the Company is restated up to July 2014, as mentioned earlier.

16 Income and social contribution taxes

a) Income and social contribution taxes on profit

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

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	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Income tax	3,675	-	4,522	406	-	(5,490)	(415)	(6,103)
Social contribution	1,289	-	1,498	46	-	(1,961)	(156)	(2,169)
	4,964	-	6,020	452	-	(7,451)	(571)	(8,272)

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

b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are calculated over the corresponding temporary differences between the calculation bases of taxes on assets and liabilities and the book values stated in the financial statements. The rates of these taxes, currently specified for determining these deferred credits, are 25% for income tax and 9% for social contributions.

Deferred tax assets are recognized to the extent it is probable that the future taxable income will be able to be used to offset temporary differences, based on projected future earnings relying on internal assumptions and future economic scenarios, which are therefore subject to change.

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

	December 31, 2015	December 31, 2014
Temporary differences assets	34,863	21,174
Exchange variance on cash basis	13,720	2,316
Provision for adjustment to market value	1,836	2,209
Provision for contingencies	9,605	8,470
Provision for PIS and COFINS with reduced ICMS base	3,902	494
Provision for profit-sharing and Long-term Incentive	4,275	5,284
Other temporary asset differences	1,525	2,401
Temporary differences liabilities	(56,528)	(51,358)
Portobello previdência	(3,291)	(1,725)
Realization of the revaluation reserve	(19,708)	(20,326)
Eletrobrás Receivables	(16,531)	(16,531)
Contingent asset - IPI credit premium - stage II	(7,724)	(5,231)
Adjustment to present value	(3,691)	(2,803)
Depreciation adjustment (to useful life of assets)	(5,583)	(4,742)
Deferred income and social contribution liabilities, net	(21,665)	(30,184)

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

	Company and Consolidated
December 31, 2014	(30.184)
Temporary differences assets	13.689
Temporary differences liabilities	(5.788)
Revaluation reserve	618
December 31, 2015	(21.665)

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

	December 31, 2015	December 31, 2014
Deferred tax asset debited (Credited) to net income		
Exchange variance on cash basis	11,404	561
Base negativa de CSLL	-	(160)
Provision for adjustment to market value	(373)	656
Provision for contingencies	1,135	1,504
Provision for PIS and COFINS with reduced ICMS base	3,408	494
Provision for profit-sharing and Long-term Incentive	(1,009)	1,259
Other temporary asset differences	(876)	526
	13,689	4,840
Realization of the revaluation reserve	618	(2,930)
Eletrobrás Receivables	-	(1,722)
Contingent asset - IPI credit premium - stage II	(2,493)	(506)
Adjustment to present value	(888)	(1,090)
Depreciation adjustment (to useful life of assets)	(841)	(278)
Portobello previdência	(1,566)	656
	(5,170)	(5,870)
	8,519	(1,030)

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

Income and social contribution tax expenses are as follow:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Net income before tax	64,674	121,689	76,381	129,528
Tax calculated based on local tax rates	(21,996)	(41,374)	(26,053)	(44,070)
Equity income of subsidiaries	3,680	7,275	-	-
Nondeductible expenses	3,711	5,255	3,711	5,222
Depreciation of revalued assets	(487)	(534)	(487)	(534)
Tax credits on tax losses and temporary differences	(5,449)	(1,282)	(9,398)	(1,180)
Current income tax for the year	(20,541)	(30,660)	(32,227)	(40,562)
Recording of deferred income and social contribution taxes	8,519	2,435	8,519	4,518
Income tax and social contribution expenses	(12,022)	(28,225)	(23,708)	(36,044)
Effective rate	18.6%	23.2%	31.0%	27.8%

17 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled ‘IPI premium credit’, in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to December 31, 2015 is R$ 17,396 (R$ 15,386 on December 31, 2014).

Case 1984.00.020114-0, filed against the National Treasury, defends the Company's right to receive the IPI credit premium tax incentive, introduced by Law 491/69 (1) for the period December 07, 1979 to March 31, 1981, in the form previously received, in this case, revoking the effects of Ordinances 960/79, 78/81 and 89/81. This tax incentive was applied to the sale of manufactured and exported products.

In recent months, the procedural status of this case has changed significantly. After a final and unappealable decision was delivered more than 10 years ago, the settlement and enforcement of the decision commenced, for which an expert report was prepared by a legal expert. The parties were notified of the amount calculated to state whether or not they accepted the expert calculation. The Company agreed with the calculations presented. The government, represented by the Prosecutions Department of the Ministry of Finance, did not state its position, thereby leading to tacit acceptance and preclusion. The case has therefore been sent the judge for sentencing and can no longer be contested. In 2015 the Company recognized the amount calculated by the legal expert of R$ 4,983. As the company believes that victory in this case is a foregone conclusion, it recorded the tax asset in June 2015, which restated up to December 31, 2015 stands at R$ 5,322.

18 Contingent assets

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

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Liabilities and Contingent Assets.

19 Investment

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”.

	Equity liquid	Profit or loss for year	Percentage of interest	December 31, 2014	Exchange variance	Capital payment	Equity income	Dividends proposed	December 31, 2015
Provision for devaluation of investments									
Portobello América Inc. (a)	(79.676)	(88)	100%	(54.130)	(25.459)	-	(88)	-	(79.677)
PBTech Ltda.	(2.549)	1.529	99,94%	(4.076)	-	-	1.529	-	(2.547)
Mineração Portobello Ltda.	(302)	(16)	99,76%	(287)	-	-	(15)	-	(302)
Companhia Brasileira de Cerâmica S/A	(11.408)	(11.466)	98,00%	(66)	-	440	(11.237)	-	(10.863)
				(58.559)	(25.459)	440	(9.811)	-	(93.389)
Investments - Interests in subsidiaries									
Portobello Shop S.A.	481	20.633	99,90%	480	-	-	20.612	(20.612)	480
				480	-	-	20.612	(20.612)	480
Total investment in subsidiaries				(58.079)	(25.459)	440	10.801	(20.612)	(92.909)

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

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

	Country of incorporation	Percentage interest	Assets	Liabilities	Revenue	Profit or loss
December 31, 2014						
Portobello América Inc.	USA	100,00%	281	54.409	-	(90)
PBTech Ltda.	Brazil	99,94%	6.147	10.224	12.381	2.661
Portobello Shop S/A	Brazil	99,90%	17.300	16.820	65.004	18.382
Mineração Portobello Ltda.	Brazil	99,76%	1.408	1.694	3.856	560
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	162	230	-	(117)
December 31, 2015						
Portobello América Inc.	USA	100,00%	288	79.964	-	(88)
PBTech Ltda.	Brazil	99,94%	5.296	7.815	44.806	1.529
Portobello Shop S/A	Brazil	99,90%	23.148	22.668	64.693	20.612
Mineração Portobello Ltda.	Brazil	99,76%	1.527	1.829	5.699	(16)
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	27.643	11.731	62.311	(11.236)

b) Advance for future capital increase

The parent company PBG S.A. has an AFAC (advance for future capital increase) from the subsidiary Companhia Brasileira de Cerâmica of R$ 27,321 as of December 31, 2015, classified in noncurrent liabilities.

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c) Companhia Brasileira de Cerâmica

In December 2015 the activities of the subsidiary Companhia Brasileira de Cerâmica were taken over by the parent company PBG S.A.

20 Property, plant and equipment

a) Breakdown

		Controladora				Consolidado	
		December 31, 2015			December 31, 2014	December 31, 2015	December 31, 2014
	Average annual 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%	193.069	(28.216)	164.853	100.944	163.773	100.844
Machinery and equipment	15%	482.876	(258.211)	224.665	135.008	224.665	135.008
Furniture and fixtures	10%	9.407	(7.989)	1.418	1.018	1.440	1.041
Computers	20%	17.989	(13.866)	4.123	1.861	4.147	1.891
Other PPE in progress	20%	209	(179)	30	41	5.494	1.973
Property, plant and equipment in progress		29.449	-	29.449	136.438	31.613	138.766
		745.140	(308.461)	436.679	387.451	444.194	392.585

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition (see note 31f)).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2014.

b) Changes in the Property, Plant and Equipment

	Parent Company										
	December 31, 2013	Additions*	Transfers	Depreciation	Write-offs	December 31, 2014	Additions*	Transfers	Depreciation	Write-offs	December 31, 2015
Land	12,141	-	-	-	-	12,141	-	-	-	-	12,141
Buildings and improvements	99,961	-	4,815	(3,832)	-	100,944	-	69,163	(5,254)	-	164,853
Machinery and equipment	139,409	971	10,656	(16,028)	-	135,008	1,012	109,426	(20,462)	(319)	224,665
Furniture and fixtures	960	298	-	(240)	-	1,018	49	535	(184)	-	1,418
Computers	1,702	779	-	(620)	-	1,861	1,618	1,530	(886)	-	4,123
Other PPE in progress	15	36	-	(10)	-	41	-	-	(11)	-	30
Property, plant and equipment	10,236	141,673	(15,471)	-	-	136,438	74,029	(181,018)	-	-	29,449
	264,424	143,757	-	(20,730)	-	387,451	76,708	(364)	(26,797)	(319)	436,679

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	Consolidated										
	December 31, 2013	Additions*	Transfers	Depreciation	Write-offs	December 31, 2014	Additions*	Transfers	Depreciation	Write-offs	December 31, 2015
Land	12,518	544	-	-	-	13,062	-	-	-	-	13,062
Buildings and improvements	100,075	-	4,815	(4,046)	-	100,844	-	69,163	(6,234)	-	163,773
Machinery and equipment	139,409	971	10,656	(16,028)	-	135,008	1,012	109,426	(20,462)	(319)	224,665
Furniture and fixtures	1,045	364	-	(262)	(106)	1,041	52	535	(188)	-	1,440
Computers	1,747	782	-	(633)	(5)	1,891	1,622	1,530	(896)	-	4,147
Other PPE in progress	540	270	1,173	(10)	-	1,973	200	3,332	(11)	-	5,494
Property, plant and equipment	10,238	145,172	(16,644)	-	-	138,766	77,326	(184,350)	-	(129)	31,613
	265,572	148,103	-	(20,979)	(111)	392,585	80,212	(364)	(27,791)	(448)	444,194

* Of the total amount of the parent company and consolidated additions in 2015, R$ 1,394 was interest capitalized on property, plant and equipment (1.74%). In 2014 the capitalized interest was R$ 3,091 (2.09% of total acquisitions).

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Cost of goods sold	19,185	18,348	19,185	18,348
Commercial expense	1,634	1,685	2,617	1,914
Administrative expense	914	697	925	717
Other	5,064	-	5,064	-
	26,797	20,730	27,791	20,979

21 Intangible assets

a) Breakdown

		Parent Company				Consolidated	
		December 31, 2015			December 31, 2014	December 31, 2015	December 31, 2014
	Average annual amortization rate	Cost	Accumulated amortization	Net value	Net value	Net value	Net value
Software	20%	14,523	(12,491)	2,032	139	2,032	139
Mine exploration right	20%	2,015	(1,242)	773	50	1,164	494
Patents and trademarks	-	150	-	150	150	150	150
Goodwill	-	-	-	-	-	7,039	4,240
Software under development	-	5,315	-	5,315	2,803	5,315	2,803
Management system (a)	21%	18,886	(9,346)	9,540	13,495	9,540	13,495
		40,889	(23,079)	17,810	16,637	25,240	21,321

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

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b) Change in intangible assets

	Parent Company							
	December 31, 2013	Additions	Amortization	December 31, 2014	Additions	Amortization	Transfers	December 31, 2015
Software	208	-	(69)	139	1.802	(272)	363	2.032
Mine exploration right	250	-	(200)	50	1.015	(292)	-	773
Patents and trademarks	150	-	-	150	-	-	-	150
Software under development	-	2.803	-	2.803	2.512	-	-	5.315
Management system	17.450	-	(3.955)	13.495	-	(3.955)	-	9.540
	18.058	2.803	(4.224)	16.637	5.329	(4.519)	363	17.810

	Consolidated								
	December 31, 2013	Additions	Amortiza tion	Write-offs	December 31, 2014	Additions	Amortizat ion	Transfers	December 31, 2015
Software	208	-	(69)	-	139	1.802	(272)	363	2.032
Mine exploration right	746	-	(252)	-	494	1.015	(345)	-	1.164
Patents and trademarks	150	-	-	-	150	-	-	-	150
Goodwill	190	4.130	-	(80)	4.240	2.799	-	-	7.039
Software under development	-	2.803	-	-	2.803	2.512	-	-	5.315
Management system	17.450	-	(3.955)	-	13.495	-	(3.955)	-	9.540
	18.744	6.933	(4.276)	(80)	21.321	8.128	(4.572)	363	25.240

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Cost of goods sold	181	438	234	490
Commercial expense	2,884	2,816	2,884	2,816
Administrative expense	1,454	970	1,454	970
	4,519	4,224	4,572	4,276

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

	2016	2017	2018	2019	2020	Total
Software	473	473	443	433	210	2,032
Mine exploration right	111	449	449	155	-	1,164
Management system	3,949	3,673	1,918	-	-	9,540
	4,533	4,595	2,810	588	210	12,736

The brands and patents, goodwill and software items under development in the total amount of R$ 12,504 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

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22 Trade payables and loan assignment

a) Trade accounts payable

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Domestic customers	96,740	80,507	111,427	81,298
Overseas customers	16,241	45,529	16,241	45,529
Decomposition of nominal value to present value	(316)	(157)	(316)	(157)
Current	112,665	125,879	127,352	126,670
Domestic market (a)	47,923	33,287	47,923	33,287
Non-current	47,923	33,287	47,923	33,287
	160,588	159,166	175,275	159,957

(a) Provision for payment to gas supplier as a result of the matter mentioned in note 14

b) Supplier credit assignment

The Company made supplier credit assignments with first-rate financial institutions amounting to R$ 15,642 in 2015 and R$ 23,703 in 2014, in order to provide its partner suppliers more attractive credit facilities in order to maintain commercial relations.

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

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23 Loans and financing

a) Loans and financing

	Currency	Maturities	Charges	Parent Company		Consolidated	
				December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current							
Working Capital **(a)**	R$	Oct/2016	15.13% p.a.[1]	15,541	3,447	15,541	3,447
Financial lease (b)	R$	May/2018	11.48% p.a.	705	476	705	476
Banco do Nordeste S.A (c)	R$	Jun/2025	3.00% p.a.	9,015	1,468	9,015	1,468
Exim Pré-embarque TJ 462	R$	Aug/2015	- p.a.[1]	-	30,103	-	30,103
BNDES (d)	R$	Mar/2016	10.36% p.a.[1]	2,362	15,582	2,362	15,582
Law 4131 (e) - (note 7)	R$	Dec/2017	15.74% p.a.	14,488	14,589	14,488	14,589
Law 4131 (e) - (note 7)	USD	Aug/2016	15.73% p.a.[1]	24,482	-	24,482	-
NCE (f)	R$	Jan/2018	15.01% p.a.[1]	63,790	47,237	63,790	47,237
Prepayment (g)	USD	May/2018	5.08% p.a.+VC	4,896	3,338	4,896	3,338
PRODEC (h)	R$	Sep/2019	4.00% p.a.[1]	13,514	7,486	13,514	7,486
FINEP (i)	R$	May/2021	6.85% p.a.[1]	6,866	5,215	6,866	5,215
DEG (j)	USD	Oct/2021	5.63% p.a.+VC	12,497	524	12,497	524
FINAME (k)	R$	Aug/2023	3.00% p.a.[1]	415	174	415	174
ACC (l)	USD	Dec/2015	3.15% p.a.+VC	15,365	37,306	15,365	37,306
NCE (f) - (note 7)	USD	Nov/2017	15.41% p.a.	26,117	5,777	26,117	5,777
1st Series debentures (m)	R$	Nov/2022	17.69% p.a.	336	-	336	-
2nd Series debentures (n)	R$	Nov/2020	17.29% p.a.	325	-	325	-
Total current			12.12% p.a.[1]	210,714	172,722	210,714	172,722
Total local currency				127,357	125,777	127,357	125,777
Total foreign currency				83,357	46,945	83,357	46,945
Noncurrent							
Working Capital **(a)**	R$	Oct/2016	15.13% p.a.[1]	-	-	1,110	1,001
Financial lease (b)	R$	May/2018	11.48% p.a.	1,124	-	1,124	-
Banco do Nordeste S.A (c)	R$	Jun/2025	3.00% p.a.	76,446	27,760	76,446	27,760
BNDES (d)	R$	Mar/2016	10.36% p.a.[1]	-	2,083	-	2,083
Law 4131 (e) - (note 7)	R$	Dec/2017	15.74% p.a.	14,286	28,571	14,286	28,571
NCE (f)	R$	Jan/2018	15.01% p.a.[1]	48,716	61,017	48,716	61,017
Prepayment (g)	USD	May/2018	5.08% p.a.+VC	7,322	8,301	7,322	8,301
PRODEC (h)	R$	Sep/2019	4.00% p.a.[1]	33,934	34,738	33,934	34,738
FINEP (i)	R$	May/2021	6.85% p.a.[1]	19,986	26,794	19,986	26,794
DEG (j)	USD	Oct/2021	5.63% p.a.+VC	58,572	47,812	58,572	47,812
FINAME (k)	R$	Aug/2023	3.00% p.a.[1]	2,648	3,186	2,648	3,186
NCE (f) - (note 7)	USD	Nov/2017	15.41% p.a.	26,032	33,383	26,032	33,383
1st Series debentures (m)	R$	Nov/2022	17.69% p.a.	98,419	-	98,419	-
2nd Series debentures (n)	R$	Nov/2020	17.29% p.a.	98,419	-	98,419	-
Total noncurrent			11.48% p.a.[1]	485,904	273,645	487,014	274,646
Total local currency				393,978	184,149	395,088	185,150
Total foreign currency				91,926	89,496	91,926	89,496
Grand Total			11.67% p.a.[1]	696,618	446,367	697,728	447,368
Total local currency				521,335	309,926	522,445	310,927
Total foreign currency				175,283	136,441	175,283	136,441

[1] Weighted average rate
VC - Exchange variance

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b) Contract details

Note	Contract	Date: Disbursement	Date: Maturity	Amount borrowed (R$	Term (months)	Amortization	Grace Period (months)	Guarantees
(a)	Working Capital	set-15	out-16	R$ 20,000	13	Monthly		Receivables of Portobello SA at 20% of debit balance of contract
(b)	Financial lease	mai-15	mai-18	R$ 2,192	36	Monthly		Machinery and equipment
	Banco do Nordeste	ago-14	jun-25	R$ 89,687	133	Monthly	24	Mortgage on property and machinery and equipment
(c)	*Contract entered into in 06/2013, R$ 147,700. The Bank released the 1st financing portion on 08/2014 in the amount of R$ 29,221 and the 2nd on01/2015 for R$ 45,765, the 3rd was released in 09/2015 for R$ 14,700*							
(d)	BNDES (Progeren)	jan-13	jan-16	R$ 20,000	36	Monthly	13	Clean operation
		mar-13	mar-16	R$ 10,000	36	Monthly	13	Receivables of Portobello SA at 50% of debit balance of contract
(e)	4131 Trade	dez-12	dez-17	R$ 50,000	60	semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		jul-15	jun-16	US$ 6,396	12	Quarterly	6	Clean operation
		set-15	ago-16	US$ 2,000	12	Quarterly	6	
(f)	Export Credit (NCE)	jan-13	dez-17	R$ 20,000	60	semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		abr-13	abr-16	R$ 30,000	36	semi-annual	12	Receivables of Portobello SA at 20% of debit balance of contract
		mar-14	jan-17	R$ 15,000	35	Monthly	12	Receivables of Portobello SA at 50% of debit balance of contract
		mar-14	jan-17	R$ 13,300	35	Monthly	12	
		abr-14	mar-17	R$ 15,000	36	Monthly	12	
		mai-14	abr-17	R$ 15,000	35	Monthly	8	
		set-14	set-17	R$ 10,000	36	Quarterly	3	Clean operation
		nov-14	nov-17	US$ 15,000	36	Quarterly	12	Receivables of Portobello SA at 15% of debit balance of contract
		fev-15	jan-18	R$ 50,000	36	Quarterly	9	
(g)	Prepayment	jun-13	mai-18	US$ 5,000	60	Quarterly	15	Commercial pledge
	PRODEC				48	Bullet	Bullet	-
(h)	*(Development Program of Empresa Catarinense) - Special Arrangement of Santa Catarina state obtained in July 2009. The balance is subject to the adjustment to present value, where the rate used for calculation purposes is the average of the working capital (12.58% per annum). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with a grace period of 48 months, a term of 120 months and monetary restatement of 4% per annum and changes in the UFIR rate.*							
(i)	Finep	jul-10	set-18	R$ 30,103	99	Monthly	24	Bank Guarantee
		All 5 financing portions have been released by the Bank, as follows: 1 - R$ 5,000 in 07/2010, 2 - R$ 5,100 in 08/2010, 3 - R$ 3,146 in 09/2010, 4 - R$ 5,572 in 12/2012 and 5th - R$ 11,282 in 08/2013.						
		jul-14	mai-21	R$ 12,627	84	Monthly	24	Bank Guarantee
		Contract entered into in 07/2014, for R$ 57,300, with Bank releasing 1st financing portion of R$ 12,627 the same month. Portion 2 in 01/2016						
(j)	DEG	mai-14	out-21	US$ 18,000	90	semi-annual	23	Machinery and equipment and commercial papers
	This contract has covenants which were not performed, although the Company has obtained the waiver for 4Q15 and the balance is maintained in noncurrent.							
(k)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1,890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(l)	ACC	nov-15	nov-16	US$ 5,000	12	Bullet	Bullet	Clean operation
(m)	1st Series debentures	dez-15	nov-22	R$ 100,000	83	Semi-annual	24	Additional real and personal guarantees
(n)	2nd Series debentures	dez-15	nov-20	R$ 100,000	59	Semi-annual	24	Additional real and personal guarantees

As security for the other loans the company submitted mortgages, equipment, receivables of the parent company (note 9) and subsidiary (note 41) and an endorsement of the parent companies and subsidiary in addition to an inventory of finished goods worth R$ 11,016.

The long-term loans have the following payment schedule:

	Parent Company		Consolidated	
Maturing on January 1	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
2016	-	108.351	-	109.352
2017	149.553	85.030	149.553	85.030
2018	98.435	29.432	99.545	29.432
2019 to 2025	237.916	50.832	237.916	50.832
	485.904	273.645	487.014	274.646

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Reais	521,335	309,926	522,445	310,927
US Dollars	175,283	136,441	175,283	136,441
	696,618	446,367	697,728	447,368

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

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

Financial lease	December 31, 2015	December 31, 2014
Gross obligations (minimum payments)		
Less than one year	856	856
Total	856	856
Future financing charges	973	(380)
Present value of the Obligations	1,829	476
Present value of the Obligations		
Less than one year	705	476
Between one and five years	1,124	-
Total	1,829	476

c) Debentures

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

	December 31, 2015
Amount borrowed	
1st Series debentures	100,668
2nd Series debentures	100,647
Gross balance	201,315
Borrowing costs	(3,817)
Net balance	197,498
Current	661
Noncurrent	196,837

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Issuance Features	
Date Issued	2nd
Trustee	PLANNER TRUSTEE DTVM LTDA.
Lead Bank	Itaú Unibanco S.A
Lead Manager	Banco Bradesco S.A.
Depositary Bank	ITAU CV S/A
Negotiation	CETIP
Series Number	2
Issuance Volume R$	200,000,000.00
Total No. Debentures	2,000
Nominal Unit Value R$	100,000.00

Detail of operation by series		
Series	1st	2nd
CVM Registration No	480/09	
Assets Code	PTBL12	PTBL22
Issue Date	11/26/2015	
Maturity Date	11/26/2022	11/26/2020
Volume R$	100,000,000.00	100,000,000.00
No. Debentures	1,000	1,000
Nominal Unit Value R$	100,000.00	100,000.00
Means	Registered and book-entered	
Type	Additional real and personal guarantees	
Convertible	Not convertible into Issuer shares	
Restatement	There will be no monetary restatement of the nominal value	
Compensation	DI rate + 3.55% per annum (year of 252 days)	DI rate + 3.15% per annum (year of 252 days)
Payment of Compensation	Semi-annual, with first compensation date on 5/26/2016	
Amortisation	To be amortised in 11 (eleven) consecutive semi-annual payments commencing 24 (twenty-four) months as from the Issuance Date, with the first payment on November 26, 2017.	to be amortised in 7 (seven) consecutive semi-annual payments commencing 24 (twenty-four) months as from the Issuance Date, with the first payment on November 26, 2017.
Corporate Acts:	Board meeting held 11/17/2015	
Covenants	Division of net debt over EBITDA <= 3.35 times	
	Division of Current assets over Current liabilities >= 1.15 times	

24 Financing of tax liabilities

Tax liabilities	Financing application		Parent Company		Consolidated	
	Date	Outstanding instalments	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
LAW 11941/09 (a)	Nov/09	106	81,937	84,187	82,495	84,760

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The payment schedule for these commitments are as follows:

	Parent Company		Consolidated	
Maturity	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
2015	-	8,300	-	8,358
2016	9,018	8,591	9,081	8,649
2017 to 2023 (*)	65,163	60,137	65,604	60,543
2024	7,756	7,159	7,810	7,210
	81,937	84,187	82,495	84,760
Current	9,018	8,300	9,081	8,358
Noncurrent	72,919	75,887	73,414	76,402

(*) Seven annual instalments of R$ 9,309 as of December 31, 2015 and R$ 8,591 as of December 31, 2014 for the Parent company and R$ 9,372 and R$ 8,649 respectively for Consolidated.

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

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

Between such participation and the Consolidation, the Company made the payment of minimum installment of R$ 395 as allowed by law. During this period, more precisely in the consolidation, decisions were made that reflected a positive economic adjustment of R$ 3,013, including R$ 3,613 with impact on other operating income and R$ 600 in financial expense. The main reflection occurred in virtue of the non- confirmation of migration of non-deferred debts in the installments of PM 470 to the installments of Law 11941/09 (see Note 25).

Once the consolidation is complete, the Company has undertaken to pay the monthly instalments of R$ 776 no later than three months late, in addition to withdrawing judicial proceedings and waiving any claim to rights on which the aforesaid proceedings were filed, under pain of immediate termination of the financing program and consequent forfeiting of the benefits offered by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in Notes 17 and 18.

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

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

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

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the “undue use” had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF.

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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 17 and 18. 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 12249/10, 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 chance the PGFN's decision is upheld by the highest court, which the Company believes to be remote based on the opinion of its legal advisers, the impact on the Company's net income would be a loss of R$ 21,389 as of December 31, 2015, considering the derecognition of the debt, the inexistence of benefits and maintaining the debits as a contingent liability, where any tax liability will be settled by the credits deriving from case 1998.34.00.029022-4, as mentioned in note 18.

26 Taxes and contributions

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Withholding Inc	2,251	1,747	2,660	1,997
ICMS	7,245	6,176	7,189	6,166
PIS/COFINS	-	169	455	739
Other	344	366	444	535
	9,840	8,458	10,748	9,437

27 Provision for contingencies

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

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

Amount provisioned for	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Civil	7,794	6,321	7,909	6,388
Labour claims	20,823	17,322	20,823	17,322
Tax	12,458	4,020	12,458	4,020
	41,075	27,663	41,190	27,730
Current	-	17,925	-	17,966
Noncurrent	41,075	9,738	41,190	9,764

Contingencies classified which were classified in current assets derived from court analysis and their realization is expected in less than 12 months as of December 31, 2015.

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

Statement of changes in provisions:

	Parent Company			Total
	Civil	Labor	Tax	
December 31, 2014	6.321	17.322	4.020	27.663
Debited (credited) to income statement:	1.729	4.516	8.438	14.683
Additional provisions	1.144	1.512	9.784	12.440
Reversals due to nonuse	(258)	(182)	(2.060)	(2.500)
Monetary restatement (note 34)	843	3.186	714	4.743
Reversals due to realization	(256)	(1.015)	-	(1.271)
December 31, 2015	7.794	20.823	12.458	41.075

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2014	6.388	17.322	4.020	27.730
Debited (credited) to income statement:	1.979	4.516	8.438	14.933
Additional provisions	1.278	1.512	9.784	12.574
Reversals due to nonuse	(258)	(182)	(2.060)	(2.500)
Monetary restatement (note 34)	959	3.186	714	4.859
Reversals due to realization	(458)	(1.015)	-	(1.473)
December 31, 2015	7.909	20.823	12.458	41.190

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 232 lawsuits (185 lawsuits on December 31, 2014), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 14).

Labor claims

The Company and its subsidiary Portobello Shop S.A. are defendants in 372 labor complaints (378 complaints on December 31, 2014), filed by former employees and third parties. Claims refer mainly to health hazard premium, matter that has already been decided in the TRT (regional labor court) of the 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 14).

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

Change to the criteria for correcting labor debits

In a decision published August 07, 2015, the Superior Labor Court (TST) changed the index for restating labor debits, replacing the Reference Rate (TR) by the Broad Consumer Prices Index-IPCA-E, backdating its effectiveness to June 30, 2009.

The change in the criteria will impact the balance of labor provisions by approximately R$ 6.5 million.

However, in a decision delivered by Justice Dias Tófoli in Claim 22012, the Supreme Federal Court - STF issued an injunction staying the effects of the TST's decision.

The Company will not, therefore, increase labor provisions until a final decision has been published by the STF.

Tax

a) INSS on Cooperatives

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

The Company asserts that in the exercise of its activities, it engages cooperatives in various work areas, which provide specialized services, thus subjecting it to the payment of the contribution, but it is understood that there is no constitutional provision for such collection, since this goes against the principles of legality, equality and protection for cooperatives, based on this it seeks preliminary injunction in order that its right not to be subject to the payment of social security contributions be declared, as well as making compensation of amounts unduly paid for such purposes. The balance of the provision as of December 31, 2015 is R$ 601 (R$ 2,567 as of December 31, 2014).

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In the case records of Extraordinary Appeal 595,838 the Supreme Federal Court declared article 22 (IV) of Law 8212/91 was unconstitutional. The Federal Regional Court of Region 3, in a retraction decision in the case records of Civil Appeal 2002.61.00.009723-6, and the Federal Regional Court of Region 4, in a retraction decision in the case records of Civil Appeal 2002.72.00004159-5, followed the STF ruling, in order to accept the Appeals, thereby confirming the unconstitutionality of article 22 (IV) of Law 8212/91.

On March 27, 2015 the appeal decision was made final and unappealable in Civil Appeal 2002.72.00004159-5. The Company has recovered the deposits by way of a judicial permit. Civil Appeal 2002.61.00.009723-6 is pending certification of the final and unappealable decision. Civil Appeal 2002.61.00.009723-6 has been sent to the judge for sentencing about the motion for clarification submitted by the Ministry of Finance (Feb/16).

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

The Company filed a petition for a writ of mandamus with aims to change the calculation base for the PIS (Social Integration Program) and the COFINS (Social Security Financing Contribution) taxes upon the exclusion of the ICMS tax. The Federal Courts of Santa Catarina State rendered a merit judgment in favor of excluding the ICMS from the calculation base, and the amount as of December 31, 2015 is R$ 11,475.

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

c) PIS and COFINS on financial revenue

In September 2015 the Company filed a Writ of Mandamus in order to stay PIS/COFINS on financial revenue. The amounts are determined and paid monthly via court deposits. The balance of the provision stands at R$ 382 as of December 31, 2015.

28 Lawsuits with possible loss

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Civil	2,677	2,109	2,977	2,353
Labour claims	8,581	11,840	8,581	11,840
	11,258	13,949	11,558	14,193

a) Administrative Proceeding 10983.721445/2014-78

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

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29 Employee benefits

29.1 Private pension plan

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

The actuarial appraisal restated up to December 31, 2015 for the parent company and consolidated presents a surplus of R$ 9,676 (surplus of R$ 5,075 as of December 31, 2014), which is recorded under "Actuarial assets" in the noncurrent assets. The Company recorded an actuarial gain of R$ 2,789 under "equity appraisal adjustments" in shareholders' equity (actuarial loss of R$ 6,656 as of December 31, 2014) as other comprehensive income. The amounts recognized in the statement of financial position are presented in the table below.

	December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
Fair value of the plan’s assets	50,355	62,620	Gain (loss) on actuarial obligations	23,225	(6,623)
Present value of financed obligations	(40,679)	(57,545)	Gains (loss) in the plan's assets	(20,436)	(33)
Net actuarial assets (liabilities)	9,676	5,075	Actuarial Gains(losses)	2,789	(6,656)

The change in fair value of the benefits plan and defined-benefit obligation in the year is as follows:

Parent Company and Consolidated			Parent Company and Consolidated		
Fair value of the plan’s assets			Defined-benefit obligation		
December 31, 2014	62.620	56.716	December 31, 2014	57.545	47.169
Benefits paid in the year	(1.689)	(2.940)	Current gross service cost (including interest)	1.087	1.440
Participant contributions in the year	1.078	991	Interest on actuarial obligation	6.961	5.253
Sponsor contributions in the year	1.206	1.570	Benefits paid in the year	(1.689)	(2.940)
Expected returns on assets in the year	7.576	6.316	Obligations - (gain) or loss	(23.225)	6.623
Assets - gain or (loss)	(20.436)	(33)			
December 31, 2015	50.355	62.620	December 31, 2015	40.679	57.545

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The amounts recognized in the income statement under "Other operating income (expenses)" referring to asset management are:

	Parent Company and Consolidated	
	December 31, 2015	December 31, 2014
Current service cost (including interest)	(1,087)	(1,440)
Interest on actuarial obligations	(6,961)	(5,253)
Expected return on plan assets	7,576	6,316
Participant contributions in the year	1,078	991
Actuarial Gains(losses)	606	614

As of December 31, 2015 the Company also recognized revenue of R$ 1,206 (R$ 1,570 as of December 31, 2014) referring to payments made by the sponsor in the year, recorded as an asset for the purpose of the employee benefits plan (see note 34).

The main actuarial assumptions used were:

	Parent Company and Consolidated	
Economic and financial	December 31, 2015	December 31, 2014
Annual interest rate	12.10% p.a. nominal (inflation+ 7.27%p.a. real)	11.14% p.a. nominal (inflation+ 6.35%p.a. real)
Long-term yields of assets	12.10% p.a. nominal (inflation+ 7.27%p.a. real)	11.14%
Long-Term Inflation		4.50%
Projected salary growth	5.15% p.a. (inflation+0.62% p.a. real)	4.50% p.a. (inflation+1% p.a. real)
Projected growth of plan benefits	0.00% p.a.	0.00% p.a.
Factor for determining the real value over time (salaries)	0.98	0.98
Factor for determining the real value over time (benefits)	0.98	0.98
Biometrics and demography		
Hypothesis about turnover	21%	Nil
General mortality table	AT-2000	AT-2000
Mortality table of disabled people	EXP. IAPC	EXP. IAPC
Disability rate table	TASA 1927	TASA 1927
Retirement	100% at initial eligibility	100% at initial eligibility
Family breakdown before retirement	Not applicable	Not applicable
Family breakdown after retirement	Real family	Real family

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29.2 Employee benefit expenses

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Compensation	122,032	106,240	143,096	114,619
Benefits				
Pension plans	1,218	1,099	1,199	1,166
Government Severance	10,904	8,785	13,031	9,660
Other	16,105	12,917	17,939	13,465
Total	150,259	129,041	175,265	138,910

30 Long-term incentive

Given the prospects of creating value for business, on May 10, 2012 the Company's Board of Directors created and approved the long-term incentive (ILP). This consists of a merit program which aims to attract, retain and recognize the performance of the Company's professionals, to align the executives' interest with the shareholders' interests and to encourage them to stay at the company.

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

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

Payment will be made in three annual installments (2015, 2016, 2017 for the 2012 plan) with two-year deferment at the beginning of the period (2013 and 2014). Settlement will be completed after five years of initial recognition (2017) and the Company will make the payment at an amount proportional to amounts calculated using the plan's metrics.

The first group of participants joined in the year 2012; three of these have requested payment of the 2015 installment, and the others have postponed receipt till 2016.

The present value of the obligation on December 31, 2015 is R$ 8,709 at the parent company and R$ 9,336 at the consolidated (R$ 9,565 at the parent company and R$ 10,249 at the consolidated on December 31, 2014).

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

31 Shareholders' equity

a) Capital

As of December 31, 2015 the Company has a subscribed and paid-in capital of R$ 99,565 (R$ 76,565 on December 31, 2014) comprising 158,488,517 common nominative shares with no par value.

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

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

On December 31, 2015 there were 72,769,371 outstanding shares, equivalent to 45.91% of total shares issued (72,819,371 on December 31, 2014, equivalent to 45,95% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

On May 28, 2015 the Company submitted a waiver application to the CVM to (i) maintenance of Treasury stock in an amount greater than 10% of the free float and (ii) repurchase of shares at a price higher than market value in order to make a voluntary public share acquisition offering (“Repurchase OPA”). Before the CVM pronouncement, in October 2015 the Company it was no longer making the aforesaid public offering, due to adverse market conditions.

b) Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses and increase capital. As of December 31, 2015, the balance of legal reserve amounts to R$ 15,113 (R$ 12,481 as of December 31, 2014), as provided for by article 193 of the Corporation Law.

c) Profit retention reserve

The amount of R$ 86,070 refers to the business growth project established in the Company’s investment plan, approved in the Annual Shareholders' Meeting on April 30, 2015, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

d) Profits at the disposal of the AGM

The “Profit reserves to be allocated” as of December 31, 2015 amounts to R$ 38,010 (R$ 42,869 as of December 31, 2014) refers to the remaining retained earnings balance for FY 2015, after allocation of 5% to the legal reserve and 25% minimum mandatory dividends.

At the General Meeting, Company management will propose to allocate the reserves in accordance with Article 199 of Law 6404/76 (Brazilian corporation law).

Following the allocation of the net income determined in FY 2015 in accordance with the law and the Company's bylaws, the balance of the profits reserves exceeded the share capital, which is why the company is proposing to allocate the surplus in the capital increase, to be resolved by the general meeting, in accordance with article 199 of Law 6404/76.

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e) Dividends

	December 31, 2015	December 31, 2014
Net income for the year	52,652	93,464
Creation of the legal reserve (5%)	(2,633)	(4,673)
Net income for the year adjusted for dividend purposes	50,019	88,791
Dividends / interest on equity reserve proposed		
Interest on shareholders' equity net of IRRF	5,236	5,710
Minimum mandatory dividends	7,269	16,488
Additional dividends proposed	-	22,198
Total annual dividends	12,505	44,396

The total remuneration to be distributed to the shareholders for FY 2015 is R$ 12,505, or 25% of the Company's profit.

f) Equity evaluation adjustment - Deemed cost

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

It was formed as a result of the revaluation of land, buildings and improvements, supported by an appraisal report prepared by an independent appraisal company, which determined the values of re-appraised assets, as well as established the new period of remaining useful life, which became the new base for depreciation to the net book value of such assets.
It is being realized according to the depreciation of re-appraised buildings and improvements recorded against retained earnings. The same effect of realization of the asset appraisal adjustment is reflected in P/L for the period, by the depreciation of the re-appraised assets.

The balance of the adjustment to company assets, net of deferred taxes, amounts to R$ 38,258 on December 31, 2015 (R$ 39,457 on December 31, 2014), the expense of depreciation of the re-appraisal, in the year ended December 31, 2015, was R$ 618 (R$ 2,930 on December 31, 2014), and the balance of deferred income tax and social contributions adjustments to equity evaluation recorded in non- current liabilities is R$ 19,708 (R$ 20,326 on December 31, 2014), see Note 16(b).).

In addition to the aforementioned deemed cost of R$ 35,258, the balance of the equity appraisal adjustment of R$ 6,910 charged to the item consists of the balances of accumulated translation adjustments of R$ 41,710 and other comprehensive income of R$ 3,460, both charged to items, as per the statement of changes in shareholders equity.

32 Revenue

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

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	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Gross sales revenue	1,189,588	1,128,455	1,345,015	1,200,814
Deductions from gross revenue	(257,715)	(243,437)	(284,620)	(251,667)
Sales taxes	(226,614)	(213,052)	(247,973)	(221,055)
Returns	(31,101)	(30,385)	(36,647)	(30,612)
Net sales revenue	931,873	885,018	1,060,395	949,147
Domestic customers	798,414	790,116	912,806	845,782
Overseas customers	133,459	94,902	147,589	103,365

33 Expenses by nature

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Costs and expenses				
Cost of Goods and/or Services Sold	(612,785)	(593,939)	(664,193)	(591,929)
Selling Expenses	(166,825)	(134,887)	(214,205)	(163,542)
General and Administrative	(31,122)	(24,796)	(34,568)	(30,461)
	(810,732)	(753,622)	(912,966)	(785,932)
Breakdown of expenses by nature				
Changes in inventory of finished good and goods in progress (a)	347	(39,230)	(18,883)	(39,230)
Direct production costs (raw materials and consumables)	310,433	308,983	343,273	305,118
General production expenses (including maintenance)	41,454	38,680	45,710	38,680
Cost of goods resold	132,718	171,046	148,674	172,848
Expense on transportation of goods sold	6,380	4,513	7,086	4,513
Salaries, charges and employee benefits	168,461	145,652	197,673	157,432
Labor and outsourced services	33,705	30,105	40,708	37,717
Amortization and depreciation	26,255	24,592	27,303	24,895
Rental and operating lease expenses	8,643	10,089	17,266	11,197
Sales commission	26,277	21,115	27,733	21,467
Advertising and marketing expenses	13,200	8,887	23,300	16,912
Other commercial expenses	38,163	26,675	47,893	31,606
Other administrative expenses	4,696	2,515	5,230	2,777
Total	810,732	753,622	912,966	785,932

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

Financial Statements

In thousands of Reais, unless stated otherwise

34 Other net operating income and expenses

Other individual and consolidated operating income and expenses for the year ended December 31, 2015 are as follows:

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Other operating revenue				
Service revenue	594	1,901	591	670
Tax credits	-	3,499	-	3,499
Pension plan - TSP settlement	-	2,261	-	2,261
Actuarial restatement (note 29.1)	1,811	2,184	1,811	2,184
Tax asset IPI credit premium (note 17)	4,983	-	4,983	-
Other revenue	652	776	660	790
Total	8,040	10,621	8,045	9,404
Other operating expenses				
Provision for contingencies (note 27)	(321)	(3,775)	(582)	(3,794)
Provision for Long-term Incentive (note 30)	(394)	(3,697)	(341)	(4,011)
Provision for profit sharing (a)	(7,619)	(8,457)	(8,932)	(9,054)
Preoperating expenses Alagoas Plant	(2,742)	(3,533)	(7,529)	(3,650)
Transfer of subsidiary operations (b)	(2,676)	-	-	-
Idleness cost (c)	(2,898)	-	(2,196)	-
Other expenses	(901)	(1,134)	(1,489)	(1,376)
Total	(17,551)	(20,596)	(21,069)	(21,885)
Net total	(9,511)	(9,975)	(13,024)	(12,481)

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

(b) Recognition of provisions for transfer of subsidiary operations

(c) Expenses on adjusting production equipment in order to adjust production to demand in the North East market.

Financial Statements

In thousands of Reais, unless stated otherwise

35 Financial income

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Finance income				
Interest	8,201	4,199	8,863	4,986
Asset restatement	11,416	13,047	11,416	13,047
Income from Swap Transactions (a)	29,019	1,285	29,019	1,285
Tax Financing Discount - Law 11941	-	5,998	-	5,998
Other	796	699	946	766
Total	49,432	25,228	50,244	26,082
Finance expenses				
Interest	(39,183)	(25,565)	(39,342)	(25,974)
Financial charges on taxes	(6,845)	(8,134)	(6,904)	(8,204)
Breakdown of Discount for Provision for Contingencies	(4,743)	(3,221)	(4,859)	(3,232)
Service fees and commission	(2,785)	(6,404)	(3,498)	(6,541)
Bank expenses/negative goodwill	(2,649)	(2,556)	(2,651)	(2,556)
Income from Swap Transactions (a)	(13,529)	-	(13,529)	-
Other	(5,803)	(3,975)	(5,943)	(4,280)
Total	(75,537)	(49,855)	(76,726)	(50,787)
Net exchange variance				
Trade receivables and payables	20,373	6,933	20,429	6,933
Loans and financing	(52,025)	(3,434)	(51,971)	(3,434)
Total	(31,652)	3,499	(31,542)	3,499
Net total	(57,757)	(21,128)	(58,024)	(21,206)

(a) Provision for income on Sw aps, as detailed in note 7.

36 Earnings per share

a) Basic

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

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Profit attributable to shareholders	52.652	93.464	52.652	93.464
Weighted average of common shares	158.489	158.489	158.489	158.489
Basic earnings per share	0,3322	0,5897	0,3322	0,5897

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

In thousands of Reais, unless stated otherwise

b) Diluted

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

37 Dividends

On April 30, 2015 the Annual General Meeting approved the payment of additional dividends of R$ 22,198. The total distributed in 2014 was therefore R$ 44,396, accounting for 50% of the adjusted net income for FY 2014, where the balance of R$ 38,686 thousand was paid to the shareholders on June 15, 2015.

On August 05, 2015 the Company's Board of Directors resolved and approved the advance payment in FY 2015 of R$ 5,940 as interest on shareholders' equity amounting to R$ 0.037484 per common share paid on September 21, 2015.

As described in note 31e, the remainder payable to the shareholders as profit distributions is R$ 7,269, and the payment date will be resolved at the Annual General Meeting. The total distributed in 2015 is 25% of the adjusted net income for FY 2015, in the amount of R$ 12,505.

38 Segment reporting

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

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

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:

	Em December 31, 2015			Em December 31, 2014		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	912,806	147,589	1,060,395	845,782	103,365	949,147
Cost of goods sold	(574,618)	(89,575)	(664,193)	(530,072)	(61,857)	(591,929)
Gross operating profit	338,188	58,014	396,202	315,710	41,508	357,218
Net operating income (expenses)	(226,490)	(35,307)	(261,797)	(184,906)	(21,578)	(206,484)
General, administrative and sales	(215,223)	(33,550)	(248,773)	(173,730)	(20,273)	(194,003)
Other net operating income (expenses)	(11,268)	(1,756)	(13,024)	(11,177)	(1,304)	(12,481)
Operating income before financial income/expenses	111,698	22,707	134,405	130,803	19,931	150,734
% over ROL	12%	15%	13%	15%	19%	16%

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

39 Commitments

a) Commitments for the acquisition of assets

In thousands of Reais, unless stated otherwise

Expenditures contracted on the balance sheet date but not yet incurred referring to Property, plant and equipment on December 31, 2015 totaled R$ 6,049.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on December 31, 2015 and December 31, 2014, amount to R$ 699 and R$ 1,168, respectively, for less than one year. For more than one year and less than five years, R$ 904 and R$ 367, respectively.

40 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On December 31, 2015, coverage for fire, lightning strikes and explosions of any nature was R$ 84,000, for windstorm and smoke with impact of vehicles, R$ 25,000, for loss of profit, R$ 51,115, and for electric damage, riots and civil liabilities, R$ 5,600. The policy is in force from April 14, 2015 to April 13, 2016.

The Company also has Civil Liability Insurance for Management (D&O), contracted from ACE Seguros Soluções Corporativas 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, 2015 to August 27, 2016.

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

41 Related companies and parties

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

Nature	Transactions with related parties	December 31, 2015	December 31, 2014
Assets			
Dividends receivable	Portobello Shop S.A.	14,850	9,472
Accounts receivable	Portobello América, Inc.	79,947	54,383
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	4,268	5,947
Loan	PBTech Com. Serv. Cer. Ltda.	-	1,092
Trade receivables	Portobello Shop S.A.	48	3
Credits with Subsidiaries - Noncurrent		84,263	61,425
Credits with other related parties	Refinadora Catarinense S.A.	84,601	88,893
Liabilities			
Prepaid dividends	Portobello Shop S.A.	5,763	6,461
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	752	1,451
Accounts receivable net of advance	Solução Cerâmica Com. Ltda.	10	44
Accounts receivable net of advance	Flooring Revest. Cer. Ltda.	523	293
		1,285	1,788

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In thousands of Reais, unless stated otherwise

Nature	Transactions with related parties	December 31, 2015	December 31, 2014
Revenue			
Rendering of services	Portobello Shop S.A.	-	5,988
Sale of goods	Solução Cerâmica Com. Ltda.	19,663	19,914
Sale of goods	Flooring Revest. Cer. Ltda.	9,971	8,854
Sale of goods	PBTech Com. Serv. Cer. Ltda.	20,198	5,099
Expenses			
Cost of services rendered	Portobello Shop S.A.	-	(4,770)
Purchases of goods	Mineração Portobello Ltda.	(5,712)	(3,866)
Rent	Gomes Participações Societárias Ltda.	(461)	(423)
		43,659	30,796

The subsidiary Portobello Shop is guarantor of the Company in certain financing operations (see Note 23).

Related party transactions

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

Transactions with related parties	Nature	December 31, 2015	December 31, 2014	Nature	December 31, 2015	December 31, 2014
	Assets			Revenue		
Solução Cerâmica Com. Ltda.	Accounts receivable	361	353	Royalties	4,408	4,669
Flooring Revest. Cer. Ltda.	Accounts receivable	168	149	Royalties	2,140	2,334
		529	502		6,548	7,003

Compensation of key management personnel

The compensation paid to key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the year ended December 31, 2015 and 2014 are:

Financial Statements

In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Fixed compensation				
Salaries	10,796	10,158	12,806	12,090
Fees	4,666	4,245	4,666	4,245
Variable compensation	6,634	6,683	7,660	7,461
Short-term direct and indirect employee benefits				
Pension plans	1,103	1,136	1,122	1,189
Other	1,744	1,356	1,997	1,612
Severance benefits	137	256	469	453
	25,081	23,834	28,720	27,050

42 Supplemental disclosures of cash flow information

The main transactions not involving cash and cash equivalents in the year ended December 31, 2015 were the following:

	Parent Company	Consolidated
Capital increase	23,000	23,000
Advance for future capital increase (a)		
Transfer of inventory	(28,333)	-
Recoverable taxes	(4,150)	-
Payroll	1,080	-
PPE trade payables	(21,466)	(21,466)

(a) Advance for future capital increase partly realized via transfers of inventory, taxes and payroll between the companies PBG S.A and Companhia Brasileira de Cerâmica S.A.

Capital Budget Proposal

In thousands of Reais, unless stated otherwise

CAPITAL BUDGET FOR CREATING THE PROFIT RESERVE FOR EXPANSION

Management will propose to the Annual General Meeting that part of the net income for year 2015 will be retained to expand operations, in due accordance with article 196 of Law 6404/76.

See below the investment plan for 2016, 2017 and 2018

Investment Plan	
Sources	**104,400**
Profit retention	104,079
Operational flows net of disbursements projected in operations	320
Investments	**104,400**
Investments2016	25,488
Investments2017	36,703
Investments2018	42,209

The Company intends to invest R$ 25 million in the course of 2016 in order to move forward with its process enhancement and expansion strategy.

Around 63% of the investment earmarked for 2016 is allocated to the expansion and modernization of the manufacturing plant in Tijucas (SC), where some R$ 9.2 million will be reserved for the acquisition of new machinery and equipment, R$ 3.4 for improvement to the manufacturing facility and R$ 3.4 to upgrade safety. A further 11% will be allocated to enhancing administrative systems and processes, 14% to commercial projects and 12% to the manufacturing plant in Alagoas.

In 2017 and 2018 the investments will be used to enhance the manufacturing facility and technological development; in addition to enhancing processes and management.

The sources of financial disbursement flows for the investments will be earnings retained in FY 2015 and cash generated by operations.

The capital budget presented was approved by the Audit Committee on March 11, 2016 and the Board of Directors at the meeting held March 10, 2016.

Tijucas, March 11, 2016.

Opinions and Representations / Independent Auditors' Report - Unqualified

Independent auditors’ report on the financial statements

Shareholders, Directors and Officers of

PBG S.A (formerly Portobello S.A.)

Tijucas - Santa Catarina

We have examined the individual and consolidated financial statements of the company PBG S.A. (“Company”), identified as Parent Company and Consolidated respectively, consisting of the balance sheets as of December 31, 2015 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders’ equity and statements of cash flows for the year then ended, in addition to the summary of the main accounting practices and other notes to the financial statements.

Management's responsibility for the financial statements
Company Management is responsible for preparing and adequately presenting these individual financial statements in accordance with Brazilian generally accepted accounting principles and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Brazilian generally accepted accounting principles, and the internal controls necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

Independent auditors’ responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on individual financial statements
In our opinion, the aforementioned individual financial statements present fairly, in all material respects, the financial position of PBG S.A. as of December 31, 2015, and the performance of its operations and cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil.

Opinion on consolidated financial statements
In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of PBG S.A. as of December 31, 2015, and the consolidated performance of its operations and cash flows for the financial year then ended, in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil.

Other matters

Statements of Added Value
We also examined the individual and consolidated statements of added value (DVA) for the financial year ended December 31, 2015, which are the responsibility of Company Management, the publication of which is required of publicly held companies by Brazilian corporation law, presented as supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the audit procedures described earlier and in our opinion are adequately presented, in all material respects, in relation to the financial statements taken as a whole.

Florianópolis, March 10, 2016.

KPMG Auditores Independentes
CRC SC-000071/F-8

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

Opinions and Representations / Report of the Audit Committee or Equivalent Body

AUDIT COMMITTEE REPORT

Pursuant to legal and bylaw provisions, the Audit Committee of PBG S.A. has examined the financial statements for the financial year ended December 31, 2015, consisting of: statement of financial position, statement of income for the year, statement of changes in shareholders’ equity, statement of comprehensive income, statement of cash flows, statements of added value, notes to the financial statements and the Management Report and Independent Auditors' Report. The consolidated statements have also been examined. After the examinations, Management clarifications and taking into account the unqualified audit report issued by KPMG Auditores Independentes in March 2016 and the opinion that the aforesaid financial statements present fairly, in all material respects, the equity financial position of PBG S.A. and the results of its operations, the Audit Committee states that the financial statements are ready to be submitted to the examination and resolution of the shareholders. We have also analyzed management proposals to modify the share capital, capital budgets and the distribution of dividends and interest on shareholders' equity, which are also ready to be submitted to the examination and resolution of the shareholders at the general meeting.

Tijucas, March 11, 2016.

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Jorge Muller

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Maro Marcos Hadlich Filho

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Rafael Maisonnave

Opinions and Representations / Representation of the Officers about the Financial Statements

Representation of the Officers about the Financial Statements and Independent Auditors' Report

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

(i) reviewed, discussed and agree with the Company's Financial Statements for the financial year ended 12/31/2015; and
(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' report relating to the Company's Financial Statements for the financial year ended 12/31/2015.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Vice-President

John Shojiro Suzuki - CFO and Investor Relations Officer

Mauro do Valle Pereira - Officer

Tijucas, March 11, 2016.

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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John Shojiro Suzuki

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Mauro do Valle Pereira

Representation of the Officers about the Financial Statements and Independent Auditors' Report

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

(i) reviewed, discussed and agree with the Company's Financial Statements for the financial year ended 12/31/2015; and
(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' report relating to the Company's Financial Statements for the financial year ended 12/31/2015.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Vice-President

John Shojiro Suzuki - CFO and Investor Relations Officer

Mauro do Valle Pereira - Officer

Tijucas, March 11, 2016.

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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John Shojiro Suzuki

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Mauro do Valle Pereira