Portobello

Portobello S.A.

Interim Financial statements
September 30, 2013

KPMG Auditores Independentes
August de 2013
KPDS 60170

KPMG Auditores Independentes
Av. Rio Branco, 404 - Sala 1203 - Torre I
88015-200 - Florianópolis, SC - Brasil
Caixa Postal 1420
88010-970 - Florianópolis, SC - Brasil

Central Tel +55 (48) 3029 6500
Fax +55 (48) 3029-6515
Internet www.kpmg.com.br

Report on the review of quarterly information - ITR

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

Introduction
We have reviewed the interim, individual and consolidated financial information of Portobello S.A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2013, which comprise the balance sheet as of September 30, 2013 and related statements of income, of comprehensive income for the 3 and 9-month periods then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

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

Scope of the review
Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

Other issues

Statements of added value
We also reviewed the individual and consolidated value-added statements for the nine-month period ended on September 30, 2013, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Review of prior-year amounts
The individual and consolidated interim accounting information corresponding to the year ended December 31, 2012 and to the quarter ended September 30, 2012 submitted for comparative purposes was previously audited and reviewed, respectively, by other independent auditors that issued reports dated March 26, 2013 and November 13, 2012, respectively, which did not contain any modification.

Florianópolis, October 28, 2013

KPMG Auditores Independentes
CRC SC-000071/F-8

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

Index

Company information / Capital composition

Quantity of shares (Thousand)	Current quarter 09/30/2013
Paid-in capital	
Common	159,009
Preferred	0
Total	159,009
Treasury shares	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet - Assets

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
1	Total assets	954,974	735,162
1.01	Current asset	437,578	363,766
1.01.01	Cash and cash equivalents	118,088	56,576
1.01.03	Accounts receivable	158,181	137,626
1.01.03.01	Trade accounts receivable	158,181	137,626
1.01.04	Inventories	146,953	119,932
1.01.06	Recoverable taxes	2,129	1,450
1.01.06.01	Current taxes recoverable	2,129	1,450
1.01.06.01.02	Other current taxes recoverable	2,129	1,450
1.01.08	Other current assets	12,227	48,182
1.01.08.03	Others	12,227	48,182
1.01.08.03.01	Dividends receivable	0	2,073
1.01.08.03.02	Credit with subsidiary companies	0	41,839
1.01.08.03.03	Advances to suppliers	5,915	2,156
1.01.08.03.04	Others	6,312	2,114
1.02	Non-current assets	517,396	371,396
1.02.01	Long term assets	225,866	169,757
1.02.01.08	Related party credits	145,332	105,767
1.02.01.08.02	Receivables with subsidiary companies	52,337	5,369
1.02.01.08.04	Other related party credits	92,995	100,398
1.02.01.09	Other non-current assets	80,534	63,990
1.02.01.09.03	Legal deposits	17,010	8,457
1.02.01.09.04	Receivables - Eletrobrás	41,705	36,819
1.02.01.09.05	Recoverable taxes	4,070	1,682
1.02.01.09.06 ,	Tax assets	13,589	12,872
1.02.01.09.07 ,	Actuarial assets	3,641	3,641
1.02.01.09.08	Others	519	519
1.02.02	Investments	11,582	678
1.02.02.01	Equity interest	11,582	678
1.02.02.01.02	Interest in subsidiaries	11,384	480
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	261,081	185,841
1.02.04	Intangible assets	18,867	15,120

Individual financial statements/ Balance sheet - Liabilities (reais thou.)

Code of account	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
2	Total liabilities	954,974	735,162
2.01	Current liabilities	313,530	331,645
2.01.01	Social and labor obligations	25,365	17,581
2.01.02	Suppliers	114,390	120,122
2.01.03	Tax liabilities	27,704	32,062
2.01.03.01	Federal tax liabilities	27,704	32,062
2.01.03.01.01	Income and social contribution tax payable	2,424	3,488
2.01.03.01.02	Installment payment of tax liabilities	19,782	22,029
2.01.03.01.03	Taxes, duties and contributions	5,498	6,545
2.01.04	Loans and financing	109,314	75,584
2.01.04.01	Loans and financing	109,314	75,584
2.01.05	Other liabilities	31,698	38,292
2.01.05.02	Others	31,698	38,292
2.01.05.02.04	Advances from clients	18,360	20,636
2.01.05.02.06	Dividends payable	303	8,799
2.01.05.02.07	Dividends paid in advance	7,100	0
2.01.05.02.08	Others	5,935	8,857
2.01.06	Provisions	5,059	48,004
2.01.06.02	Other provisions	5,059	48,004
2.01.06.02.04	Provision for loss in investments	0	41,496
2.01.06.02.05	Provision for contingencies	2,344	1,288
2.01.06.02.06	Provision for profit sharing	2,715	5,220
2.02	Non-current Liabilities	470,594	276,398
2.02.01	Loans and financing	229,070	90,016
2.02.01.01	Loans and financing	229,070	90,016
2.02.02	Other liabilities	115,102	112,479
2.02.02.02	Others	115,102	112,479
2.02.02.02.03	Suppliers	12,550	0
2.02.02.02.05	Private pension plan	2,623	2,918
2.02.02.02.06	Installment payment of tax liabilities	99,896	109,561
2.02.02.02.08	Others	33	0
2.02.03	Deferred taxes	16,446	16,309
2.02.03.01	Deferred income and social contribution taxes	16,446	16,309
2.02.04	Provisions	109,976	57,594
2.02.04.02	Other provisions	109,976	57,594
2.02.04.02.04	Provision for loss in investments	53,075	5,834
2.02.04.02.05	Provision for contingencies	52,920	49,584
2.02.04.02.06	Provision for long-term incentive	3,981	2,176
2.03	Shareholders' equity	170,850	127,119
2.03.01	Realized capital	46,065	40,798
2.03.02	Capital reserves	0	267
2.03.04	Profit reserves	45,069	50,069
2.03.04.01	Legal reserve	3,283	3,283
2.03.04.10	Profit reserves to be allocated	41,786	46,786
2.03.05	Retained Earnings/Losses	48,705	0
2.03.08	Other comprehensive income	31,011	35,985

Individual financial statements / Statement of income

Code of account	Account description	Current quarter 07/01/2013–09/30/2013	Accumulated of the current year 01/01/2013–09/30/2013	Same quarter of the prior year 07/01/2012–09/30/201	Accumulated of the prior year 01/01/2012 09/30/2012
3.01	Income from sales of goods and/or services	206,937	565,916	193,629	479,507
3.02	Cost of goods and/or services sold	-139,846	-391,070	-132,306	-333,491
3.03	Gross income	67,091	174,846	61,323	146,016
3.04	Operating expenses/income	-33,656	-88,444	-25,981	-66,145
3.04.01	Sales expenses	-27,299	-75,394	-23,248	-63,331
3.04.02	General and administrative expenses	-6,360	-17,258	-5,042	-14,141
3.04.04	Other operating income	1,248	5,814	4,573	12,173
3.04.04.01	Other operating income	987	4,738	4,338	8,896
3.04.04.02	Other gains (losses), net	261	1,076	235	3,277
3.04.05	Other operating expenses	-4,818	-10,554	-3,299	-7,928
3.04.05.01	Other operating expenses	-4,818	-10,554	-3,299	-7,928
3.04.06	Equity income (loss)	3,573	8,948	1,035	7,082
3.05	Income (loss) before financial income (loss) and taxes	33,435	86,402	35,342	79,871
3.06	Financial income (loss)	-6,317	-19,307	-4,312	-17,440
3.06.01	Financial income	4,298	12,954	3,624	11,783
3.06.01.01	Financial income	4,298	12,954	3,624	11,783
3.06.02	Financial expenses	-10,615	-32,261	-7,936	-29,223
3.06.02.01	Financial expenses	-9,974	-28,051	-7,651	-25,980
3.06.02.02	Net exchange variation	-641	-4,210	-285	-3,243
3.07	Income (loss) before income tax	27,118	67,095	31,030	62,431
3.08	Income and social contribution taxes	-5,257	-15,917	-9,330	-16,941
3.08.01	Current	-4,869	-15,780	-7,349	-14,366
3.08.02	Deferred assets	-388	-137	-1,981	-2,575
3.09	Net income (loss) of continued operations	21,861	51,178	21,700	45,490
3.11	Net Income (loss) for the period	21,861	51,178	21,700	45,490
3.99	Earning per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.13748	0.32186	0.13647	0.28608

Individual financial statements / Statement of income

Code of account	Account	Current quarter 07/01/2013–09/30/20	Accumulated of the current year 01/01/2013–09/30/201	Same quarter of the prior year 07/01/2012–09/30/201	Accumulated for the Year Previous 01/01/2012–09/30/2012
3.99.02	Diluted earning per share				
3.99.02.01	ON	0.13748	0.32186	0.13647	0.28068

Individual financial statements / Statement of income

Code of account	Account	Current quarter	Accumulated of the current year 01/01/2013–09/30/201	Same quarter of the prior year 07/01/2012–09/30/2012	Accumulated of the prior year 01/01/2012–09/30/201
4.01	Net income for the period	21,861	51,178	21,700	45,490
4.02	Other comprehensive income	-292	-3,789	-585	-4,361
4.02.01	Realization of revaluation reserve	0	0	-395	-1,184
4.02.02	Exchange variation of foreign subsidiary	-292	-3,789	-190	-3,177
4.03	Comprehensive income for the period	21,569	47,389	21,115	41,129

Individual financial statements / Statement of cash flows - Indirect method (reais thou.)

Code of account	Account description	Accumulated of the current year 01/01/2013–09/30/2013	Accumulated of the prior year, 01/01/2012–09/30/2012
6.01	Net cash from operational activities	3,652	32,520
6.01.01	Cash generated in operations	96,951	91,042
6.01.01.01	Profit or loss for the year before taxes	67,095	62,431
6.01.01.02	Depreciation and amortization	12,178	12,194
6.01.01.03	Equity in net income	-8,948	-7,082
6.01.01.04	Unrealized exchange variation	7,751	366
6.01.01.05	Provision for inventory at market value	1,159	-1,416
6.01.01.06	Allowance for doubtful accounts	-122	-1,862
6.01.01.07	Provision for contingencies	909	4,847
6.01.01.08	Provision for labor obligations	6,838	6,482
6.01.01.09	Provision for profit sharing	-700	6,110
6.01.01.10	Other provisions	-2,766	1,099
6.01.01.12	Restatement of Eletrobrás compulsory loans	-4,886	-4,047
6.01.01.13	Offsetting of current tax assets	-717	-832
6.01.01.14	Restatements of credits with other related parties	-3,852	-5,287
6.01.01.15	Finance charges on tax installments	5,174	7,618
6.01.01.16	Decomposition of discount of provisions for contingencies	3,483	3,301
6.01.01.18	Accrued interest on loans	12,953	6,038
6.01.01.19	Discounts on loan repayments by related parties	1,431	0
6.01.01.20	Others	-29	1,082
6.01.02	Changes in assets and liabilities	-74,832	-40,209
6.01.02.01	(Increase) Decrease in accounts receivable	-20,438	-35,008
6.01.02.02	Increase (Decrease) in advances from clients	-2,276	2,748
6.01.02.04	(Increase) Decrease in inventories	-28,180	-22,540
6.01.02.06	(Increase) Decrease in legal deposits	-8,553	-349
6.01.02.07	(Increase) Decrease in receivables from related parties	9,824	0
6.01.02.08	(Increase) Decrease in non-current assets	-4,659	-1,032
6.01.02.09	Increase (Decrease) in accounts payable	6,520	35,034
6.01.02.10	(Increase) Decrease advance to suppliers	-3,759	-2,003
6.01.02.11	Increase (Decrease) in installments	-17,086	-16,216
6.01.02.12	Increase (Decrease) in tax liabilities	-6,753	2,065
6.01.02.13	Increase (Decrease) in labor obligations	946	196
6.01.02.14	Increase (Decrease) in other accounts payable	-156	-2,518
6.01.02.15	Increase (Decrease) in other accounts payable, non-current	-262	-586
6.01.03	Others	-18,467	-18,313
6.01.03.01	Interest paid	-7,329	-7,491
6.01.03.02	Income and social contribution taxes paid	-11,138	-10,822
6.02	Net cash used in investment activities	-90,761	-15,268
6.02.01	Acquisition of property, plant and equipment	-86,581	-13,413
6.02.02	Acquisition of intangible assets	-4,584	-9,024
6.02.03	Dividends received	9,173	7,937
6.02.04	Receipt from the sale of permanent assets	192	68
6.02.05	Loans (granted to) repaid by related parties	-8,961	-836

Individual financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2013–09/30/2013	Accumulated of the prior year 01/01/2012–09/30/2012
6.03	Net cash generated (consumed) in financing activities	148,621	-12,775
6.03.01	Funding loans and financing	247,392	66,032
6.03.02	Payment of loans and financing	-83,820	-78,803
6.03.03	Dividends paid	-14,951	0
6.03.04	Funding (Payment) of related companies	0	-4
6.05	Increase (decrease) in cash and cash equivalents	61,512	4,477
6.05.01	Opening balance of cash and cash equivalents	56,576	8,091
6.05.02	Closing balance of cash and cash equivalents	118,088	12,568

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

Code of account	Account description	Capital Paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Income (loss) Earnings (loss)	Other income (loss) Comprehensive	Shareholders equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119
5.04	Capital transactions with partners	0	0	0	-3,658	0	-3,658
5.04.07	Interest on own capital	0	0	0	-3,658	0	-3,658
5.05	Total comprehensive income	0	0	0	52,363	-4,974	47,389
5.05.01	Net income for the period	0	0	0	51,178	0	51,178
5.05.02	Other comprehensive income	0	0	0	1,185	-4,974	-3,789
5.05.02.06	Realization of revaluation reserve	0	0	0	1,185	-1,185	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,789	-3,789
5.06	Internal changes in shareholders' equity	5,267	-267	-5,000	0	0	0
5.06.01	Constitution of reserves	267	-267	0	0	0	0
5.06.04	Capital increase	5,000	0	-5,000	0	0	0
5.07	Closing balances	46,065	0	45,069	48,705	31,011	170,850

Individual financial statements / Statement of changes in shareholders' equity / DMPL, 01/01/2012–09/30/2012

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss	Other comprehensive income	Shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790
5.03	Adjusted opening balances	112,957	267	0	-73,738	42,304	81,790
5.05	Total comprehensive income	0	0	0	46,674	-4,361	42,313
5.05.01	Net income for the period	0	0	0	45,490	0	45,490
5.05.02	Other comprehensive income	0	0	0	1,184	-4,361	-3,177
5.05.02.06	Realization of revaluation reserve	0	0	0	1,184	-1,184	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,177	-3,177
5.07	Closing balances	112,957	267	0	-27,064	37,943	124,103

Individual financial statements / Statement of added value

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2013–09/30/2013	Accumulated of the prior year 01/01/2012–09/30/2012
7.01	Incomes	711,657	608,839
7.01.01	Sale of merchandise, products and services	703,154	594,984
7.01.02	Other income	8,381	11,993
7.01.04	Formation/reversal of allowance for doubtful accounts	122	1,862
7.02	Inputs acquired from third parties	-366,011	-303,561
7.02.01	Cost of goods, merchandise and services sold	-300,914	-246,116
7.02.02	Materials, Energy, Third-party services and other	-67,163	-56,913
7.02.03	Loss/recovery of asset values	2,066	-532
7.03	Gross added value	345,646	305,278
7.04	Retentions	-12,178	-12,194
7.04.01	Depreciation, amortization and depletion	-12,178	-12,194
7.05	Net added value produced	333,468	293,084
7.06	Added value received as transfer	51,867	33,483
7.06.01	Equity income (loss)	8,950	7,082
7.06.02	Financial income	42,917	26,401
7.07	Total added value payable	385,335	326,567
7.08	Distribution of added value	385,335	326,567
7.08.01	Personnel	100,457	85,301
7.08.01.01	Direct remuneration	87,677	73,603
7.08.01.02	Benefits	7,280	6,518
7.08.01.03	Severance Pay Fund (FGTS)	5,500	5,180
7.08.02	Taxes, duties and contributions	166,145	149,471
7.08.02.01	Federal	90,454	84,518
7.08.02.02	State	75,368	64,777
7.08.02.03	Municipal	323	176
7.08.03	Third-party capital remuneration	67,555	46,305
7.08.03.01	Interest	61,147	40,565
7.08.03.02	Rents	6,408	5,740
7.08.04	Remuneration of own capital	51,178	45,490
7.08.04.03	Retained earnings / Loss for the period	51,178	45,490

Consolidated financial statements / Balance sheet - Assets

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
1	Total assets	903,592	695,321
1.01	Current asset	448,051	328,230
1.01.01	Cash and cash equivalents	120,444	58,870
1.01.03	Accounts receivable	164,325	142,678
1.01.03.01	Trade accounts receivable	164,325	142,678
1.01.04	Inventories	147,184	120,045
1.01.06	Recoverable taxes	3,053	2,064
1.01.06.01	Current taxes recoverable	3,053	2,064
1.01.06.01.01	Income and social contribution tax recoverable	456	459
1.01.06.01.02	Other current taxes recoverable	2,597	1,605
1.01.08	Other current assets	13,045	4,573
1.01.08.03	Others	13,045	4,573
1.01.08.03.03	Advances to suppliers	4,491	954
1.01.08.03.04	Others	8,554	3,619
1.02	Non-current assets	455,541	367,091
1.02.01	Long term assets	173,529	164,501
1.02.01.08	Related party credits	92,995	100,398
1.02.01.08.04	Other related party credits	92,995	100,398
1.02.01.09	Other non-current assets	80,534	64,103
1.02.01.09.03	Legal deposits	17,010	8,494
1.02.01.09.04	Receivables - Eletrobrás	41,705	36,819
1.02.01.09.05	Recoverable taxes	4,070	1,682
1.02.01.09.06	Tax assets	13,589	12,872
1.02.01.09.07	Actuarial assets	3,641	3,641
1.02.01.09.08	Others	519	595
1.02.02	Investments	198	215
1.02.02.01	Equity interest	198	215
1.02.02.01.04	Other equity interest	198	215
1.02.03	Property, plant and equipment	262,247	187,056
1.02.04	Intangible assets	19,567	15,319

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
2	Total liabilities	903,592	695,321
2.01	Current liabilities	312,891	295,375
2.01.01	Social and labor obligations	26,764	18,459
2.01.02	Suppliers	116,168	121,113
2.01.03	Tax liabilities	29,450	34,348
2.01.03.01	Federal tax liabilities	29,450	34,348
2.01.03.01.01	Income and social contribution tax payable	2,927	4,142
2.01.03.01.02	Installment payment of tax liabilities	20,386	22,961
2.01.03.01.03	Taxes, duties and contributions	6,137	7,245
2.01.04	Loans and financing	109,314	75,584
2.01.04.01	Loans and financing	109,314	75,584
2.01.05	Other liabilities	25,401	38,707
2.01.05.02	Others	25,401	38,707
2.01.05.02.04	Advances from clients	19,020	20,813
2.01.05.02.06	Dividends payable	303	8,810
2.01.05.02.07	Others	6,078	9,084
2.01.06	Provisions	5,794	7,164
2.01.06.02	Other provisions	5,794	7,164
2.01.06.02.05	Provision for contingencies	2,940	1,322
2.01.06.02.06	Provision for profit sharing	2,854	5,842
2.02	Non-current Liabilities	419,832	272,819
2.02.01	Loans and financing	229,993	90,931
2.02.01.01	Loans and financing	229,993	90,931
2.02.02	Other liabilities	115,664	113,364
2.02.02.02	Others	115,664	113,364
2.02.02.02.03	Suppliers	12,550	0
2.02.02.02.05	Private pension plan	2,623	2,918
2.02.02.02.06	Installment payment of tax liabilities	100,458	110,446
2.02.02.02.08	Others	33	0
2.02.03	Deferred taxes	16,446	16,309
2.02.03.01	Deferred income and social contribution taxes	16,446	16,309
2.02.04	Provisions	57,729	52,215
2.02.04.02	Other provisions	57,729	52,215
2.02.04.02.05	Provision for contingencies	52,931	49,592
2.02.04.02.06	Provision for long-term incentive	4,798	2,623
2.03	Consolidated shareholders' equity	170,869	127,127
2.03.01	Realized capital	46,065	40,798
2.03.02	Capital reserves	0	267
2.03.04	Profit reserves	45,069	50,069
2.03.04.01	Legal reserve	3,283	3,283
2.03.04.10	Profit reserves to be allocated	41,786	46,786
2.03.05	Retained Earnings/Losses	48,705	0
2.03.08	Other comprehensive income	31,011	35,985
2.03.09	Interest of non-controlling shareholders	19	8

Consolidated financial statements / Statement of income

Code of account	Account description	Current quarter 07/01/2013–09/30/2013	Accumulated of the current year 01/01/2013–09/30/2013	Same quarter of the prior year 07/01/2012–09/30/2012	Accumulated for the year Previous 01/01/2012–09/30/2012
3.01	Income from sales of goods and/or services	220,945	604,301	207,127	514,289
3.02	Cost of goods and/or services sold	-139,566	-390,418	-132,125	-332,926
3.03	Gross income	81,379	213,883	75,002	181,363
3.04	Operating expenses/income	-46,203	-122,264	-37,612	-96,402
3.04.01	Sales expenses	-33,914	-92,018	-27,366	-75,102
3.04.02	General and administrative expenses	-7,478	-21,397	-6,508	-18,071
3.04.04	Other operating income	638	4,265	3,919	10,181
3.04.04.01	Other operating income	377	3,189	3,684	6,904
3.04.04.02	Other gains (losses), net	261	1,076	235	3,277
3.04.05	Other operating expenses	-5,449	-13,114	-7,657	-13,410
3.04.05.01	Other operating expenses	-5,449	-13,114	-7,657	-13,410
3.05	Income (loss) before financial income (loss) and taxes	35,176	91,619	37,390	84,961
3.06	Financial income (loss)	-5,978	-18,910	-4,396	-17,628
3.06.01	Financial income	4,969	13,984	3,672	11,968
3.06.01.01	Financial income	4,969	13,984	3,672	11,968
3.06.02	Financial expenses	-10,947	-32,894	-8,068	-29,596
3.06.02.01	Financial expenses	-10,306	-28,684	-7,783	-26,353
3.06.02.02	Net exchange variation	-641	-4,210	-285	-3,243
3.07	Income (loss) before income tax	29,198	72,709	32,994	67,333
3.08	Income and social contribution taxes	-7,318	-21,478	-11,380	-22,285
3.08.01	Current	-6,930	-21,341	-9,399	-19,710
3.08.02	Deferred assets	-388	-137	-1,981	-2,575
3.09	Net income (loss) of continued operations	21,880	51,231	21,614	45,048
3.10	Net income (loss) of discontinued operations	-15	-42	88	450
3.10.01	Net income (loss) of discontinued operations	-15	-42	88	450
3.11	Income/loss for the period	21,865	51,189	21,702	45,498
3.11.01	Attributed to the Parent company's partners	21,861	51,178	21,700	45,490
3.11.02	Attributed to non-controlling partners	4	11	2	8

Consolidated financial statements / Statement of income

Code of account	Account description	Current quarter 07/01/2013–09/30/2013	Accumulated of the current year 01/01/2013–09/30/2013	Same quarter of the prior year 07/01/2012–09/30/2012	Accumulated of The prior year 01/01/2012 – 09/30/2012
3.99	Earning per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.13748	0.32186	0.13647	0.28608
3.99.02	Diluted earning per share				
3.99.02.01	ON	0.13748	0.32186	0.13647	0.28608

Consolidated financial statements / Statement of income

Code of account	Account description	Current quarter 07/01/2013–09/30/2013	Accumulated of the current year 01/01/2013–09/30/2013	Same quarter of the prior year 07/01/2012–09/30/2012	Accumulated of the prior year 01/01/2012–09/30/2012
4.01	Consolidated net income for the period	21,865	51,189	21,702	45,498
4.02	Other comprehensive income	-292	-3,789	-585	-4,361
4.02.01	Realization of revaluation reserve	0	0	-395	-1,184
4.02.02	Exchange variation of foreign subsidiary	-292	-3,789	-190	-3,177
4.03	Consolidated comprehensive income for the period	21,573	47,400	21,117	41,137
4.03.01	Attributed to the Parent company's partners	21,569	47,389	21,115	41,129
4.03.02	Attributed to non-controlling partners	4	11	2	8

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2013–09/30/2013	Accumulated of the prior year 01/01/2012–09/30/2012
6.01	Net cash from operational activities	4,443	41,719
6.01.01	Cash generated in operations	104,449	103,375
6.01.01.01	Profit or loss for the year before taxes	72,709	67,333
6.01.01.02	Depreciation and amortization	12,241	12,226
6.01.01.04	Unrealized exchange variation	119	483
6.01.01.05	Provision for inventory at market value	1,164	-2,550
6.01.01.06	Allowance for doubtful accounts	-130	-2,951
6.01.01.07	Provision for contingencies	1,406	4,833
6.01.01.08	Provision for labor obligations	6,838	7,008
6.01.01.09	Provision for profit sharing	-813	7,240
6.01.01.10	Other provisions	-2,767	1,099
6.01.01.12	Restatement of Eletrobrás compulsory loans	-4,886	-4,047
6.01.01.13	Offsetting of current tax assets	-717	-832
6.01.01.14	Restatements of credits with other related parties	-3,852	-5,287
6.01.01.15	Finance charges on tax installments	5,233	7,751
6.01.01.16	Decomposition of discount of provisions for contingencies	3,551	3,308
6.01.01.18	Accrued interest on loans	12,953	6,214
6.01.01.19	Discounts on loan repayments by related parties	1,431	0
6.01.01.20	Others	-31	1,547
6.01.02	Changes in assets and liabilities	-75,905	-39,258
6.01.02.01	(Increase) Decrease in accounts receivable	-21,522	-35,274
6.01.02.02	Increase (Decrease) in advances from clients	-1,793	2,697
6.01.02.04	(Increase) Decrease in inventories	-28,303	-21,441
6.01.02.06	(Increase) Decrease in legal deposits	-8,516	-349
6.01.02.07	(Increase) Decrease in receivables from related parties	9,824	0
6.01.02.08	(Increase) Decrease in non-current assets	-5,635	-766
6.01.02.09	Increase (Decrease) in accounts payable	7,307	35,508
6.01.02.10	(Increase) Decrease advance to suppliers	-3,537	-2,047
6.01.02.11	Increase (Decrease) in installments	-17,796	-17,051
6.01.02.12	Increase (Decrease) in tax liabilities	-6,893	1,026
6.01.02.13	Increase (Decrease) in labor obligations	1,467	163
6.01.02.14	Increase (Decrease) in other accounts payable	-246	-1,138
6.01.02.15	Increase (Decrease) in other accounts payable, non-current	-262	-586
6.01.03	Others	-24,101	-22,398
6.01.03.01	Interest paid	-7,329	-7,510
6.01.03.02	Income and social contribution taxes paid	-16,772	-14,888
6.02	Net cash used in investment activities	-91,490	-23,447
6.02.01	Acquisition of property, plant and equipment	-86,586	-14,281
6.02.02	Acquisition of intangible assets	-5,096	-9,234
6.02.04	Receipt from the sale of permanent assets	192	68
6.03	Net cash generated (consumed) in financing activities	148,621	-12,771
6.03.01	Funding loans and financing	247,392	66,032
6.03.02	Payment of loans and financing	-83,820	-78,803
6.03.03	Dividends paid	-14,951	0

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2013–09/30/2013	Accumulated of the prior year 01/01/2012–09/30/2012
6.04	Exchange variation on cash and cash equivalents	0	43
6.05	Increase (decrease) in cash and cash equivalents	61,574	5,544
6.05.01	Opening balance of cash and cash equivalents	58,870	10,065
6.05.02	Closing balance of cash and cash equivalents	120,444	15,609

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

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.04	Capital transactions with partners	0	0	0	-3,658	0	-3,658	0	-3,658
5.04.07	Interest on own capital	0	0	0	-3,658	0	-3,658	0	-3,658
5.05	Total comprehensive income	0	0	0	52,363	-4,974	47,389	11	47,400
5.05.01	Net income for the period	0	0	0	51,178	0	51,178	11	51,189
5.05.02	Other comprehensive income	0	0	0	1,185	-4,974	-3,789	0	-3,789
5.05.02.06	Realization of revaluation reserve	0	0	0	1,185	-1,185	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,789	-3,789	0	-3,789
5.06	Internal changes in shareholders' equity	5,267	-267	-5,000	0	0	0	0	0
5.06.01	Constitution of reserves	267	-267	0	0	0	0	0	0
5.06.04	Capital increase	5,000	0	-5,000	0	0	0	0	0
5.07	Closing balances	46,065	0	45,069	48,705	31,011	170,850	19	170,869

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL, 01/01/2012–09/30/2012

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.03	Adjusted opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.05	Total comprehensive income	0	0	0	46,674	-4,361	42,313	8	42,321
5.05.01	Net income for the period	0	0	0	45,490	0	45,490	8	45,498
5.05.02	Other comprehensive income	0	0	0	1,184	-4,361	-3,177	0	-3,177
5.05.02.06	Realization of revaluation reserve	0	0	0	1,184	-1,184	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,177	-3,177	0	-3,177
5.07	Closing balances	112,957	267	0	-27,064	37,943	124,103	16	124,119

Consolidated financial statements / Statement of added value (reais thou.)

Code of account	Account description	Accumulated of the current year, 01/01/2013–09/30/2013	Accumulated of the prior year, 01/01/2012–09/30/2012
7.01	Incomes	749,617	644,074
7.01.01	Sale of merchandise, products and services	747,496	634,998
7.01.02	Other income	1,990	6,125
7.01.04	Formation/reversal of allowance for doubtful accounts	131	2,951
7.02	Inputs acquired from third parties	-378,554	-315,660
7.02.01	Cost of goods, merchandise and services sold	-300,211	-245,598
7.02.02	Materials, Energy, Third-party services and other	-80,362	-69,501
7.02.03	Loss/recovery of asset values	2,061	-1,011
7.02.04	Others	-42	450
7.02.04.01	Income from discontinued operations	-42	450
7.03	Gross added value	371,063	328,414
7.04	Retentions	-12,241	-12,226
7.04.01	Depreciation, amortization and depletion	-12,241	-12,226
7.05	Net added value produced	358,822	316,188
7.06	Added value received as transfer	43,948	26,587
7.06.02	Financial income	43,948	26,587
7.07	Total added value payable	402,770	342,775
7.08	Distribution of added value	402,770	342,775
7.08.01	Personnel	106,147	90,938
7.08.01.01	Direct remuneration	92,606	78,630
7.08.01.02	Benefits	7,647	6,896
7.08.01.03	Severance Pay Fund (FGTS)	5,894	5,412
7.08.02	Taxes, duties and contributions	176,896	159,401
7.08.02.01	Federal	101,162	94,421
7.08.02.02	State	75,373	64,777
7.08.02.03	Municipal	361	203
7.08.03	Third-party capital remuneration	68,538	46,938
7.08.03.01	Interest	61,785	40,946
7.08.03.02	Rents	6,753	5,992
7.08.04	Remuneration of own capital	51,189	45,498
7.08.04.03	Retained earnings / Loss for the period	51,178	45,490
7.08.04.04	Interest of non-controlling shareholders in retained earnings	11	8

CONSOLIDATED PERFORMANCE IN THE THIRD QUARTER OF 2013

Portobello S.A. (the "Company"), a public company listed on the New Market of São Paulo Stock Exchange – Bovespa, reports its results for the third quarter of 2013 and the results accumulated in the year. The Company's operational and financial information, except when otherwise stated, is presented with consolidated numbers and in Brazilian reais, in accordance with Brazilian accounting practices, including the pronouncements issued by the Committee of Accounting Pronouncements (CPCs) and IFRS (*International Financial Reporting Standards*). The comparisons made on this bulletin take into consideration the third quarter of 2012 and 2011.

About Portobello

Portobello is currently the largest ceramics company in Brazil, with net annual sales in excess of R$700 million. Its production, close to 30 million square meters, serves countries in five continents and Brazil's local market through multibrand stores, the Portobello Shop chain and a channel of sales to the engineering industry. Portobello has seven plants with more than two thousand and four hundred employees, who work on the design and innovation of items which set trends in Brazil's architecture and decoration industry. Headquartered in Tijucas, Santa Catarina, the company has reported its developments in social and environmental responsibility since 1997.

HIGHLIGHTS

- Net sales reached R$604 million in the nine months of 2013, up 18% from the same period in 2012.
- Profit from continuing operations (EBIT) reached R$91 million, 11% higher than in the first nine months of 2012 and a margin of 15.0%.
- EBITDA totaled R$ 103 million, reporting a growth of 9% when compared with the first nine months of 2012, with a EBITDA margin of 17%.
- Profit in the first nine months of 2013 is R$51 million, accounting for 8.5% of net sales.
- The Company finished the implementation of the line for the production of large-sized enameled porcelain tiles.
- Early payment of dividends and interest on equity capital on September 26, 2013 in the amount of R$6.5 million (net of income tax).

MANAGEMENT REPORT

The demand for construction and finishing materials grew slightly in the third quarter of 2013, according to the Brazilian Association of the Construction Materials Industry (ABRAMAT). However, Portobello's performance continues to be better than that of the construction materials industry, 6% above the ABRAMAT index.

The volume sold by the Company has also risen, helping to keep the profit margin when compared with the third quarter of 2012. This is the result of Portobello's adopting a proper commercial policy, seizing the opportunity offered by the favorable moment of Brazil's construction industry and focusing on higher added-value products. Regarding the commercial initiatives aimed at foreign markets, they are equally focused on higher-margin products and the results achieved by the Company shows its advances in the pursuit of global competitiveness.

Management has been following the strategy of focusing on the manufacturing of higher value added products and also on a hybrid production model, combining in-house and outsourced production, therefore allowing the Company to meet the demand for commercial products, mainly from construction companies and real estate developers in a flexible and fast manner.

In line with Portobello's corporate culture, in 2013 internal streamlining initiatives continued to be pursued to achieve productivity and quality gains and to reduce industrial costs. On the other hand, the appreciation of the US dollar against the Brazilian currency has affected the prices of outsourced products, partly reducing the gains achieved on production processes.

Amounts in thousand of Brazilian reais, unless otherwise stated

Distribution through four different channels has also contributed towards a successful sales performance, allowing the Company to serve clients with speed and quality, in accordance with the specific characteristics of the portfolio of products, and to rely on expert teams of service, logistics and commercial policy professionals.

In the first nine months of 2013, the Company has made investments - which have increased indebtedness - as part of its growth strategy. As from July 2013, Portobello started to manufacture large-sized porcelain tiles to meet the growing demand of clients who want increasingly more customized and stylish products. Moreover, the Company is investing in logistics facilities by setting up distribution centers, one of which has already started operations in the State of Pernambuco. And in order to break into even more markets, in 2013 the Company will start work on a major project, the construction of a plant in the State of Alagoas. The aim is to leverage results by boosting productivity and gaining market share.

Moreover, Portobello continues to put faith in its meritocracy, relying on goals, performance assessments and variable compensation, which have significantly helped it to grow.

Together with the excellent results the Company has been reporting in recent years, the “Portobello” brand is now consolidated as the leader in the market of ceramic coating in South America. This top position has been made more evident by the several awards granted to the Company in recent years, showing its commitment to stakeholders.

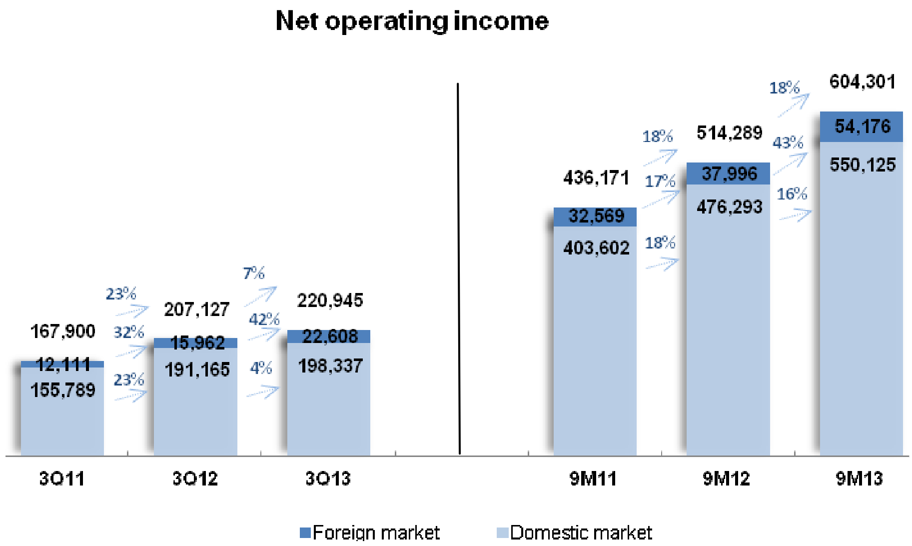
BUSINESS PERFORMANCE

Consolidated income (loss)	3Q11	3Q12	3Q13	Var. % 3Q13 vs 3Q12	9M11	9M12	9M13	Var. % 9M13 vs 9M12
Gross income	211,753	257,093	279,433	9%	551,740	643,916	765,476	19%
Net revenue	167,900	207,127	220,945	7%	436,171	514,289	604,301	18%
Gross income	57,375	75,002	81,379	9%	138,294	181,363	213,883	18%
Gross margin	34.2%	36.2%	36.8%	0,6 p.p.	31.7%	35.3%	35.4%	0,1 p.p.
Operating expenses	(32,206)	(37,847)	(46,464)	23%	(94,229)	(99,679)	(123,340)	93%
Sales	(25,821)	(27,366)	(33,914)	24%	(72,007)	(75,102)	(92,018)	23%
General and administrative	(4,619)	(6,508)	(7,478)	15%	(13,614)	(18,071)	(21,397)	18%
Other income (expenses)	(1,766)	(3,973)	(5,072)	28%	(8,608)	(6,506)	(9,925)	53%
EBIT	25,169	37,155	34,915	-6%	44,065	81,684	90,543	11%
EBIT margin	15.0%	17.9%	15.8%	*-2,1 p.p.*	10.1%	15.9%	15.0%	*-0,9 p.p.*
Financial income (1)	(7,407)	(4,161)	(5,717)	37%	(19,683)	(14,351)	(17,834)	24%
Income taxes	(5,024)	(11,380)	(7,318)	-36%	(7,709)	(22,285)	(21,478)	-4%
Accumulated net income	12,568	21,702	21,865	1%	16,282	45,498	51,189	13%
Net Margin	7.5%	10.5%	9.9%	*-0,6 p.p.*	3.7%	8.8%	8.5%	*-0,3 p.p*
EBITDA	29,176	41,215	39,959	-3%	55,959	93,910	102,784	9%
EBITDA margin	*17.4%*	*19.9%*	*18.1%*	*-1,8 p.p.*	*12.8%*	*18.3%*	*17.0%*	*-1,3 p.p*

(1) Includes other gains and losses.

Net sales

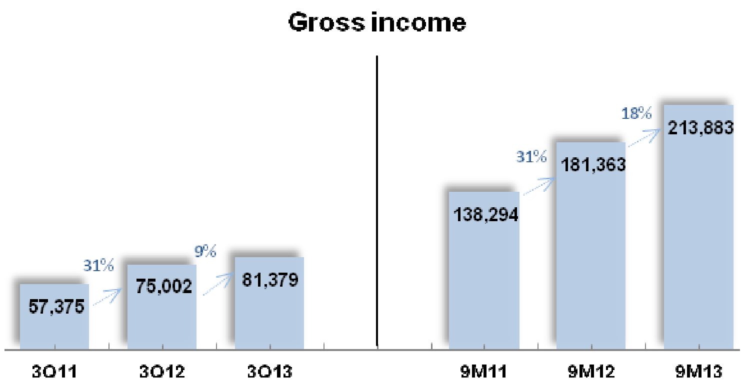
Consolidated net sales have reached R$604 million in 2013, 18% above the 514 million reported in the year to September 2012. 90% of sales were made in the local market, which reported similar growth rates in the engineering industry, multibrand retailers and the Portobello Shop chain. The excellent performance has been positively affected by the increase in the physical volume of sales and by the sale of products that yield higher profitability per unit sold, with large-sized enameled porcelain tiles standing out.
Foreign market sales were up 43% from the year to September 2012, because of the appreciation of the US dollar against the Brazilian real and the focus on offering higher value-added products in those markets.



Gross profit

Gross profit totaled R$81 million in the quarter ended September 30, 2013, 9% up from the same period in 2013. In the year to September gross profit was 18% higher than that reported in the year to September 2012. Gross margin remained stable, both in the third quarter of 2013 and in the first nine months of 2013, when compared with 2012.

The quarterly performance is due both to the growth in the volume of sales and the sales of higher value-added products, the improvement in industrial performance as a result of actions and measures focused on gaining operational efficiency and reducing costs, in addition to quality gains and the continued improvement in industrial processes, which have offset the negative effect of the appreciation of the US dollar on the costs of products acquired from third parties.

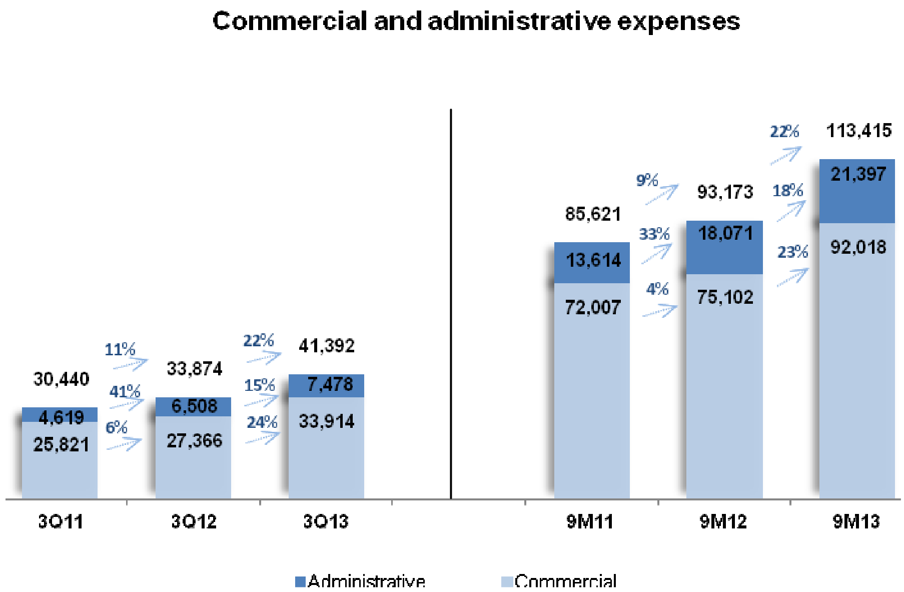


Profit from continuing operations

In the third quarter of 2013, sales expenses totaled R$34 million, accounting for 15% of net sales, an increase by 2.1% when compared with the third quarter of 2012. Such result is particularly due to higher investments in sales teams, marketing campaigns and investments in new logistics facilities, including the opening of a distribution center in the State of Pernambuco. This logistics model offers better service levels, lower costs and capital investment in the whole supply chain. Accumulated sales expenses remained at the same level of sales, 15%.

Administrative expenses totaled R$7 million in the third quarter of 2013, 15% higher than in the third quarter of 2012. The yearly comparison shows a 18% rise, mainly due to expenses on advisory services and expansion plan studies, which cover the new unit in Alagoas, in preoperational stage. Administrative expenses accounted for 3% of net sales in the quarter and 4% in the year to September, the same percentages reported in the same periods in 2012.

Amounts in thousand of Brazilian reais, unless otherwise stated



Other net operating expenses totaled R$5 million in the quarter and consist basically of a long-term incentive program (with full settlement after five years of initial recognition), provision for employee profit sharing to be paid after the end of the year and provision for contingencies.

EBIT reached R$35 million and R$91 million, in the third quarter of 2013 and in the year to September, respectively. The EBIT/net sales ratio showed a margin of 15.8% in the quarter and 15.0% in the six-month period.

EBITDA

Cash generation, measured by EBITDA, was R$40 million in the quarter, totaling R$ 103 million in the year to September 2013. EBITDA margin was 18% in the quarter and 17% in the year to September 2013. If we put aside the expenses on the new plant in Alagoas, EBITDA in the third quarter of 2013 reached R$42 million and R$ 107 million in the year to September 2013.

EBITDA	3Q11	3Q12	3Q13	Var. % 3Q13 vs 3Q12	9M11	9M12	9M13	Var. % 9M13 vs 9M12
Net income	12,565	21,700	21,861	1%	16,276	45,490	51,178	13%
Financial income and other gains and losses	7,407	4,161	5,717	37%	19,683	14,351	17,834	24%
Depreciation and amortization	4,007	4,060	5,044	24%	11,894	12,226	12,241	0%
Income Tax and Social Contribution	5,024	11,380	7,318	-36%	7,709	22,285	21,478	-4%
Discontinued operations and others	173	(86)	19	-122%	397	(442)	53	-112%
(=) EBITDA from continued operations	29,176	41,215	39,959	-3%	55,959	93,910	102,784	9%
New Alagoas Plant project	-	-	2,481	-	-	-	3,798	-
(=) Recurring EBITDA	29,176	41,215	42,440	3%	55,959	93,910	106,582	13%
Net revenue %	17%	20%	18%	-1,8 p.p.	13%	18%	17%	-1,3 p.p

Finance costs

Net finance costs reached R$6 million in the third quarter of 2013, against R$4 million in the third quarter of 2012. In the year to September 2013, finance costs reached R$17.8 million, of which R$3.1 million consists of the exchange rate fluctuation in the period. Although indebtedness showed significant growth in the quarter due to investments, the Company has been obtaining finance at lower costs.

Amounts in thousand of Brazilian reais, unless otherwise stated

INDEBTEDNESS / CAPITAL STRUCTURE

As of September 30, 2013 net bank indebtedness was R$219 million, against R$95 million at the end of the third quarter of 2012, and amounted to 1.6 times the EBITDA of the last 12 months. The increase is related to expansion investments which will support the Company's growth in the future.

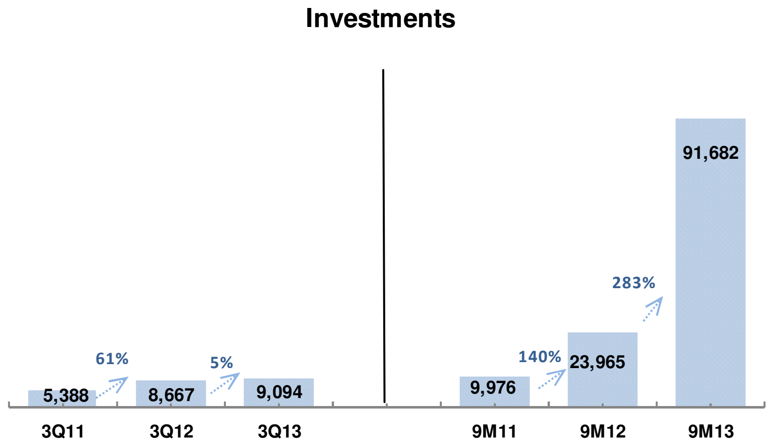
Tax debts, net of the credits against related company Refinadora Catarinense, decreased by27%, down 6% from 2012's variation (33%), because of the payment of due installments.

Indebtedness	3Q11	3Q12	3Q13
Bank Indebtedness			
Current	80,729	71,553	109,314
Non-current	42,623	38,570	229,993
Total bank indebtedness	123,352	110,123	339,307
Cash and cash equivalents and marketable securities	(10,347)	(15,609)	(120,444)
Total net bank indebtedness	**113,005**	**94,514**	**218,863**
Tax	149,066	137,411	120,844
Receivables from Refinadora Catarinense	(91,843)	(99,078)	(92,995)
Total net tax indebtedness	**57,223**	**38,333**	**27,849**
Total indebtedness	**170,228**	**132,847**	**246,712**

Financial Leverage	3T11	3T12	3T13
Net bank debt	113,005	94,514	218,863
Net tax indebtedness	57,223	38,333	27,849
EBITDA (last 12 months)	78,267	115,588	138,127
(=) Net bank debt / EBITDA	**1.4**	**0.8**	**1.6**
(=) Net bank and tax debt / EBITDA	**2.2**	**1.1**	**1.8**

INVESTMENTS

Growth projects are aimed at investments in fixed assets which, until September 2013, were focused on the implementation of a full line of large-sized porcelain tiles. This production line, completed in 2013, relies on fully automated equipment using state-of-the art Italian technology with high productivity and low energy consumption. The Company's results have already been affected by it. Moreover, in this period, investment outlays started to be made for the execution of a new logistics model, previously mentioned, to support growth projects.

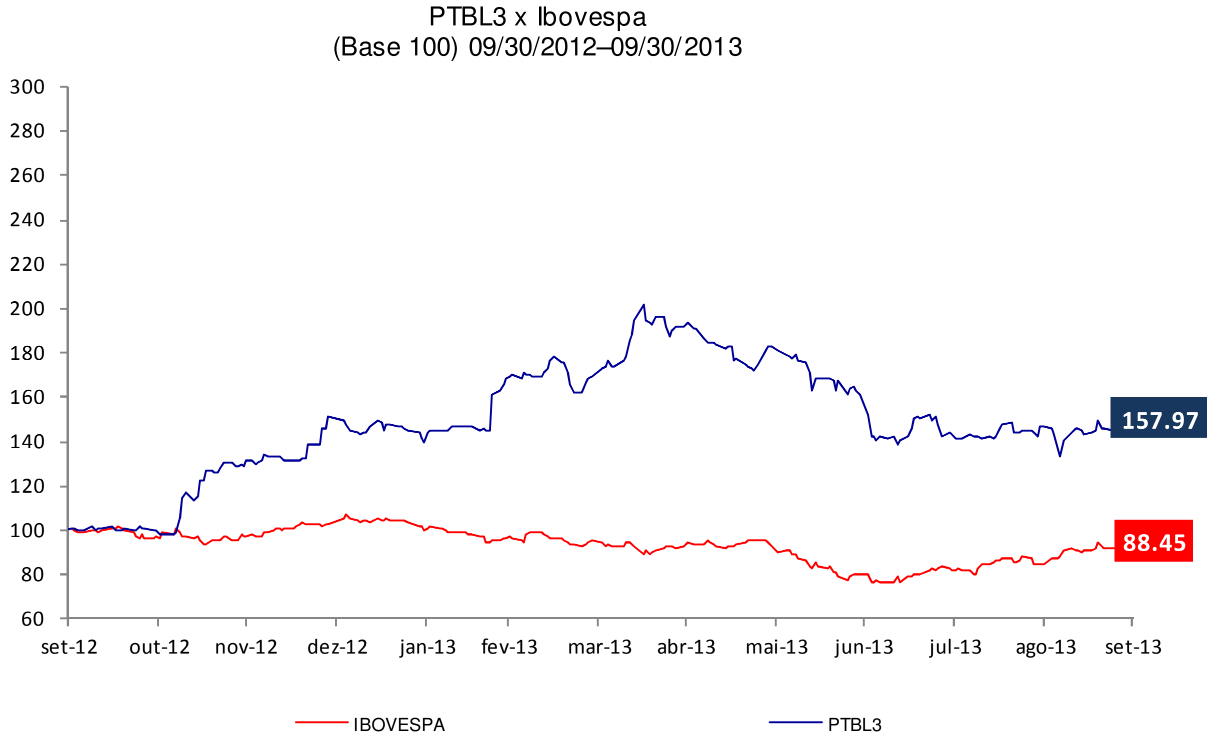


SHAREHOLDERS' COMPENSATION

On August 14, 2013, the Company's Board of Directors approved the payment of R$2.8 million as prepaid dividends and R$4.2 million as interest on equity capital. This decision caused the amount paid on September 26, 2013 to be R$6.9 million (R$6.3 million, net of income tax). The total distributed to shareholders is equivalent to 14% of the Company's profit accumulated in 2013, which means a yield (dividends per share divided by the share's final price) of 0.86%.

PERFORMANCE OF THE PTBL3 SHARES

The common shares issued by Portobello, traded at BM&FBovespa under code number PTBL3, closed the last trading session of September 2013 at R$4.66, an increase of 57% over the past twelve months, while Ibovespa reported a fall of 12%. By the end of the third quarter of 2013, Portobello had a market value of R$741 million (R$469 million as of September 30, 2012).



PROSPECTS

- The Company believes in and has focused its efforts on the local market. Sales growth levels are expected to be maintained because of the launch of real estate developments and the demand reported in the retail industry. Consumption is also being affected by the zero IPI (Federal VAT) rate for ceramic products, extended through the end of 2013.

- In order to meet demand we will increase the supply of products acquired from third parties and large-sized products by increasing our capacity by 20% and making investments in the amount of R$86 million.

- The opening of new stores of its Portobello Shop franchise chain is expected in several States: Rio de Janeiro, Bahia, Pará, Paraíba, Acre, Amapá, São Paulo and Minas Gerais;

- Exports show potential for growth. The growing demand for higher valued-added products allows Portobello to serve this market.

- Continued productivity gains, reductions in production costs and quality gains, logistics investments and our meritocracy show the maintenance of or increase in the productivity levels reported in 2012.

- The Company has suffered inflationary pressures on the cost of input, particularly energy and labor. The risk of an increase in the price of natural gas exists and may affect the competitiveness of Portobello and of the ceramic industry in the State of Santa Catarina. Actions to neutralize the effects are underway.

- Brazil's ceramic industry has benefited from a decrease in payroll taxes this year, which will boost its competitiveness.

- The anti-dumping investigation of porcelain titles carried out by SECEX (Foreign Trade Department) continues. The purpose is to check whether Brazilian imports of Chinese products comply with anti-dumping laws.

- Portobello considers that the measures being considered by government agencies are important to review the import tariffs levied on porcelain tiles in order to normalize the competitiveness of the Brazilian industry;

- The construction of the new plant in Alagoas will allow the Company to break into the Northeast market. Portobello intends to serve all the regional market and to export to foreign markets such as the US and Europe. Construction is expected to start on November 1 and operations in January 2015;

- The Company is also focusing on the distribution process. The whole supply chain is being reviewed and designed to make our logistics facilities a distinguishing feature of the business over the next years. Three new distribution centers are expected for the subsequent months;

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

As one of the main values of Portobello, sustainability means a permanent commitment to the future in the environmental, social and economic areas by adopting practices which ensure the conservation of the environment, society and the business.

The Company has a Management System which allows production and management compliance with legal requirements, prevention of pollution and continued improvement. The natural gas used in 100% of production (whose consumption has been reduced thanks to the implementation of streamlining projects), recycling, reuse or renovation of all solid residues and the closed water cycle adopted in production are examples of this practice.

In the first half of 2013 about R$656 thousand has already been invested in environment initiatives, such as the performance of environment investigation studies and monitoring of effluents and air emissions. We keep permanent preservation areas of the same sizes as those where we take our raw material from, totaling 291 hectares whose preservation is guaranteed. We reduced from five to three years the time of return of the explored areas to their natural vocation though a special recovery method.

Our portfolio of porcelain tiles has different types of wood as raw material, combining design and ecology and sparing increasingly more trees. Our products have an average of 18% of recycled contents, which ensures one point for the projects in the Green Building assessment. The *Planet* and *Habitat* lines have more than 20% of recycled content, showing that it is possible to do more with less. Portobello was the first Brazilian company to produce extra-thin porcelain tiles with 5.0 mm of thickness. They are lighter and easier to handle, cut and transport. Portobello extra-thin porcelain tiles reduce the consumption of natural and energy resources, in addition to not generating residues in the superposed coating.

The highlights in the social area in 2013 are the publication of the Sustainability Report and the second edition of Arquitetura Brasileira, a book which promotes the work of Brazilian architects, Atleta do Futuro, a program which serves more than 300 children in the community, the Internship and Trainee program aimed at training future professionals, and the social responsibility management, which is run by a Board made up of employees. In 2012, 240 children took part in the Atletas do Futuro project, 43 in the Anjos Luz choir and about R$200 thousand was donated for social work in 2011 and 2012.

Portobello also develops the following environment and social responsibility initiatives:

- Logistics - recyclable and ergonomic packaging material
- Vaccination, occupational health and accident prevention programs
- Programs for the inclusion of disabled and impaired people
- Sponsorship and donations to charitable and cultural entities
- Internal Olympic games for collaborators
- Campaign to collect warm clothing and Christmas gifts for the poor

In order to implement this sustainability vision, Portobello has a Sustainability Council, which assists Management in devising the Company's policies and strategies in the environment, social and corporate governance areas. It analyzes the several programs and projects underway in the company aimed at internal and external public, evaluates their repercussion and reach in the three environment, social and corporate governance areas and suggests actions that may contribute towards their effectiveness.

INDEPENDENT AUDITORS

Portobello's policy applied to its independent auditors with respect to services unrelated to the audit of its financial statements relies on principles that preserve this professional independence. These principles are based on the assumption that auditors should not inspect their own work, perform managerial activities or represent their client. During the third quarter of 2013 the Company did not hire the independent auditors for other services not related to auditing.

MANAGEMENT TEAM

Management Team

Name	Job
Cesar Gomes Júnior	CEO
Cláudio Ávila da Silva	Vice President
John Shojiro Suzuki	Finance/Investors Relations Director
Mauro do Valle Pereira	Director

Board of Directors

Name	Job
Cesar Bastos Gomes	Chairman
Cesar Gomes Júnior	Deputy Chairman (CEO)
Cláudio Ávila da Silva	Board Member (Vice President)
Plínio Villares Musetti	Board Member (Independent)
Glauco José Côrte	Board Member (Independent)
Mário José Gonzaga Petrelli	Board Member (Independent)
Maurício Levi	Board Member (Independent)
Rami Naum Goldfajn	Board Member (Independent)

Visit our Investor Relations Site at: *www.portobello.com.br/ri*

1 General information

Portobello S.A., herein also referred to as “Company” or “Parent Company”, is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011, and holds on September 30, 2013 60.70% of the company’s shares. Remaining 39.25% of shares are held by several shareholders.

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

In addition, the Company holds ownership interest in the following subsidiaries: (i) Portobello America, which was established for the purpose of selling Portobello products in the US market, and which, as of September 30, 2013, is classified as a discontinued operation, as described in Note 36; (ii) Portobello Mining, in charge of supplying part of the raw materials used in the production of ceramic coatings; (iii) PBTech, in charge of managing Portobello Shop own stores, and currently managing a store in Belo Horizonte; and (iv) Portobello Shop, manager of Portobello Shop and Portobello Emporium, a franchise network specialized in ceramic coatings, the only franchise for ceramic coatings in Brazil, comprising 112 stores.

2 Preparation basis

a) Statement of compliance (in relation to IFRS standards and CPC standards)

These financial statements include:

- The consolidated financial statements prepared according to the International financial reporting standards–IFRS issued by the International accounting standards board–IASB and also in accordance with accounting practices adopted in Brazil (BR GAAP); e

- The individual financial interim statements of the subsidiary prepared according to the BR GAAP.

The individual financial interim statements of the Parent Company were prepared in accordance with BR GAAP, and, in the case of the Group, these practices differ from the IFRS applicable to separate financial statements due to the fact that investments in subsidiaries are valued under the equity method in BR GAAP, whereas, for IFRS purposes, these investments would be carried at cost or fair value.

However, there is no difference between the shareholders' equity and consolidated result presented by the Group and the shareholders' equity and result of the Parent company in the individual interim Financial Statements.

Accordingly, the consolidated interim financial statements of the Group and the Parent Company's individual financial statements are being presented side by side in a single set of financial statements.

Such Interim financial statements were prepared in accordance with the standards of the Brazilian Securities Commission (CVM), applicable to the preparation of Interim financial statements (ITR).

The issue o f individual and consolidated financial statements was authorized by the Board of Directors on October 17, 2013.

b) Basis of measurement

The individual and consolidated interim financial statements were prepared based on the historical cost, except for the following items recognized in the interim financial statements:

- the defined benefit actuarial assets are recognized as the plan assets, plus the cost of prior service and actuarial losses, net of actuarial gains and the present value of the defined benefit obligation and it is limited as Note 3.18.

- derivative financial instruments measured at fair value.

c) Functional currency and presentation currency

These individual and consolidated Interim Financial Statements are stated in Brazilian reais, which is the functional currency of the Company and its subsidiaries, except for the functional currency of subsidiary Portobello America, which is the US dollar, and that subsidiary's numbers were translated into Brazilian reais on the filing date, as explained in Note 3.3 b). All financial data presented in Brazilian reais were rounded up to the next thousand, except where indicated otherwise.

d) Use of estimates and judgments

The preparation of individual and consolidated interim financial statements according to IFRS and CPCs standards requires management to make judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the year in which the estimates are reviewed and in any future years affected.

Information about critical estimates and judgment referring to the accounting policies adopted which impact significantly the amounts recognized in the individual and consolidated financial statements are included in the Note 4.

3 Significant accounting policies

The main accounting policies applied in the preparation of these consolidated interim financial statements are as follows. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Consolidation

3.1.1 Consolidated interim financial statements

a) Subsidiaries

The subsidiaries are all entities for which the Company has the power to determine financial and operating policies, and where usually the Company has an ownership interest corresponding to more than half of the voting rights (voting capital). The existence and effect of potential voting rights, currently exercisable or convertible, are taken into account when assessing whether the Company controls other entity. The subsidiaries are fully consolidated as of the date control is transferred to the Company, and stop being consolidated as of the date when control no longer exists.

In thousands of reais, unless otherwise indicated

The percentage of interest held by the Company in subsidiaries is as follows:

	Percentage of voting	
	September 30, 2013	December 31, 2012
Portobello América, Inc.	100.00	100.00
PBTech Com. Serv. Revest. Cer. Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90
Mineração Portobello Ltda.	99.76	99.76

The transactions among the Company and its subsidiaries, as well as the balances and unrealized gains and losses in those transactions, were eliminated for preparation purposes of the consolidated interim financial statements.

The accounting policies of the subsidiaries are changed when required in order to assure the consistency with the policies adopted by the Company.

b) Transactions and non-controlling interests

The Company and its subsidiaries treat transactions with non-controlling interest likewise the transactions with holders of assets classified as related parties. For purchases of non-controlling ownership interest, the difference between any considerations paid and the acquired portion of the controlling subsidiary's net assets is recorded in shareholders' equity. Gains or losses on disposals of non-controlling interest are also recorded in shareholders’ equity.

When the Company or its subsidiaries cease to hold the control, any interest held is remeasured to its fair value, and the change in the book value is recognized in the result. Any amounts previously recognized in other comprehensive results related to that entity are accounted for as if the related assets and liabilities had been directly sold. It means that the amounts previously recognized in other comprehensive results are reclassified in the statement of income.

3.1.2 Individual interim financial statements

In the individual interim financial statements, the subsidiaries are carried under the equity method of accounting. Under this method, an investment is initially recognized at cost and is subsequently adjusted by recognizing the Company’s ownership interest when the investee’s net assets are changed. Adjustments to the book value of investment are also required by the recognition of proportional interest of the Company in changes in balance of the components of adjustments of the investee’s equity evaluation, directly recognized in its shareholders’ equity. These variations are recognized on a reflexive basis, that is, in adjustment of equity evaluation directly in shareholders’ equity.

Upon adoption of the equity method, the portion of the result of subsidiaries destined to dividends is recognized as dividends receivable in current assets. Thus, the value of investment is shown net of the dividend proposed by the subsidiary. Accordingly there is no recognition of income from dividends.

3.2 Presentation of information by business segment

The operating segment information is shown consistently with the internal report supplied to the main operating decision maker. The main operating decision maker, in charge of allocating funds and evaluating performance of operating segments is the Executive Board, also in charge of the strategic decision making of the Company and its subsidiaries.

3.3 Foreign currency translation

a) Transactions and balances

Transactions with foreign currencies are converted into reais by using exchange rates prevailing on the transaction or valuation dates, when the items are remeasured. Exchange gains and losses resulting from the settlement of those transactions and from the conversion at year-end exchange rates referring to monetary assets and liabilities in foreign currencies, are recognized in the statement of income as other net gains and losses, except for the financing operations which are recognized in the financial income as described in notes 34 and 35.

b) Subsidiaries

Assets and liabilities in foreign currency (US Dollar) recorded for the subsidiary located abroad were translated into reais at the foreign exchange rate in effect at the balance sheet date. The exchange variation on investment abroad was recorded as accumulated translation adjustment in shareholders' equity under the caption "Adjustment de equity evaluation".

3.4 Financial assets

3.4.1 Classification

Financial assets are classified as follows: 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 classifies its financial assets upon initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, but not quoted on any active market. They are included in current assets, except those maturing at least 12 months after balance sheet date (these are classified as noncurrent assets). The loans and receivables of the Company and of its subsidiaries includes "trade accounts receivable", as well as "cash and cash equivalents".

b) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other highly liquid short-term interest earning bank deposits with original maturities of 3 months or less, are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

c) Trade accounts receivable

Trade accounts receivable correspond to the amounts receivable from clients for sales of products and goods and provision of services in the normal course of the activities of the Company and its subsidiaries the accounts payable to suppliers are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts "PDD" (impairment). In practice, they are usually recognized at the billed amount, adjusted by provision for

impairment, if necessary. If the payment term is equivalent to one year or less (or any other term that is in conformity with the normal cycle of the Company and its subsidiaries), accounts receivable are classified as current assets. Otherwise, they are presented under “non-current assets”.
The allowance for doubtful accounts (impairment) is formed when there is objective evidence that the Company and its subsidiaries will not be able to collect all amounts due according original terms of accounts receivable and the calculation of the allowance is based on an estimate sufficient to cover losses in the realization of accounts receivable, considering the situation of each client and respective guarantees provided.

d) Financial assets held to maturity

Are basically marketable securities that cannot be classified as loans and receivables, since they are priced in an active market. In this case, these financial assets are acquired with the intention and financial capacity to hold them in the portfolio to maturity.

e) Financial assets measured at fair value through profit or loss (held for trading)

Financial assets measured at fair value through profit or loss are financial assets held for active and frequent trading. A financial asset is classified in this category if it is acquired mostly for short-term sale and classified as non-current assets. Gains or losses resulting from fluctuations in their fair value are presented in statement of income under "financial income" for the period in which they occur.

3.4.2 Recognition and measurement

The regular purchases and sales of financial assets are recognized on the trading date, which is the date when the Company commits to buy or sell the asset. Investments are initially recognized at fair value plus transaction cost for all financial assets not classified at fair value through profit or loss. Financial assets classified at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income. Financial assets are written off when rights to receive cash flows from the investments have been expired or transferred; in the latter case, as long as all property risks and benefits have mostly been transferred. Financial assets available for sale and financial assets measured at fair value through profit or loss as subsequently measured at fair value. After their initial recognition, loans and receivables and investments held to maturity are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

3.4.3 Offsetting of financial instruments

Financial assets and liabilities are offset and their net amounts in the balance sheet only when there is a legal right to offset the amounts recognized and there is an intent to settle them on net bases, or realize the asset and settle the liability simultaneously.

3.5 Impairment of financial assets

The Company and its subsidiaries, at the end of each reporting period, evaluate whether there is objective evidence that the financial asset or group of financial assets has been impaired. An asset or group of financial assets has been impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the assets (a "loss event") and such loss event(s) will have a reliably estimable impact on the estimated future cash flows of the financial asset or group of financial assets.

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

i) issuer or debtor's relevant financial difficulties;
ii) a breach of contract, such as a default or delay on payment of interest or the principal;
iii) it is likely that the debtor will declare bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset due to the financial difficulties; or
v) observable data indicating a measurable reduction in estimated future cash flows from a financial asset portfolio since the initial recognition of the assets, even if the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment situation of the portfolio's debtors;
- national or local economic conditions correlating with defaults on the portfolio's assets.

3.5.1 Financial assets measured by the amortized cost

The Group considers as evidence of impairment of assets measured by amortized cost. Individually significant receivables are assessed for impairment. All the receivables and investment securities held to maturity which are material on an individual basis, identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are assessed on an aggregate basis in relation to impairment by grouping the assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Group makes use of historical trends of probability of default, the recovery term and the amounts of losses incurred, adjusted to reflect the management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in an allowance in the income statement against loans and receivables or assets held to maturity. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

3.6 Inventories

Inventories are presented at the lower value between the cost and net realizable value. Cost is calculated under the moving weighted average cost method. The cost of finished products and work in process comprises raw materials, direct labor, other direct costs and related general production expenses, always (based on the normal operating capacity), except for the costs of loans obtained. The net realizable value is the sales price estimated for the normal course of business, less the performance costs and selling expenses.

In thousands of reais, unless otherwise indicated

3.7 Judicial deposits

Escrow deposit balances are monetarily restated by the official savings account rate and recorded in noncurrent assets, realizable in the long term.

3.8 Receivables - Eletrobrás

The receivables from Eletrobrás result from noncontroversial value and are recognized based on the calculation of the Federal Justice expert and are restated at inflation index, plus 12% p.a.

3.9 Investments

The investments in subsidiaries are stated under the equity method of accounting, and recognized in income for the year as operating income (or expense). In the case of exchange variation of investment in the subsidiary Portobello América Inc., variations in the value of investment derived exclusively from exchange variation are recorded under “Adjustment of equity evaluation”, in the Company’s shareholders’ equity, and are only recorded in the result for the year when the investment is sold or written off to loss.

The provision for losses on investments is recognized when there are losses on investments in subsidiaries and these losses exceed the limit of the book value of investment. The Company classifies the provision in noncurrent liabilities, under the caption “Provision for losses on investments” with a corresponding entry recorded in the result, under the caption “Equity pick-up”. The provision for loss on investment in subsidiary Portobello América, which is at discontinuation phase, is recorded in current liabilities.
Other investments are recognized at historical cost and adjusted by the provision for impairment, in case there is indication of loss (note 18).

3.10 Property, plant and equipment

Property, plant and equipment are recorded at the deemed cost less accumulated depreciation. The corresponding entry of the revaluations is recorded in an account of the shareholders’ equity and under 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.

Subsequently incurred costs are added to the asset's book value or are recognized as a separate asset, as applicable, and only when it is likely that associated future economic benefits will flow and that the item's cost can be reliably measured. The book value of replaced items and parts is written off. All other maintenance and repair costs are recorded as production cost, when incurred.

Lands are not depreciated. Depreciation of other assets is calculated using the straight-line method, with the costs of other assets being allocated to their residual values over the estimated useful life, as follows:

	Years
Buildings, civil works and improvements	33
Machines and equipment	14
Furniture and Fixtures	10
Computers	5

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year. To date, these reviews do not indicate the need to recognize permanent losses.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 19).

Gains and losses from divestitures are determined by the comparison of results with the book value and are recognized in "Other net operating income (expense)" in the statement of income.

3.11 Intangible assets

Intangibles refer to the registry of rights whose object are intangible assets, such as brands and patents, expenses with implementation of the management system and software programs and rights of exploitation of ore mines, goodwill. Stated at cost incurred on acquisition or formation and, subsequently deducted from accumulated amortization and losses of the recoverable value, when applicable. Accordingly, they are stated at acquisition cost, combined with annual amortization rates calculated under the straight-line method, mentioned in note 20, considering the useful life defined for the asset, as follows:

	Years
Software	5
Right to exploration of outcrops	5
Trademarks and patents	Undefined
Goodwill	Undefined
Software under development	Undefined
Management system:	(a)

(a) Intangible assets under formation and their useful life will still be def

The Company and its subsidiaries determined the useful life of the brands and patents and goodwill as indefinite. Based on analysis of all the significant factors, we noted that these assets did not present predictable limits in relation to the period during which they are expected to generate net cash inflows to the entities.

The recovery of an intangible asset with indefinite useful life is tested by comparing its recoverable value to its respective book value. The procedure is adopted every year or whenever there is indication that the intangible asset may be losing economic substance, in conformity with CPC 01 – Impairment, and when it is believed that the balances on September 30, 2013 approximate fair value.

3.12 Leases

The commercial leasing of fixed assets in which the Company and its subsidiaries assume substantially the risks and benefits of ownership is classified as financial leasing under the caption “Loans and financing”, and recorded as financed purchase, recognizing, initially, a fixed asset and a financing liability at fair value and subsequently at amortized cost. Property, plant and equipment items acquired in financial leases are depreciated at usual rates described in Note 19.

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company and its subsidiaries and are classified as operating leases. Operating lease expenses are recorded in the result under the straight-line method over the leasing period.

3.13 *Impairment* of non-financial assets, (except for inventories, deferred income and social contribution taxes)

Assets subject to depreciation and amortization are reviewed to confirm their impairment annually and whenever events or changes in circumstances indicate that the book value may not be recoverable. Impairment loss is recognized in the amount by which the book value of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use. For impairment valuation purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets are subsequently reviewed for possible reversal of the impairment at each reporting date.

3.14 Suppliers

Trade accounts payable are obligations due for assets or services acquired from suppliers in the normal course of businesses, and are classified as current liabilities if payment is due within one year. Otherwise, trade accounts payable are presented as non-current liabilities.

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

3.15 Loans and financing

Loans and financing obtained are initially recognized at fair value when funds are received net of transaction costs. Subsequently, loans taken are stated at amortized cost, i.e., with the addition of charges and interest proportional to the period elapsed (calculated on a pro rata temporis basis).

Borrowings 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 end of the year.

3.16 Provisions for contingencies, contingent liabilities and contingent assets

Provisions for contingencies are recognized when the Company has a present, legal or unformalized obligation, as a result of past events, and it is likely that an outlay of funds will be necessary to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures required to settle the obligation and are individually evaluated by the Company's legal advisors, who classify them in accordance with the likelihood of favorable outcomes of the lawsuits. The increase in the obligation over time is recognized as a financial expense.

The contingent liabilities classified as possible losses are not recorded, and are only divulged in the interim financial statements, and those classified as remote are neither accrued nor divulged.

Contingent assets are not recognized in accounting books, except when the Company considers that the gain is practically certain or when there are real guarantees or favorable court decisions against which appeals may not be filed.

3.17 Current and deferred income tax and social contribution

Current income tax and social contribution are calculated with a basis on the effective rates of income tax (25%) and of social contribution (9%) on adjusted net income under the terms of the current legislation. Offset of tax loss carryforwards is considered, limited to 30% of taxable income.

Deferred income and social contribution tax credits derive from accumulated balances of tax losses, social contribution tax loss carryforwards and asset temporary differences, whereas deferred income and social contribution tax debits derive from revaluation of fixed assets and liability temporary differences. The credits considered the future expectation of generation of taxable income and are calculated based on the tax rates currently applicable by the tax legislation and recorded up to the amount considered as realizable based on estimates prepared by the Company.

A deferred income tax and social contribution asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the tax loss carryforwards and credits can be utilized.

3.18 Employee benefits

a) Private pension plan

The Company sponsors a defined-contribution benefit plan, however it offers a minimum retirement benefit for length of service or age (components of defined benefit). A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company does not have legal or constructive obligations to make contributions if the fund does not have sufficient assets to pay to all the employees the benefits related to the employee’s service in the current and prior period. A defined benefit plan is different from a defined contribution plan. Defined benefit plans, usually establish a benefit amount that the employee will receive upon retirement, depending on one or more factors, such as age, time in company and salary.

The defined benefit liability is annually calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation was determined by discounting estimated future cash outlays, using interest rate yields prevailing in the market for the currency in which benefits will be paid, and having maturity periods similar to those in the related pension plan obligation. The liability recognized in the balance sheet is the present value of the defined-benefit obligations on the balance sheet date, less the fair value of plan assets, with the adjustments of unrecognized past services. The calculation is made by a qualified actuary and when it results in a benefit for the Company, the asset to be recognized is limited to the total of any unrecognized prior service costs and the present value of the economic benefits available as future plan refunds or reduction in the future payments.

Actuarial gains and losses, resulting from adjustments based on experience and on changes in actuarial assumptions, are recorded as other comprehensive results, in shareholders’ equity under the caption “Adjustment of equity evaluation”.

Costs of past services are immediately recognized in the result, unless the changes in the pension plan are not conditioned to the employee’s permanence in the job, for a specific period of time (the period in which the right is acquired). In this case, the costs of past services are amortized under the straight-line method during the period in which the right was acquired.

Regarding the defined contribution plans, the Company has no additional obligation to make payments after the contribution is made. The contributions are recognized as employee benefit expenses, when due and the contributions made in advance are recognized as asset as a refund in cash or a reduction of payments of current or future services is made available.

The Company does not use the corridor method, therefore there was no impact on the change in CPC 33, IAS 19 (R1).

b) Profit sharing plan

This interest is recognized monthly in current liabilities, under the caption “Other” and in the income statement under the caption “Other operating expenses”. It is calculated based on a formula that considers the attainment of 80% of income before estimated interest and taxes.

c) Long-term incentive

The Company operates a long-term incentive plan, whereby the entity receives services from employees as consideration for cash or shares of the Company. The fair value of the employees' services, received in exchange for the granted stock options (cash and cash equivalents or share-based payment) is recognized as an expense. The obligation total amount to be recognized is determined on an annual basis by taking into account the following aspects: EBITDA growth and a ratio between the EBITDA with the Company’s net debt (Note 29). The total amount of the expenditure is recognized in the period in which the right is acquired; period in which the specific conditions for acquisition of the rights must be met. On the balance sheet date, the entity reviews its estimates of quantity of options whose rights should be acquired based on the conditions of acquisition of rights and recognizes the impact of the review of the initial estimates, if any, in the income statement, with a corresponding adjustment in the shareholders' equity.

3.19 Capital

The Company's capital is represented solely by common shares and is classified in shareholders' equity in conformity with Note 30.

3.20 Issuance costs

Costs of issuance of shares are recognized in the Company's shareholders' equity, less the value of shares issued.

3.21 Total Dividends and Interest on Own Capital of the period

Payment of dividends to Company's shareholders is recognized as a liability in the financial statements at the end of each year, with basis on the Company's by-laws. Any amount above the mandatory minimum is provisioned only on the date of its approval by the Shareholders' Meeting.

Tax benefit of interest on capital is recognized in the statement of income.

3.22 Revenue recognition

The revenue comprises the fair value of the consideration received or receivable for the sale of products in the normal course of activities of the Company and its subsidiaries, the revenue is presented net of taxes, goods returned, rebates and discounts, and elimination of intergroup sales of the Companies and its subsidiaries.

Income from sales is recognized upon the physical delivery of the assets or services, transfer of ownership and when all the following conditions had been met: a) the client assumes the significant risks and benefits resulting from the ownership of the assets; b) the amount of the revenue can be reliably estimated; c) recognition of other accounts receivable is probable; and d) the costs incurred or to be incurred in connection with the transaction may be measured on a reliable basis.

a) Sale of goods - Wholesale

The Company produces and sells a variety of ceramic tiles in the wholesale market. Sales of products are recognized whenever the Company delivers the products to the wholesale dealer, which then has total liberty over the channel and the price of resale of products, and there is no obligation not satisfied that could affect the acceptance of the products by the wholesale dealer. The 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 wholesale dealer; (iii) the wholesale dealer has accepted the products according to the sales agreement; and (iv) the acceptance provisions have been agreed upon, or the Company has objective evidences that all the acceptance criteria have been met.

Ceramic tiles are eventually sold at discounts per volume. Clients have the right to return products with defects in the wholesale market. Sales are recorded based on the price specified in the sales agreements. Sales are made with different payment terms according to the type of client (Home Centers, Construction Companies, Franchised Stores), without nature of financing, and are consistent with the market practice; therefore, those sales are not discounted to present value.

b) Income from royalties

Income from royalties is recognized on accrual basis in conformity with the essence of applicable agreements.

c) Financial income

Financial income is recognized in accordance with the elapsed time using the effective interest rate method and it is recognized upon an expectation to realize.

3.23 Income from discontinued operations

The result of discontinued operation is presented in a single amount in the income statement, including the total result after income tax on these operations less any impairment loss and is presented in note 36.

The classification as a discontinued operation is made upon its sale or when the operation fails to meet the criteria for being held for sale, if this occurs before. When an operation is classified as a discontinued operation, the comparative statement of income and the statement of comprehensive income are reissued as if the operation had been discontinued since the beginning of the comparative period.

3.24 Statement of added value

The Group prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent additional financial information.

3.25 Financial expenses

Financial expenses comprise interest expenses on loans and financing, monetary variation in trade accounts payable, exchange variation of loans and financing, update of taxes payable in installments and discounts granted to clients. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in the income using the effective interest rate method.

3.26 New accounting standards

The following rules and changes in existing rules were disclosed and are mandatory for the accounting periods starting after January 1, 2013 or after that date or for subsequent periods. However, none of those standards or changes in standards was adopted by the Company and its subsidiaries.

- IAS 1 – “Presentation of the financial statements”. The main change is the separation of other comprehensive net income components into two groups: those that will be realized against income and those that will remain in shareholders’ equity.

- IFRS 9 - “Financial instruments", covers the classification, measuring and the recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces the parts of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified in two categories: measure at fair value and measured at amortized cost. The calculation is made upon initial recognition. Classification basis depends on the entity’s business model and on financial instruments’ cash flow contract characteristics. In relation to financial liability, the standard maintains most requirements established by IAS 39. The main change is that where the option of fair value measurement is adopted for financial liabilities, the portion of change in fair value due to credit risk of the entity undertaking shall be recorded in other comprehensive income and not in the statement of income, except when it results in accounting mismatching. IFRS 9 is applicable only as from January 1, 2015.

- IFRS 10 – "Consolidated Financial Statements" finds support in already existing principles, and identifies the concept of control as the preponderant factor when determining whether or not an entity should be included in the parent company's consolidated financial statements. The standard provides additional instructions for determination of control.

- IFRS 11 - "Joint arrangements". issued in May 2011. The standard provides more realistic reflections about joint agreements by focusing on the rights and obligations of the agreement rather than on its legal form. There are two types of joint arrangements: (i) joint operations – these occur when an operator has rights over contractual assets and obligations, and, as a result, with recognize its share in the assets, liabilities, revenues and expenses; and (ii) shared control – occurs when an operator holds rights over a contract's net assets and records the investment by the equity method of accounting. The method of proportional consolidation will no longer be permitted with joint control.

- IFRS 12 – "Disclosure of interests in other entities" deals with disclosure requirements for all types of interest in other entities, including joint agreements, associations, specific-purpose interests, and other interests not recorded in the books.

- IFRS 13 - "Fair value measurement", issued in May 2011. The purpose of IFRS 13 is to improve the consistency and reduce the complexity of fair value measurements, by providing a more precise definition and a single measurement source for fair value in its disclosure requirements for using IFRS. The requirements, which are fairly similar from IFRS to US GAAP, do not expand the use of fair value accounting, but rather provide guidelines regarding their application when their use is already required or allowed by other IFRS or US GAAP rules.

The adoption of those standards does not result in any changes regarding the method used in the preparation of the Company's interim financial statements.

4 Estimates and critical accounting judgments

4.1 Estimates

The Company and its subsidiaries make use of assumptions to establish estimates for the future. By definition, resulting accounting estimates are seldom equal to the respective actual incomes. The estimates and assumptions which present a significant risk, likelihood of causing an important adjustment to the book value of assets and liabilities for the coming year are shown below.

a) Review of the useful life and recovery of the assets

The recovery capacity of assets which are used in Company's operations is valued whenever events or changes in the circumstances indicate that the book value of an asset or group of assets may not be recoverable based on future cash flows. If the book value of those assets exceeds recoverable value, their net value is adjusted and their useful lives are changed to new levels.

b) Provisions for contingencies

The Company is not a party to labor, civil or tax lawsuits which are in many court levels. Reserves for contingencies, recorded to face potential losses arising from lawsuits in progress, are established and updated with basis on management's appraisals, grounded on the opinion of their legal counsel, and require a high degree of judgment on the involved matters.

c) Allowance for inventory losses

The inventory reserve for potential losses is established when, with basis on Management's estimates, the items are defined as discontinued or low turnover or when the inventory items have a cost exceeding the net realizable value.

d) Deferred income and social contribution taxes

Deferred tax assets and liabilities are based on tax losses and temporary differences between the book value stated in the interim financial statements and the tax basis. If the Company and its subsidiaries start operating at a loss or become unable to generate future taxable income in a sufficient level, or if there is a significant change in the current tax rates or in the period of time over which underlying temporary differences become taxable or deductible, it may be necessary to make a reversal of a significant portion of deferred tax assets, possibly resulting in an increase in the effective tax rate.

e) Private pension plan

The current value of pension plan obligations depends on a series of factors that are determined with basis on actuarial calculations that use several assumptions. One of the assumptions used in the determination of pension plan net cost (revenue) is the discount rate. Any changes in these assumptions will affect the book value of pension plan obligations.

The appropriate discount rate is determined at the end of each year. That is the interest rate that should be used to determine the present value of estimated future cash outlays that should be necessary to settle pension plan obligations. When determining the appropriate discount rate, management considers the interest rates of prime private securities, maintained them in the currency in which the benefits will be paid and having terms similar to the related pension plan obligations.
Other major assumptions for pension plan obligations are partly based on current market conditions. Additional information is disclosed in note 28.

4.2 Critical judgments in applying the Entity's accounting polices

a) Receivables - Eletrobrás

The recognition of the receivables from Eletrobrás is based on the opinion of the company's legal counsel and is supported by the fact that the lawsuit is no longer appealable and is in the stage of payment. The amounts have been computed by the Federal Justice accounting department, taking into account the rules of the court decision and the limitations established by the judge; thus, according to legal counsel, the definitive approval of the recorded amounts is virtually certain.

b) Receivables from related companies with guarantees

The receivable from Refinadora Catarinense is recognized with basis on the value of the contract entered into with that party and the amounts of the provided guarantees. The receivables that have been pledged have already been converted into bonds covering court-ordered payments (called "precatory bonds"). The related payments are already included in the federal government's budget. In August 2011 and March 2013 Refinadora Catarinense S/A made payments of parts of its debts to the Company corresponding to the first and second annual installments, out of 10 installments, according to the contractual provisions.

c) Installment MP 470

The amount of the installments for Provisional Measure No. 470 is based on the assumption that the Company will obtain approval for its claim according to the opinion of its legal counsel.

The Company has already requested a court ruling to obtain judicial approval for the installment plan referred to in Provisional Measure No. 470. Said legal action – a writ of mandamus – is expected to be considered as valid by the court, in the opinions of the Company's legal area, and of two highly specialized law firms (Demarest Almeida and Souza Cescon).

d) ICMS Tax benefits

The Company has an ICMS (state VAT) tax incentive called Santa Catarina State Corporation Development Program (PRODEC), granted by the Santa Catarina state government as described in note 22(i). The Federal Supreme Court issued decisions for direct actions for unconstitutionality, which declared the unconstitutionality of several state laws that granted ICMS tax benefits without the prior agreement between the states. Although it does not have ICMS tax incentives judged by the Federal Supreme Court, the Company has been monitoring, together with its legal counsel, the progress of this matter in the courts to determine any impacts on its operations and consequent effects on its interim financial statements.

5 Financial risk management

5.1 Financial risk factors

The Company's activities expose it to various financial risks: market, credit 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) Exchange rate risk

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

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

In thousands of reais, unless otherwise indicated

	In Brazilian Reais			
	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Accounts receivable	23,407	18,183	23,407	18,183
Receivables with subsidiary companies	45,657	41,839	-	-
Provision for loss in investments	(45,327)	(41,496)	-	-
Suppliers, net of advances	(32,463)	(22,205)	(32,463)	(22,205)
Loans and financing	(57,671)	(48,006)	(57,671)	(48,006)
Commissions	(979)	(815)	(979)	(815)
Exposed net liabilities	(67,376)	(52,500)	(67,706)	(52,843)

		In foreign currency			
		Company		Consolidated	
		September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Accounts receivable	€	400	176	400	176
Suppliers, net of advances	€	(1,807)	(1,305)	(1,807)	(1,305)
Loans and financing	€	(179)	(265)	(179)	(265)
Commissions	€	(52)	(23)	(52)	(23)
		(1,638)	(1,417)	(1,638)	(1,417)
Accounts receivable	$	6,695	6,907	6,695	6,907
Receivables with subsidiary companies	$	20,474	20,474	-	-
Provision for loss in investments	$	(20,326)	(20,306)	-	-
Suppliers, net of advances	$	(12,113)	(9,145)	(12,113)	(9,145)
Loans and financing - FINIMP	$	(14,640)	(16,143)	(14,640)	(16,143)
Loans and financing - Others	$	(10,979)	(7,000)	(10,979)	(7,000)
Commissions	$	(373)	(372)	(373)	(372)
		(31,262)	(25,585)	(31,410)	(25,753)

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 amount equivalent to that of one year of exports. In this quarter the exposure was equivalent to 11 months.

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.

In thousands of reais, unless otherwise indicated

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.

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.

Regarding financial investments, they are mostly made in investment funds as described in Note 6.

c) Liquidity risk

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

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

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

	Company							
	September 30, 2013				December 31, 2012			
	Loans and financing	Financial leases	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial leases	Suppliers	Installment payment of tax liabilities
< 1 year	108,481	983	114,510	19,779	74,667	917	120,541	22,029
Between one and two y	129,909	737	-	20,585	17,507	1,274	-	26,377
Between two and five ye	99,010	-	-	29,439	72,356	209	-	28,251
> 5 years	3,214	-	-	49,875	2,290	-	-	54,933
Total	340,615	1,720	114,510	119,678	166,820	2,400	120,541	131,590

	Consolidated							
	September 30, 2013				December 31, 2012			
	Loans and financing	Financial leases	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial leases	Suppliers	Installment payment of tax liabilities
< 1 year	108,481	983	116,288	20,383	74,667	917	121,532	22,961
Between one and two y	129,909	737	-	20,715	17,500	1,274	-	26,809
Between two and five ye	99,933	-	-	29,601	72,328	209	-	28,404
> 5 years	3,214	-	-	50,145	3,240	-	-	55,233
Total	341,538	1,720	116,288	120,844	167,735	2,400	121,532	133,407

d) Sensitivity analysis

i) Sensitivity analysis of variations in the interest rates

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

On September 30, 2013, the Management considered CDI rate at 8.71% and TJLP of 5% 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:

In thousands of reais, unless otherwise indicated

	Consolidated in BRL							
	September 30, 2013	Risk	Probable		Possible 25%		Remote (50%)	
Operation			%	R$	%	R$	%	R$
Investments (remunerated at 101.70% CDI)	117,557	Low CDI	8.71%	10,413	6.53%	7,810	4.36%	5,207
Total	117,557			10,413		7,810		5,207
Operation								
Loans – Working capital	(14,800)	High CDI	8.71%	(1,289)	10.89%	(1,611)	13.07%	(1,934)
Loans – Export credit note	(59,844)	High CDI	8.71%	(5,212)	10.89%	(6,516)	13.07%	(7,819)
Loans - Trade 4131 Swap	(51,640)	High CDI	8.71%	(4,498)	10.89%	(5,622)	13.07%	(6,747)
Loans - BNDES	(31,588)	HighTJLP	5.00%	(1,579)	6.25%	(1,974)	7.50%	(2,369)
Total	(157,872)			(12,578)		(15,723)		(18,869)

ii) Sensitivity analysis of variations in the exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of September 30, 2013 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 BRL						
	September 30, 2013	Probable		Possible 25%		Remote (50%)	
		Rate USD	Gain (loss)	Rate USD	Gain (loss)	Rate USD	Gain (loss)
Accounts receivable	23,407	2.2300	-	2.7875	5,852	3.3450	11,704
Suppliers, net of advances	(32,463)	2.2300	-	2.7875	(8,116)	3.3450	(16,232)
Loans and financing	(57,671)	2.2300	-	2.7875	(14,418)	3.3450	(28,836)
Commissions	(979)	2.2300	-	2.7875	(245)	3.3450	(490)
Exposed net liabilities	(67,706)	2.2300	-	2.7875	(16,927)	3.3450	(33,854)

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

The financial leverage ratios on September 30, 2013 can be summarized as follows:

In thousands of reais, unless otherwise indicated

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Loans and financing	338,384	165,600	339,307	166,515
Installment payment of tax liabilities	119,678	131,590	120,844	133,407
Less: Cash and cash equivalents	(118,088)	(56,576)	(120,444)	(58,870)
Credits with other related parties	(92,995)	(100,398)	(92,995)	(100,398)
Net debt	246,979	140,216	246,712	140,654
Total shareholders' equity	170,850	127,119	170,869	127,127
Total capital	417,829	267,335	417,581	267,781
Financial leverage index (%)	59	52	59	53

On September 30, 2013, the Company has available credit facilities, unused, amounting to R$ 147,914. According to the Significant Matter Notice disclosed to the market on July 2, 2013, 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.

5.3 Financial instruments by category

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

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Assets, according to the balance sheet				
Loans and receivables				
Cash and cash equivalents	118,088	56,576	120,444	58,870
Trade accounts receivable	158,181	137,626	164,325	142,678
Total	276,269	194,202	284,769	201,548
Liabilities, according to the balance sheet				
Other financial liabilities				
Suppliers	114,390	120,122	116,168	121,113
Loans and financing	338,384	165,600	339,307	166,515
Installment payment of tax liabilities	119,678	131,590	120,844	133,407
Total	572,452	417,312	576,319	421,035

6 Cash and cash equivalents

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Current account	2,275	3,155	2,879	3,655
Interest earnings bank de	115,813	53,421	117,565	55,215
Total	118,088	56,576	120,444	58,870

Financial investments designated as cash equivalents are shares of investment funds. These funds' average yield in the third quarter of 2013 was equivalent to 101.70% of the interbank deposit certificate (CDI) rate. The investment can be redeemed at any time without penalties.

In thousands of reais, unless otherwise indicated

7 Derivative financial instruments

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

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 as detailed in item "a" below, with 60 months for payment and a 24-month grace period. That transaction is classified in long-term liabilities and linked to the loans and financing group. Amortizations are made twice a year beginning December 2014.

a) Interest rate swap

The reference (notional) value of the interest rate swap agreement in the quarter ended September 30, 2013 corresponds to R$ 50,000 at the rate of CDI+1.60% per year. Amortizations are semi-annual so they have not occurred prior to this date.

The transaction risk was recorded in current liabilities in the amount of R$ 18 and the amount charged to income as of September 30, 2013 is a loss of R$ 31 (gain of R$ 39 as of December 31, 2012).

8 Trade accounts receivable

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Receivables from third parties:				
Clients - domestic Market	134,533	118,935	140,681	123,999
Clients - Foreign market	23,407	18,183	23,407	18,183
	157,940	137,118	164,088	142,182
Accounts receivable from related parties				
Entities related to the Management	1,033	1,417	1,033	1,417
	1,033	1,417	1,033	1,417
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(760)	(882)	(764)	(894)
Recomposition of the nominal value to present valu	(32)	(27)	(32)	(27)
	(792)	(909)	(796)	(921)
Total	158,181	137,626	164,325	142,678

Changes in the provision for impairment of accounts receivable is as follow:

	Company	Consolidated
December 31, 2012	882	894
Provision (reversal) of impairment of accounts receivable	(122)	(131)
September 30, 2013	760	764

Management understands that allowance for doubtful accounts is sufficient to cover probable losses in the settlement of accounts receivable considering the situation of each client and respective guarantees offered. Its amount represents the estimate of risk of non-realization of overdue receivables under the analysis of the manager in charge.
The formation and write-off of the allowance to accounts receivable are recorded in income/loss for the year as business expenses.

In thousands of reais, unless otherwise indicated

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

	Company							
	September 30, 2013	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2012	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	150,842	150,842	-	-	125,911	125,700	-	211
Overdue up to 30 days	5,924	-	5,819	105	10,846	-	10,834	12
Overdue, 31–90 days	1,093	-	1,084	9	759	-	727	32
Overdue, 91–360 days	722	-	386	336	819	-	307	512
Overdue, > 360 days	392	-	82	310	200	-	85	115
Total	158,973	150,842	7,371	760	138,535	125,700	11,953	882

* For the formation of allowance for doubtful accounts the situation of each client and the respective guarantees offered are considered.

	Consolidated							
	September 30, 2013	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2012	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	156,874	156,874	-	-	130,850	130,639	-	211
Overdue up to 30 days	6,004	-	5,899	105	10,918	-	10,906	12
Overdue, 31–90 days	1,098	-	1,089	9	760	-	728	32
Overdue, 91–360 days	753	-	413	340	871	-	347	524
Overdue, > 360 days	392	-	82	310	200	-	85	115
Total	165,121	156,874	7,483	764	143,599	130,639	12,066	894

* For the formation of allowance for doubtful accounts the situation of each client and the respective guarantees offered are considered.

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 22. Its sum is calculated based on a percentage of the residual balance of the debt. On September 30, 2013, the total amount of accounts receivable pledged as collateral was R$ 63,605 (R$ 63,229 on December 31, 2012).

9 Inventories

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Finished goods	117,913	96,460	118,212	96,636
Work in process	6,639	7,826	6,639	7,826
Raw materials and consumption materials	12,757	11,174	12,757	11,174
Provision for inventory appraisal at realizable value	(6,664)	(5,505)	(6,732)	(5,568)
Imports in transit	16,308	9,977	16,308	9,977
Total	146,953	119,932	147,184	120,045

10 Advances to suppliers

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Advances to suppliers	5,915	2,156	4,491	954
Domestic market	5,649	2,112	4,225	910
Foreign market	266	44	266	44
Total	5,915	2,156	4,491	954

In thousands of reais, unless otherwise indicated

11 Recoverable taxes

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Current				
ICMS	923	530	923	540
IPI (a)	1,029	820	1,029	820
IRPJ/CSLL	-	-	456	459
Others	177	100	645	245
Total	2,129	1,450	3,053	2,064
Non-current				
PIS/COFINS on property, plant and e	537	-	537	-
ICMS on property, plant and equipme	3,533	1,682	3,533	1,682
Total	4,070	1,682	4,070	1,682

a) The reduction of 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 postponed for the fourth time, according to Decree no. 7,796 of August 30, 2012, and will be maintained until December 31, 2013. This measure originates credits that are used on a quarterly basis to offset federal taxes.

12 Credits with other related parties

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

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

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

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and “Refinadora” signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On September 30, 2013, these credits that also originate in proceeding 87.00.00967-9, represent R$ 92,995 (R$ 100,398 on December 31, 2012) and are restated by the SELIC rate, according to the contract.

It should be mentioned that the pledged credits have already become a writ of payment, effectively. In August 2011 the Company received the amount of R$8,505 relating to the first annual installment, of a total of 10 installments, as provided for in the contract. The second installment, in the amount of R$ 9,824, was received by the Company in March 2013.

In thousands of reais, unless otherwise indicated

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.

13 Judicial deposits

The Company and its subsidiaries are parties to lawsuits of tax, civil and labor nature (please refer to Note 26) under discussion in the administrative and court spheres, supported by escrow deposits when applicable. 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:

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Civil	12,593	43	12,593	43
Labor	2,431	6,450	2,431	6,487
Tax	1,986	1,964	1,986	1,964
Total	17,010	8,457	17,010	8,494

The Company, in view of the untimely and unilateral decision by supplier SC Gás, who suspended the discount in the monthly price of gas supplies, a benefit called customer loyalty plan, filed a lawsuit claiming maintenance of said benefit and obtained a preliminary order requiring the discount amounts to be deposited in escrow. And for this reason the balance of the court deposit is approximately R$12.6 million, which was reclassified on September 30, 2013. In addition to making up this account, it also makes up trade payables in non-current liabilities according to note 21.b. The labor proceedings were written off in the amount of R$5,559 in this quarter, due to the settlement of the labor claim (note 21.a). Neither cases had an impact on the Company's profit, because they had already been recognized in the trade payables account in current liabilities.

14 Receivables - Eletrobrás

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

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

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

Having submitted the calculation to review, the accounting unit of the Federal Courts presented new amounts, determining as 'net court award' the amount of R$ 24,749. In September 2010 the Company recognized the difference between the amounts calculated previously and the current calculation of the accounting unit of the federal courts in the amount of R$ 9,136, recorded under the heading "Other operating income". On September 30, 2013, the amount of the assets is R$ 41,705 (R$ 36,819 on December 31, 2012).

In thousands of reais, unless otherwise indicated

15 Income tax and social contribution

a) Income and social contribution taxes on net income

The Company's tax system is annual taxable income, for which reason during the fiscal year estimated payments are recorded in current liabilities in reducing accounts of the amounts of IRPJ (corporate income tax) and CSLL (social contribution on net income) payable. This accounting method was adopted as of 2012, while in 2011 the estimated payments were recorded in current assets.

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

	Current asset				Current liabilities			
	Company		Consolidated		Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Income tax	-	-	409	413	(1,736)	(2,564)	(2,102)	(3,045)
Social contribution	-	-	47	46	(688)	(924)	(825)	(1,097)
Total	-	-	456	459	(2,424)	(3,488)	(2,927)	(4,142)

b) Deferred income and social contribution taxes

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

In thousands of reais, unless otherwise indicated

The amounts of deferred income tax and social contribution are as follows:

	Parent company and Consolidated	
	September 30, 2013	December 31, 2012
Deferred and current income tax and social contribution – assets	25,564	24,867
Temporary credit differences	25,564	24,867
Portobello Private Pension	(346)	(246)
Provision for adjustment to market value	2,936	2,377
Provision for contingencies	6,540	6,126
Provision for PIS and COFINS with a reduced bases for ICMS	12,250	11,171
Allowance for doubtful accounts	258	300
Provision for profit sharing	923	1,775
Provision for long-term incentive	1,354	740
Other timing difference assets	1,649	2,624
Deferred income and social contribution taxes, liabilities	(42,010)	(41,176)
Temporary liability differences	(42,010)	(41,176)
Realization of revaluation reserve	(17,530)	(17,933)
Receivables - Eletrobrás	(14,180)	(12,518)
Contingent assets - IPI premium credit - Phase II	(4,620)	(4,376)
Adjustment to present value – Prodec	(1,292)	(1,231)
Adjustment to present value of trade accounts payable	(41)	(142)
Adjustment of depreciation (for the useful life of assets)	(4,508)	(4,639)
Foreign exchange variation at cash basis	161	(337)
Deferred income and social contribution taxes, net	(16,446)	(16,309)

The net changes in income tax and social contribution at September 30, 2013 were as follows:

	Parent company and Consolidated
December 31, 2012	(16,309)
Temporary credit differences	697
Temporary liability differences	(1,237)
Revaluation reserve	403
September 30, 2013	(16,446)

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

In thousands of reais, unless otherwise indicated

	Parent company and Consolidated			
	3rd Quarter		Accumulated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	Debited (credited) in the income (loss)		Debited (credited) in the income (loss)	
Deferred tax asset				
Tax losses	-	(3,152)	-	(6,165)
Portobello Private Pension	(33)	(4)	(100)	(46)
Provision for adjustment to market value	100	(476)	559	(400)
Provision for contingencies	166	(27)	414	499
Provision for PIS and COFINS with a reduced bases for ICMS	201	819	1,079	2,272
Allowance for doubtful accounts	(106)	(9)	(42)	(633)
Provision for profit sharing	19	599	(852)	1,440
Provision for long-term incentive	315	-	614	-
Other timing difference assets	(233)	100	(975)	320
Total	429	(2,150)	697	(2,713)
Realization of revaluation reserve	134	134	403	403
Receivables - Eletrobrás	(422)	(447)	(1,662)	(1,376)
Contingent assets - IPI premium credit - Phase II	(93)	(85)	(244)	(283)
Adjustment to present value – Prodec	(360)	(132)	(61)	346
Adjustment to present value of trade accounts payable	16	42	101	83
Adjustment of depreciation (for the useful life of assets)	44	37	131	102
Foreign exchange variation at cash basis	(136)	620	498	863
Total	(817)	169	(834)	138
	(388)	(1,981)	(137)	(2,575)

The Company does not have any deferred income tax and social contribution credits resulting from unrecognized tax loss.

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

Income and social contribution tax expenses are as follow:

Changes in the 3Q13 and 3Q12:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Current tax				
Current tax on income for the year	(4,869)	(7,349)	(6,930)	(9,399)
Total current tax	(4,869)	(7,349)	(6,930)	(9,399)
Deferred tax				
Generation of temporary differences assets (liabilities)	(388)	(1,981)	(388)	(1,981)
Total deferred tax	(388)	(1,981)	(388)	(1,981)
Income and social contribution tax expense	(5,257)	(9,330)	(7,318)	(11,380)

In thousands of reais, unless otherwise indicated

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Income (loss) before tax	27,118	31,030	29,198	32,994
Tax calculated based on rates of local taxes	(9,220)	(10,550)	(9,927)	(11,218)
Income (loss) of subsidiaries by the equity method	1,215	358	-	-
Nondeductible expenses for tax purposes	1,730	33	1,730	291
Depreciation of revalued assets	(134)	(134)	(134)	(134)
Tax credits on tax losses and temporary differences	1,540	2,944	1,401	1,662
Formation of deferred income and social contribution taxes	(388)	(1,981)	(388)	(1,981)
Tax charge	(5,257)	(9,330)	(7,318)	(11,380)

Accumulated changes for 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Current tax				
Current tax on income for the year	(15,780)	(14,366)	(21,341)	(19,710)
Total current tax	(15,780)	(14,366)	(21,341)	(19,710)
Deferred tax				
Generation of temporary differences assets (liabilities)	(137)	(2,575)	(137)	(2,575)
Total deferred tax	(137)	(2,575)	(137)	(2,575)
Income and social contribution tax expense	(15,917)	(16,941)	(21,478)	(22,285)

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Income (loss) before tax	67,095	62,431	72,709	67,333
Tax calculated based on rates of local taxes	(22,812)	(21,227)	(24,721)	(22,893)
Income (loss) of subsidiaries by the equity method	3,042	2,408	-	-
Nondeductible expenses for tax purposes	2,574	156	2,574	414
Depreciation of revalued assets	(403)	(402)	(403)	(402)
Tax credits on tax losses and temporary differences	1,819	4,699	1,209	3,171
Formation of deferred income and social contribution taxes	(137)	(2,575)	(137)	(2,575)
Tax charge	(15,917)	(16,941)	(21,478)	(22,285)

16 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 September 30, 2013 is R$ 13,589 (R$ 12,872 on December 31, 2012).

17 Contingent assets

The contingent assets refer to court suits 1998.34.00.029022-4 and 1984.00.020114-0 and also involve the recognition of tax benefits entitled ‘IPI premium credit’. These proceedings are in award calculation stages. Nevertheless, the amounts due by the Federal Government have not yet been determined by the federal courts and cannot and have not yet been recognized as assets. However, the Company requested a calculation by the attorneys of record, who estimate credits net of provisions updated to December 2009 in the amounts of R$ 54,605 and R$ 1,848, respectively.

In thousands of reais, unless otherwise indicated

18 Investments

a) Equity in income of subsidiaries and associated companies

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

	Shareholders' equity	Income (loss) for the year	Ownership interest	December 31, 2012	Exchange variation	Income (loss) equity pick-up	September 30, 2013
Provision for loss in investments							
Portobello América Inc.	(45,327)	(42)	100%	(41,496)	(3,789)	(42)	(45,327)
PBTech Ltda.	(6,750)	(1,822)	99.94%	(4,927)	-	(1,821)	(6,748)
Mineração Portobello Ltda.	(998)	(93)	99.76%	(907)	-	(93)	(1,000)
				(47,330)	(3,789)	(1,956)	(53,075)
Investments - Interest in subsidiaries							
Portobello Shop S.A.	11,384	10,915	99.90%	480	-	10,904	11,384
				480	-	10,904	11,384
Total investments in subsidiaries				(46,850)	(3,789)	8,948	(41,691)

In the quarter ended September 30, 2013 the Company presents provision for loss on investments of the subsidiary Portobello América Inc. in noncurrent liabilities, according to Management's intention to capitalize the subsidiary's debt.

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

	Organization Country	Ownership interest	Assets	Liabilities	Income	Income (loss)
December 31, 2012						
Portobello América Inc.	United States	100.00%	355	41,851	425	527
PBTech Ltda.	Brazil	99.94%	1,498	6,426	1,115	(1,363)
Portobello Shop S/A	Brazil	99.90%	8,813	8,333	51,530	11,073
Mineração Portobello Ltda.	Brazil	99.76%	457	1,363	2,168	149
September 30, 2013						
Portobello América Inc.	United States	100.00%	342	45,669	-	(42)
PBTech Ltda.	Brazil	99.94%	2,084	8,834	3,736	(1,821)
Portobello Shop S/A	Brazil	99.90%	17,607	6,223	40,631	10,904
Mineração Portobello Ltda.	Brazil	99.76%	935	1,933	1,806	(93)

In thousands of reais, unless otherwise indicated

19 Property, plant and equipment

a) Breakdown

		Company				Consolidated	
		September 30, 2013			December 31, 2012	September 30, 2013	December 31, 2012
	Annual average depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount	Net amount	Net amount
Land		12,141	-	12,141	11,111	12,518	11,488
Buildings, civil works and improvements	3%	110,600	(18,049)	92,551	82,836	92,676	82,985
Machines and equipment	7%	358,922	(219,448)	139,474	78,986	139,474	78,986
Furniture and Fixtures	10%	8,328	(7,509)	819	951	910	1,061
Computers	20%	13,845	(12,219)	1,626	1,616	1,672	1,668
Other fixed assets	20%	219	(201)	18	30	543	89
Construction in process (a)		14,452	-	14,452	10,311	14,454	10,779
Total		518,507	(257,426)	261,081	185,841	262,247	187,056

(a) The balance of construction in progress comprises mainly projects for the expansion and optimization of the Company's industrial unit.

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 30c).

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 1/1/09, 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 the same rates were maintained from 2009 until the present date.

b) Movement of property, plant and equipment

	Company									
	December 31, 2011	Additions	Transfers	Depreciation	Write-offs	December 31, 2012	Additions	Transfers	Depreciation	September 30, 2013
Land	11,111	-	-	-	-	11,111	1,030	-	-	12,141
Buildings and improvements	80,366	-	5,291	(2,821)	-	82,836	-	11,974	(2,259)	92,551
Machinery and equipment	70,314	846	19,669	(11,843)	-	78,986	637	68,372	(8,521)	139,474
Furniture and Fixtures	1,026	121	18	(214)	-	951	32	-	(164)	819
Computers	1,389	668	-	(441)	-	1,616	394	-	(384)	1,626
Other fixed assets	48	-	-	(18)	-	30	-	-	(12)	18
Construction in process	13,058	22,560	(24,978)	-	(329)	10,311	84,487	(80,346)	-	14,452
	177,312	24,195	-	(15,337)	(329)	185,841	86,580	-	(11,340)	261,081

	Consolidated									
	December 31, 2011	Additions	Transfers	Depreciation	Write-offs	December 31, 2012	Additions	Transfers	Depreciation	September 30, 2013
Land	11,488	-	-	-	-	11,488	1,030	-	-	12,518
Buildings and improvements	80,523	-	5,291	(2,829)	-	82,985	-	11,974	(2,283)	92,676
Machinery and equipment	70,314	846	19,669	(11,843)	-	78,986	637	68,372	(8,521)	139,474
Furniture and Fixtures	1,156	129	18	(242)	-	1,061	34	-	(185)	910
Computers	1,406	709	-	(447)	-	1,668	398	-	(394)	1,672
Other fixed assets	107	-	-	(18)	-	89	-	466	(12)	543
Construction in process	13,058	23,450	(24,978)	-	(751)	10,779	84,487	(80,812)	-	14,454
	178,052	25,134	-	(15,379)	(751)	187,056	86,586	-	(11,395)	262,247

In thousands of reais, unless otherwise indicated

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

	Company	Consolidated	Company	Consolidated	Company	Consolidated	Company	Consolidated
	3rd Quarter				Accumulated			
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Cost of goods sold	4,052	3,602	4,052	3,602	10,111	10,895	10,110	10,895
Commercial expenses	274	231	290	242	823	677	861	707
Administrative expenses	139	127	145	127	406	355	424	355
Total	4,465	3,960	4,487	3,971	11,340	11,927	11,395	11,957

20 Intangible assets

a) Breakdown

		Company				Consolidated	
		September 30, 2013			December 31, 2012	September 30, 2013	December 31, 2012
	Annual average rate of amortization	Cost	Amortization amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,131)	227	311	227	311
Right to exploration of outcrops	20%	1,000	(700)	300	450	810	457
Trademarks and patents		150	-	150	150	150	152
Goodwill		-	-	-	-	190	190
Management system (a)		18,806	(616)	18,190	14,209	18,190	14,209
Total		32,314	(13,447)	18,867	15,120	19,567	15,319

(a) Refers to the expenditures with acquisition and implementation of business management systems, also designated Value Chain Management System, substantially represented by the Oracle, WMS and Demantra systems and Inventory Optimization and by the developments carried out in the value chain management process. The expenditures will be amortized through the conclusion of the acquisitions and implementations according to the future benefit period estimated by Company management. Part of the management system that refers to WMS has already started the amortizations.

In thousands of reais, unless otherwise indicated

b) Changes in intangible assets

	Company						
	December 31, 2011	Additions	Amortizations	December 31, 2012	Additions	Amortizations	September 30, 2013
Software	451	-	(140)	311	-	(84)	227
Right to exploration of outcrops	650	-	(200)	450	-	(150)	300
Trademarks and patents	150	-	-	150	-	-	150
Management system:	3,407	10,814	(12)	14,209	4,584	(603)	18,190
	4,658	10,814	(352)	15,120	4,584	(837)	18,867

	Consolidated								
	December 31, 2011	Additions	Amortizations	Write-offs	December 31, 2012	Additions	Amortizations	Write-offs	September 30, 2013
Software	451	-	(140)	-	311	-	(84)	-	227
Right to exploration of outcrops	659	-	(202)	-	457	512	(159)	-	810
Trademarks and patents	152	-	-	-	152	-	-	(2)	150
Goodwill	80	210	-	(100)	190	-	-	-	190
Management system:	3,407	10,814	(12)	-	14,209	4,584	(603)	-	18,190
	4,749	11,024	(354)	(100)	15,319	5,096	(846)	(2)	19,567

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

	Company		Consolidated		Company		Consolidated	
	3rd Quarter				Accumulated			
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Cost of goods sold	138	60	144	60	282	183	289	185
Commercial expenses	202	7	202	7	241	7	241	7
Administrative expenses	212	22	211	22	314	77	316	77
Total	552	89	557	89	837	267	846	269

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

	Software	Right to exploration of outcrops	Management system (a)	Total
2013	26	75	868	969
2014	68	302	3,497	3,867
2015	45	152	3,497	3,694
2016	40	102	3,497	3,639
2017	40	102	3,152	3,294
2018	8	77	1,412	1,497
2019–2034	-	-	2,267	2,267
Total	227	810	18,190	19,227

(a) Amortization plan based on the estimated completion of acquisitions and implementations.

The brands and patents and goodwill items in the total amount of R$ 340 did not undergo amortization due to their undefined useful life.

In thousands of reais, unless otherwise indicated

21 Suppliers

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Current				
Suppliers				
Domestic market (a)	81.781	98.292	83.559	99.283
Foreign market	32.729	22.249	32.729	22.249
Breakdown of the nominal value to present value	(120)	(419)	(120)	(419)
	114.390	120.122	116.168	121.113
Non-current				
Suppliers				
Domestic market (b)	12.550	-	12.550	-
	12.550	-	12.550	-
Total	126.940	120.122	128.718	121.113

(a)/(b) variation explained in note 13

In thousands of reais, unless otherwise indicated

22 Loans and financing

	Maturities	Charges	Company September 30, 2013	Company December 31, 2012	Consolidated September 30, 2013	Consolidated December 31, 2012
Current						
Foreign currency						
Supplier credit		VC+5.57% p.a.[1]	4,147	5,877	4,147	5,877
Prepayment and ACC (a)		VC+4.97% p.a.[1]	8,588	2,640	8,588	2,640
FINIMP (b)		VC+2.28% p.a.[1]	32,646	36,814	32,646	36,814
Total foreign currency		VC + 2.75% p.a.	45,381	45,331	45,381	45,331
Domestic currency						
Exim Pre-shipment TJ 462 (c)		8.00% p.a.	9,428	502	9,428	502
FINEP (d)		6.25% p.a.	5,204	2,966	5,204	2,966
Export credit note (e)		9.82% p.a.[1]	15,949	12,602	15,949	12,602
Law 4131 (f) – (note 8)		1.60% p.a. + CDI	1,640	354	1,640	354
Financial lease (g)		10.09% p.a.[1]	983	917	983	917
BNDES – Progeren (h)		8.49% p.a.[1]	10,755	-	10,755	-
PRODEC (i)		4.00% p.a. + UFIR	5,164	1,955	5,164	1,955
FINAME (j)		3.00% p.a.	10	-	10	-
Working capital (k)		10.10% p.a.[1]	14,800	10,957	14,800	10,957
Total local currency		8.64% p.a.	63,933	30,253	63,933	30,253
Total current			109,314	75,584	109,314	75,584
Non-current						
Foreign currency						
Supplier credit	Oct 2016	VC+6.25% p.a.[1]	1,837	2,675	1,837	2,675
Prepayment (a)	May 2018	VC+5.63% p.a.[1]	10,453	-	10,453	-
Total foreign currency		VC + 5.72% p.a.	12,290	2,675	12,290	2,675
Domestic currency						
Exim Pre-shipment TJ 462 (c)	Sep 2015	8.00% p.a.	40,833	-	40,833	-
FINAME /POC						
FINEP (d)	Sep 2018	6.25% p.a.	20,605	13,926	20,605	13,926
Export credit note (e)	Dec 2017	10.14% p.a.[1]	54,000	-	54,000	-
Law 4131 (f) – (note 8)	Dec 2017	1.60% p.a. + CDI	50,000	50,000	50,000	50,000
Financial lease (g)	May 2015	9.95% p.a.[1]	737	1,483	737	1,483
BNDES – Progeren (h)	Mar 2016	8.46% p.a.[1]	20,833	-	20,833	
PRODEC (i)	Mar 2016	4.00% p.a. + UFIR	24,327	21,932	24,327	21,932
FINAME (j)	Sep 2015	3.00% p.a.	5,445	-	5,445	-
Working capital			-	-	923	915
Total local currency		8.08% p.a.	216,780	87,341	217,703	88,256
Total non-current			229,070	90,016	229,993	90,931
Total			338,384	165,600	339,307	166,515

[1] Average rate
UFIR – Benchmark Tax Unit
ACC – Advance on exchange contract

a) Exchange agreement prepayment and advance payment – the Company entered into prepayment agreements in the amount of US$ 10,431 in 2010 and 2011. The agreements have terms of up to 30 months and receivables from Portobello Shop S.A. and Portobello S.A. were provided as guarantee. In June 2013, entered into another export prepayment agreement in the amount of US$ 5,000, for repayment of the principal in 16 installments and payment of interest in 20 quarterly installments, the first of which on September 20, 2013. A commercial lien was offered as sole guarantee for this contract.

b) FINIMP (special credit lines for the import of capital assets, machinery, equipment and services) - The Company entered into several FINIMP contracts from November 2012 to September 2013, amounting to R$ 32,646, with an average terms of 180 days (6 months), with payments made at the end of each contract. These contracts were collateralized by receivables of Portobello S.A. in the amount of R$ 5,687 million in the average of 17.42% of the contractual debt due.

c) Pre-Shipment Import-Export Financing – in August 2013, the Company entered into three agreements, in the amount of R$ 30,000, for repayment and 12 monthly installments, the first of which the September 2014. Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract. In September 2013 the Company entered into an agreement in the amount of R$ 20,000, for repayment in 18 monthly installments, the first of which in April 2014. That agreement was fully collateralized by mercantile liens and a Portobello S.A. real estate mortgage.

d) Financiadora de Estudos e Projetos - FINEP – The Company entered into a lease agreement with FINEP in the amount of R$ 30,103 in May 2010, payable over 80 months, with an interest if 5% p.a. and 20 months of grace period. The first installment in the amount of R$ 13,248, was totally released at September 02, 2010. The second installment in the amount of R$ 5,572 was released in December 2012. This contract required the presentation of a bank guarantee letter at the cost of 1.25% p.a.

e) NCE – Export credit note – In January 2013, the Company signed an NCE contract in the amount of R$ 20,000 maturing in 7 semi-annual installments, with the first on January 05, 2015. Receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract were pledged as collateral for this contract. In February 2013, the Company signed an NCE contract in the amount of R$ 10,000 with principal maturing on February 10, 2016. For this contract there are no restrictive clauses; clean operation as refers to guarantees. In April 2013, the Company signed an NCE contract in the amount of R$ 30,000, maturing in 5 semi-annual installments (4/22/2014, 10/17/2014, 4/15/2015, 10/13/2015 and 4/8/2016). Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract. In June 2013, the Company signed an NCE contract, in the amount of R$ 10,000, maturing in 11 monthly installments, with the first on 8/7/2013. Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract.

f) Law 4131 Trade Exporter with Swap for CDI – In December 2012 the Company signed a contract in the amount of R$ 50,000 with a payment term of 60 months and grace period of 24 months. Amortizations are semi-annual (note 7) and receivables of Portobello S.A in the amount of 50% of the debit balance of the contract were pledged as collateral.

g) Financial lease – The Company entered into a lease agreement with SG Equipment Finance S.A, in the amount of R$ 2,418 in May 2012, payable over 36 months. The Company entered into a lease agreement with Hewlett Packard HP, in the amount of R$ 450 in May 2012, payable over 36 months. The financed assets were pledged as collateral for both contracts.

h) BNDES (Progeren) – In January 2013, the Company signed a BNDES contract (Progeren) in the amount of R$ 20,000 with a grace period of one year and 24 successive monthly installments. There are no restrictive clauses for this contact; without guarantees. In March 2013, the Company signed another BNDES contract (Progeren) in the amount of R$ 10,000 also with a grace period of one year and 24 successive monthly installments. This contract was collateralized by receivables of Portobello S.A. in the amount of 40% of the contractual debt due.

i) Santa Catarina State Business Development Program (PRODEC) – in July 2009 the Company was granted a special tax regime in the state of Santa Catarina. The balance is subject to adjustment to present value– APV. The rate used for calculating adjustment to present value is the average current working capital, 9.69% 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);
- Grace period of 48 months;
- Period of 120 months;

In thousands of reais, unless otherwise indicated

- Monetary correction of 4% p.a. and UFIR rate.

j) Machinery and Equipment Financing Program (FINAME) – From May 2013 to September 2013, the Company entered into an agreement for an Industrial Credit Bond in the amount of R$ 5,445 for repayment and 96 monthly installments with a 24-month grace period. The financed equipment was pledged as collateral for this contract.

k) Bank Credit Notes – In June 2013, the Company entered into a contract of Working Capital, in the amount of R$ 18,000, payable in 11 monthly installments, the first of which fell due in 08/2013. Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract.

The loans and financing operations with balances on September 30, 2013 do not present covenants.

The other loans were mostly guaranteed by real estate mortgage, equipment, receivables from the parent company (Note 8) and from a subsidiary (Note 42), suretyship by controlling shareholders and subsidiary and, in addition, pledges of finished product inventories in the amount of R$ 30,122.

The long-term loans have the following payment schedule:

	Company		Consolidated	
Maturities on October 1	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
2014	31,583	18,055	31,583	18,055
2015	96,931	25,580	96,931	25,580
2016	56,960	26,963	56,960	26,963
2017	34,402	17,217	34,402	17,217
2018	6,032	2,201	6,955	3,116
2019–2022	2,720	-	2,720	-
2023	442	-	442	-
Total	229,070	90,016	229,993	90,931

Exposure of loans to variations in interest rates and the contractual re-pricing dates on the balance sheet dates are as follows:

	Consolidated	
	September 30, 2013	December 31, 2012
Six months or less	35,466	41,834
6–12 months	50,105	5,142
1–5 years	251,308	58,719
> 5 years	6,379	915
Total	343,258	106,610

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

In thousands of reais, unless otherwise indicated

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Reais	280,713	117,594	281,636	118,509
Euros	540	714	540	714
US Dollars	57,131	47,292	57,131	47,292
Total	338,384	165,600	339,307	166,515

The fair value of current loans is equal to its carrying value, once that the impact of discounting is not significant. The fair values are based on discounted cash flows, using a rate based on the borrowing rate of 7.43% (6.26 as of December 31, 2012).

Financial lease liabilities are described as follow:

	Parent company and Consolidated	
	September 30, 2013	December 31, 2012
Gross financial lease obligations – Minimum lease payments		
< 1 year	831	1,107
More than one year and less than 5 years	604	1,592
Total	1,435	2,699
Future finance charges on financial leases	285	(299)
Present value of financial lease liabilities	1,720	2,400
Present value of financial lease liabilities is as follows:		
< 1 year	983	917
More than one year and less than 5 years	737	1,483
Total	1,720	2,400

In thousands of reais, unless otherwise indicated

23 Installment payment of tax liabilities

	Tax liabilities	Application for installment payments			
		Date	Installments falling due	September 30, 2013	December 31, 2012
Portobello S.A.	INSS	Dec 2009	14	3,997	6,302
	IPI	Dec 2009	14	2,715	4,281
	PIS	Mar 2009	5	66	178
	COFINS	Mar 2009	5	304	820
	IRPJ	Mar 2009	5	483	1,301
	CSLL	Mar 2009	5	180	484
	LAW 11941/09 (a)	Nov 2009	133	111,933	118,224
Total Company				119,678	131,590
Installment – current				19,782	22,029
Installments – non-current				99,896	109,561
Portobello Shop S.A.	INSS	Nov 2009	13	313	507
	COFINS	Mar 2009	5	23	61
	IRPJ	Mar 2009	5	175	472
	CSLL	Mar 2009	5	63	171
	LAW 11941/09 (a)	Nov 2009	133	592	606
Total subsidiaries				1,166	1,817
Total consolidated				120,844	133,407
Installment – current				20,386	22,961
Installments – non-current				100,458	110,446

The payment schedule is as follows:

	Company		Consolidated	
Maturity	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
2013	5,522	22,031	5,764	22,962
2014	17,669	16,958	18,067	17,341
2015–2023 (*)	88,308	84,753	88,794	85,214
2024	8,179	7,848	8,219	7,890
Total	119,678	131,590	120,844	133,407

(*) In September 2013 and December 2012, respectively, the annual grouped installments will be R$ 9,812 and R$ 9,417 for the Parent Company and R$ 9,866 and R$ 9,468 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 MP 470 to the installments of Law 11941/09 (see Note 24).

After consolidation, the Company undertakes to pay the monthly installments of R$ 1,233 with no delays exceeding three months, as well as withdraw from lawsuits and waive any claim of rights upon which such suits are based, under penalty of immediate termination of the installment, and consequent loss of the benefits introduced by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in note 16.

b) Law No 12,865/2013 (Provisional Measure 615/2013) – Payment and Refinancing of Federal Tax Debts ("Refis")11941/09 (REFIS - Fiscal Recovery Program)

On October 9, 2013, Law No. 12,865/2013 was enacted, converting provisional measure 615/2013 into a law, which, among other provisions, introduced new modes of payment and new installment plans for federal tax debts and allowing new deadlines for adhesion to the so-called "Refis for the Crisis", established by Law No. 11,941/2009 and to the program established by Law No. 12,249/2010.

Management is evaluating whether or not it will adhere to the described tax debt payment and installment plan, whose deadline for adhesion is November 29, 2013 for the new modes of payment and installment plan, and December 31, 2013 for adhering to payment programs and installment plans for federal debts related to laws No. 11,941/2009 and 12,249/2010, and considering the possible impacts arising from this matter.

24 Tax debts - Law 12249/10 (MP 470 and MP 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 secretariat–SRF and the Attorney general's office of the national treasury–PGFN. In this participation, aside from the installments, there is a reduction of burdens and the Company can utilize tax credits arising from tax losses until 2008, for payment of debts.

Upon conversion of this Provisional Measure into Law (Law 12249/10), in June 2010 the use of tax credits arising from tax losses existing as of December 31, 2009 was authorized. The Company used this benefit and recorded R$ 3,252 in 2Q10 (see note 33) considering the paid installments.
The National Treasury Attorney Office partially dismissed the request in June 2010 by alleging the need for the taxpayer to desist from lawsuits contesting the government's receivable and claimed the "undue use" of the tax credits due to failure to meet the requirements. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Note16. The Company's legal department is adopting the required measures against the Attorney Office's decision in order to avoid desisting from/resigning the aforementioned declaratory actions and avoid the need to provide evidence for the correct use of the tax credits, since they had been clearly recognized by the Federal Revenue Service of Brazil in a tax assessment. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12.249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it's practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit. We must clarify that the injunction requested to obtain court approval for the installment plan was dismissed in the lower court. In the appeal level, the Regional Federal Court of the fourth region granted partial acceptance to the appeal. The Company expects to be able to reverse the remaining legal issue at the Superior Court of Justice.

In the remote event that PGFN's decision is maintained through the last legal level, the impact on the Company's results would be a loss of R$ 17,772 on September 30, 2013, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debits as contingent liabilities. This possible tax liability will be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in note 17.

In thousands of reais, unless otherwise indicated

25 Taxes, rates and contributions

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
IRRF	605	1,188	635	1,397
ICMS	4,093	3,551	4,093	3,552
PIS	122	304	198	365
COFINS	561	1,399	911	1,680
Others	117	103	300	251
Total	5,498	6,545	6,137	7,245

26 Provision for contingencies

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

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

Sum provisioned	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Civil	4,515	4,533	5,122	4,575
Labor	12,478	11,288	12,478	11,288
Tax	38,271	35,051	38,271	35,051
Total	55,264	50,872	55,871	50,914
Current	2,344	1,288	2,940	1,322
Non-current	52,920	49,584	52,931	49,592

The provisions are measured at the present value 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:

	Company			Total
	Civil	Labor	Tax	
December 31, 2012	4,533	11,288	35,051	50,872
Debited (credited) to the statement of income:	1,754	1,661	3,369	6,784
Additional provisions	1,359	792	1,809	3,960
Reversals for non-use	(200)	(432)	-	(632)
Monetary restatement (note 33)	595	1,301	1,560	3,456
Reversals by realization	(1,772)	(471)	(149)	(2,392)
September 30, 2013	4,515	12,478	38,271	55,264

In thousands of reais, unless otherwise indicated

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2012	4,575	11,288	35,051	50,914
Debited (credited) to the statement of income:	3,343	1,661	3,369	8,373
Additional provisions	2,885	792	1,809	5,486
Reversals for non-use	(205)	(432)	-	(637)
Monetary restatement (note 33)	663	1,301	1,560	3,524
Reversals by realization	(2,796)	(471)	(149)	(3,416)
September 30, 2013	5,122	12,478	38,271	55,871

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 175 lawsuits (112 lawsuits on December 31, 2012), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (note 13).

The contingent liabilities of a civil nature are listed in Note 27.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 336 labor complaints (281 complaints on December 31, 2012), filed by former employees and third parties. The claims refer mostly to the health hazard bonus, a subject already decided in favor of the Company by the Regional Labor Court of the 12th region. The other claims refer to the payment of severance pay, additional pay, overtime, salary equalization, monetary indexation of FGTS, and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company's legal consultants. Some lawsuits are supported by judicial deposits (note 13).

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.

Contingent liabilities are evidenced in Note 27.

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, item IV of Law 8212/91 as amended by Law 9879/99.
The Company asserts that in the exercise of its activities, it engages cooperatives in various work areas, which provide specialized services, thus subjecting it to the payment of the contribution, but it is understood that there is no constitutional provision for such collection, since this goes against the principles of legality, equality and protection for cooperatives, based on this it seeks preliminary injunction in order that its right not to be subject to the payment of social security contributions be declared, as well as making compensation of amounts unduly paid for such purposes. On September 30, 2013, the balance of provision totals R$ 2,242 (R$ 2,197 on December 31, 2012).

In thousands of reais, unless otherwise indicated

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

On April 16, 2008 the Company obtained a preliminary injunction by means of a writ of mandamus No. 2008.34.00.011286-4 for the purpose of excluding the ICMS (state VAT) from the calculation basis of federal taxes on revenue PIS and COFINS. Upon that preliminary injunction, the Company started to calculate and pay PIS and COFINS disregarding the ICMS in its calculation basis. In March 2013, the judge of the 9th district court of the judicial section of Distrito Federal issued a judgment upholding the injunction of passive legitimacy, dismissing the case without prejudice. The Company filed an appeal against the aforementioned decision and starting in April 2013 suspended the effects of the injunction. Thus the Company reinstated the calculation base of PIS and COFINS considering the inclusion of ICMS as a constitutive part of the calculation base. In March 2013 a court decision dismissed the request for security on the grounds that the Federal Revenue Secretary could not be the defendant in that demand. That decision was appealed against, since the Company and its lawyers expected to obtain a new decision for the matter and defend the lawsuit's merit by characterizing PIS and COFINS taxes as not having the state VAT in their calculation basis.
The balance of provisions for tax contingencies relating to the exclusion of ICMS from the calculation base in the contributions of PIS and COFINS on September 30, 2013 amounted to R$ 36,029 (R$ 32,854 on December 31, 2012).

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

27 Lawsuits that may be lost

According to the assessment of risks arising from these lawsuits, the Company, based on its legal advisors, estimates the amounts of contingent liabilities. 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, presented below:

	Company		Consolidated	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Civil	1,956	927	2,191	967
Labor	11,514	10,839	11,514	10,839
Total	13,470	11,766	13,705	11,806

These lawsuits are classified as contingent liabilities because a ruling against the Company is unlikely. And, consequently, no outlays will be required to settle the obligations.

In thousands of reais, unless otherwise indicated

28 Employee benefits

28.1 Private pension plan

The Company and its subsidiaries, since November 1, 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência – Banco do Brasil Pension Fund, and has 39 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

On September 30, 2013, the balance of the special contributions relating to past, to be deposited in individual accounts of those participants who meet the conditions established in the regulations of the plan, amounted to R$ 2,623 (R$ 2,918 on December 31, 2012) and is provisioned in non-current liabilities. At the time that each member participant in this condition becomes eligible, the Company will pay off the related special reserve attributable thereto.

The main actuarial assumptions used:

	Company	
	September 30, 2013	September 30, 2012
Economic assumptions		
Discount rate	6% p.a. (real)	6% p.a. (real)
Estimated rate of return for assets	6% p.a. (real)	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years	2% p.a. (real) up to 47 years
Growth of private pension		
Benefits and limits	2% p.a. (real) as of 48 years	2% p.a. (real) as of 48 years
Inflation	Disregarded	Disregarded
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions		
Mortality Table	AT 83	AT 83
Mortality table for invalids	Exp. IAPC	Exp. IAPC
Table Disability	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

28.2 Employee benefit expenses

a) Expenses incurred in the third quarter of 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Remuneration	22,604	19,751	24,201	21,164
Benefits				
Pension plan	233	169	265	231
FGTS	1,940	1,837	2,153	1,919
Others	2,382	1,908	2,467	1,987
Total	27,159	23,665	29,086	25,301

In thousands of reais, unless otherwise indicated

b) Expenses incurred YTD in 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Remuneration	66,466	55,795	70,649	59,779
Benefits				
Pension plan	681	473	826	647
FGTS	5,373	5,094	5,767	5,325
Others	6,469	5,942	6,692	6,145
Total	78,989	67,304	83,934	71,896

29 Long-term incentive

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

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

The adhesion contract defines the number of securities that each participant will receive. The securities are figuratively called "reference shares" and are not traded in the OTC market.

The "appreciation" of the securities is calculated annually by the performance of EBITDA[1] and the ratio between EBITDA and net debt[2]. The total amount of the expense is recognized during the year in which the right is acquired; period in which the specific conditions for acquisition of the rights must be met. On the balance sheet date, the entity revises its estimates of the number and value of securities. And it recognizes the impact of the revision of original estimates, if any, on the income statement, with a corresponding adjustment to liabilities.

Payment will be made in three annual installments (2015, 2016, 2017) with two-year deferment at the beginning of the period (2013 and 2014). The liquidation will be complete after five years from the initial recognition (2017) and the Company will determine the form of payment, which may be through monetary values or Company stock options in an amount proportional to the values calculated by the metrics of the plan.

If payment is made through stock options, the mean value of the stock in the three months prior to the incentive payment date shall be considered. The Company may, at Board of Directors' discretion: (a) issue new shares within the authorized capital limit; or (b) sell treasury shares.

The first group of participants joined in fiscal year 2012 and the present value of the obligation on September 30, 2013 is R$ 3,981 at the parent company and R$ 4,798 at the consolidated (R$ 2,176 at the parent company and R$ 2,623 at the consolidated on December 31, 2012).

[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.

30 Shareholders' equity

a) Capital

The Company has a capital subscribed and paid in the amount of R$ 46,065 comprising 159,008,924 common shares, nominative and with no par value.

On April 30, 2013 a capital increase was approved at the Extraordinary Shareholders' Meeting, by capitalization of reserves in the amount of R$ 5,266, where R$ 5,000 comes from the Distributable Profit Reserves account and R$ 266 from the Capital Reserve account, with no change in the total number of shares, as set forth in Article 169, § 1 of Law 6404/76.

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 1,159,008,924 shares, and the issuance of preferred shares or certificates of participation.

On September 30, 2013 there were 62,422,613 outstanding shares, equivalent to 39.25% of total shares issued (compared to 61,992,352 on December 31, 2012, equivalent to 38.99% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

b) Profit reserve

Legal reserves

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 legal reserve has the purpose of ensuring the integrity of the Company's capital, and can only be used to offset losses and increase capital. In 2012, the Company set up a legal reserve and the amount of R$ 3,283 in accordance with article 193 of corporate law.

Profit reserves to be allocated

The distributable profits reserve of R$ 41,786 on September 30, 2013 (46,786 on December 31, 2012) refers to the retention of the remaining balance of retained earnings, after the allocation of 5% to the legal reserve and 25% to mandatory minimum dividends.

c) Asset valuation adjustment

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the 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 accumulated profits, net of taxes. The same effect of realization of the asset appraisal adjustment is reflected in P/L for the period, by the depreciation of the re-appraised assets.

In thousands of reais, unless otherwise indicated

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of income tax and social contribution on the re-appraised balance of land, since in 2006 when the re-appraisal was performed, the legislation did not allow incidence. ICPC 10 instructs Companies to constitute the provision of taxes on land re-appraisal when “it is likely that the economic benefits associated with the non-depreciable asset will revert to the entity itself, whether derived from current sale, the future sale or the very use of the asset.” The deferred income tax and social contribution corresponding to the adjustments to appraisal of land, buildings and improvements are classified as non-current liabilities, as per Note 15(b).

Considering the complement of the asset appraisal adjustment, approved by the Special Shareholders’ Meeting on December 29, 2006, the balance of the adjustment to company assets, net of deferred taxes, amounted to R$ 42,528 on September 30, 2013 (R$ 43,713 on December 31, 2012), the expense of depreciation of the re-appraisal, net of tax effects of deferred income tax and social contribution liabilities, in the quarter ending September 30, 2013, was R$ 1.185 (R$ 1.184 on September 30, 2012), and the balance of deferred income tax and social contributions adjustments to asset appraisal recorded in non-current liabilities is R$ 17,530 (R$ 17,933 on December 31, 2012), see note 15(b).

31 Income

The reconciliation of gross revenue to net revenue, presented in the income statement for the quarter ending September 30, 2013, is as follows.

a) Income earned in the 3rd quarter of 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Gross revenue from sales	263,756	242,083	279,433	257,093
Deductions from gross income	(56,819)	(48,454)	(58,488)	(49,966)
Sales tax	(50,132)	(44,573)	(51,778)	(46,067)
Returns	(6,687)	(3,881)	(6,710)	(3,899)
Net operating revenue	206,937	193,629	220,945	207,127
Domestic market	187,035	177,368	198,337	191,165
Foreign market	19,902	16,261	22,608	15,962

In thousands of reais, unless otherwise indicated

b) Income earned YTD in 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Gross revenue from sales	722,567	605,259	765,476	643,916
Deductions from gross income	(156,651)	(125,752)	(161,175)	(129,627)
Sales tax	(137,239)	(115,477)	(141,672)	(119,334)
Returns	(19,412)	(10,275)	(19,503)	(10,293)
Net operating revenue	565,916	479,507	604,301	514,289
Domestic market	518,110	445,026	550,125	476,293
Foreign market	47,806	34,481	54,176	37,996

32 Expenses per type

The cost of goods sold, selling expenses and administrative expenses for the quarter ending September 30, 2013 are as follows:

a) Expenses incurred in the third quarter of 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Changes in inventories of finished products and work in process (a)	(2,953)	4,762	(2,953)	4,762
Direct production costs (raw materials and inputs)	65,026	59,200	64,315	58,627
General production expenses (including maintenance)	7,674	7,734	7,674	7,734
Cost of goods resold	47,224	38,233	47,650	38,625
Transportation of goods sold	756	692	756	692
Salaries, charges and benefits to employees	29,663	29,213	31,975	31,187
Third-party labor and services	5,714	5,877	7,888	7,231
Amortization and depreciation	4,889	4,005	4,917	4,016
Rentals and operating leases	2,307	1,842	2,408	1,990
Sales commissions	5,374	4,247	5,427	4,247
Marketing and advertising expenses	2,062	1,861	3,879	2,914
Other commercial expenses	4,769	2,414	5,981	3,264
Other administrative expenses	1,000	516	1,041	710
Total	173,505	160,596	180,958	165,999

(a) The changes in inventories of finished products and w ork in process is the difference betw een the cost of goods produced and the cost of goods sold (COGS), and could result in a negative balance due to the w rite-off of COGS related to products that w ere produced in prior periods w hich w ere included in the inventories account.

In thousands of reais, unless otherwise indicated

b) Expenses incurred YTD in 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Changes in inventories of finished products and work in process	(11,793)	(15,304)	(11,793)	(15,304)
Direct production costs (raw materials and inputs)	181,353	167,598	179,542	165,961
General production expenses (including maintenance)	23,502	23,332	23,502	23,332
Cost of goods resold	129,302	91,967	130,453	93,038
Transportation of goods sold	2,006	1,845	2,006	1,845
Salaries, charges and benefits to employees	90,763	82,968	96,713	88,518
Third-party labor and services	16,050	13,709	21,914	18,188
Amortization and depreciation	11,929	12,065	11,990	12,097
Rentals and operating leases	6,400	5,730	6,647	5,880
Sales commissions	13,596	10,664	13,707	10,664
Marketing and advertising expenses	5,504	4,910	10,321	8,141
Other commercial expenses	12,447	9,101	15,987	11,145
Other administrative expenses	2,663	2,378	2,844	2,594
Total	483,722	410,963	503,833	426,099

33 Other operating income and (expenses), net

Other individual and consolidated operating income and expenses for the quarter ended September 30, 2013 are as follow:

a) Expenses incurred in the third quarter of 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Other operating income				
Related party service revenue	581	655	-	-
Third-party service revenue	226	308	193	308
Tax credits	-	3,252	-	3,252
Sale of property, plant and equipment	163	35	163	35
Other income	17	88	21	89
Total	987	4,338	377	3,684
Other operating expenses				
Provision for contingencies (note 26)	(705)	(316)	(970)	(355)
Provision for profit sharing (a)	(927)	(2,719)	(1,117)	(3,220)
Provision for long-term incentive (note 29)	(2,684)	-	(2,860)	-
Consulting project	(422)	(17)	(422)	(3,614)
Other expenses	(80)	(247)	(80)	(468)
Total	(4,818)	(3,299)	(5,449)	(7,657)
Net total	(3,831)	1,039	(5,072)	(3,973)

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

In thousands of reais, unless otherwise indicated

b) Expenses incurred YTD in 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Other operating income				
Related party service revenue	1,468	1,970	-	-
Third-party service revenue	226	740	193	740
Tax credits	-	3,833	-	3,833
Bank exclusivity contract	-	2,100	-	2,100
Reintegration of Law 12546/11 (a)	2,091	-	2,091	-
Sale of property, plant and equipment	190	35	190	35
Other income	763	218	715	196
Total	4,738	8,896	3,189	6,904
Other operating expenses				
Provision for contingencies (note 26)	(1,593)	(1,194)	(3,418)	(1,680)
Provision for profit sharing (a)	(3,869)	(6,110)	(4,297)	(7,240)
Provision for long-term incentive (note 29)	(3,563)	-	(3,795)	-
Consulting project	(422)	(17)	(422)	(3,614)
Other expenses	(1,107)	(607)	(1,182)	(876)
Total	(10,554)	(7,928)	(13,114)	(13,410)
Net total	(5,816)	968	(9,925)	(6,506)

(a) Amount corresponding credit to offset taxes - Reintegration of Law 12546/11

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

34 Other gains (losses), net

The net foreign exchange variation registered under the heading of other gains (losses), individual and consolidated, for the quarter ending September 30, 2013 is as follows:

	Parent company and Consolidated			
	3rd Quarter		Accumulated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net exchange variation				
Accounts receivable	273	229	(71)	3,869
Suppliers	(12)	6	1,147	(592)
Total	261	235	1,076	3,277

In thousands of reais, unless otherwise indicated

35 Financial Result

The individual and consolidated financial income (loss) for the quarter ended September 30, 2013 is as follows:

a) Expenses incurred in the third quarter of 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Financial income				
Interest	1,298	458	1,967	503
Discounts received	38	35	40	38
Restatement of assets	2,928	3,120	2,928	3,120
Others	34	11	34	11
Total	4,298	3,624	4,969	3,672
Financial expenses				
Interest	(5,288)	(3,110)	(5,373)	(3,187)
Finance charges on taxes	(1,916)	(2,202)	(1,937)	(2,235)
Decomposition of discount of provisions for contingencies (note 26)	(1,263)	(1,093)	(1,293)	(1,096)
Commissions and service fees	(981)	(337)	(1,004)	(342)
Others	(526)	(909)	(699)	(923)
Total	(9,974)	(7,651)	(10,306)	(7,783)
Net exchange variation				
Loans and financing	(641)	(285)	(641)	(285)
Total	(641)	(285)	(641)	(285)
Net total	(6,317)	(4,312)	(5,978)	(4,396)

b) Expenses incurred YTD in 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Financial income				
Interest	3,073	1,045	4,046	1,169
Discounts received	38	233	40	294
Restatement of assets	9,434	10,166	9,434	10,166
Others	409	339	464	339
Total	12,954	11,783	13,984	11,968
Financial expenses				
Interest	(13,357)	(11,368)	(13,565)	(11,545)
Finance charges on taxes	(5,315)	(7,805)	(5,379)	(7,946)
Decomposition of discount of provisions for contingencies (note 26)	(3,483)	(3,301)	(3,550)	(3,308)
Commissions and service fees	(2,005)	(1,013)	(2,042)	(1,029)
Others	(3,891)	(519)	(4,148)	(523)
Total	(28,051)	(25,980)	(28,684)	(26,353)
Net exchange variation				
Loans and financing	(4,210)	(3,243)	(4,210)	(3,243)
Total	(4,210)	(3,243)	(4,210)	(3,243)
Net total	(19,307)	(17,440)	(18,910)	(17,628)

In thousands of reais, unless otherwise indicated

36 Income from discontinued operations

On August 17, 2010, the Board approved the discontinuation of the operational activities of the subsidiary Portobello América, given that demand in the U.S. market will remain contained for the coming years. The disposal of the asset are in progress and the main assets and liabilities of that unit, as well as the results of discontinued operations for the quarter ending September 30, 2013, are summarized below:

Assets	September 30, 2013	December 31, 2012	Liabilities	September 30, 2013	December 31, 2012
Current	342	355	Current	45,669	41,851
Cash and cash equi	342	272	Rentals	12	12
Others	-	83	Related party debts	45,657	41,839
			Shareholders' equity	(45,327)	(41,496)
Total assets	342	355	Total liabilities	342	355

There w ere no groups classified as held for sale in 2013 and 2012.

The results of discontinued operations are presented on a consolidated basis, therefore, aside from the results of the subsidiary Portobello América, Inc., (Note 18), considers the portion of the Parent Company's operations in the discontinued operations. In the third quarter of 2013, income (loss) from discontinued operations was a loss of R$ 42, representing some administrative expenses incurred in the period.

37 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 year, excluding common shares purchased by the Company and maintained as treasury shares.

Income (loss) for the 3Q13 and 3Q12:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Profit attributable to shareholders of the Company	21,861	21,700	21,861	21,700
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.14	0.14	0.14	0.14
Income from continued operations	21,861	21,700	21,876	21,612
Income from discontinued operation	-	-	(15)	88
Weighted average number of common shares	159,009	159,009	159,009	159,009
Result from discontinued operations per share	0.13748	0.13647	0.13758	0.13592
Result from discontinued operations per share	-	-	(0.00009)	0.00055

In thousands of reais, unless otherwise indicated

Accumulated income (loss), 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Profit attributable to shareholders of the Company	51,178	45,490	51,178	45,490
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.32	0.29	0.32	0.29
Income from continued operations	51,178	45,490	51,220	45,040
Income from discontinued operation	-	-	(42)	450
Weighted average number of common shares	159,009	159,009	159,009	159,009
Result from discontinued operations per share	0.32186	0.28608	0.32212	0.28325
Result from discontinued operations per share	-	-	(0.00026)	0.00283

The Company does not have treasury shares, nor did it have them in the nine months of 2013. And the last issue of shares occurred in 2007. Thus the weighted average number of shares is equal to the total that comprises the own capital (note 30). This is comprised by only one class of common shares.

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

b) Diluted

Diluted earnings per share is equal to basic, since the Company does not hold any financial instrument or contract that gives the holder the right to common shares.

38 Dividends

The Annual Shareholders' Meeting held on April 30, 2013 approved Management's proposal to allocate a portion of income from 2012 for the purpose of mandatory minimum dividends in the amount of R$ 15,595; the amount of R$ 1,853 paid on December 28, 2012 was deducted from the total for the minimum mandatory dividends, as interest on shareholder equity, net of income tax, and R$ 5,104 as dividends.

The Company's Board of Directors approved, on August 14, 2013, prepaid dividends of R$ 2.8 million and interest on capital of R$ 2.8 million referring to 2013. With that decision, the amount paid on September 26, 2013 was R$ 6.9 million (R$ 6.3 million net of income tax). The total amount distributed as equivalent to 14% of the Company's accumulated net income for 2013.

39 Information per business segment

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

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

The revenue 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

In thousands of reais, unless otherwise indicated

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:

a) Income (loss) for the 3Q13 and 3Q12:

	September 30, 2013			September 30, 2012		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	198,337	22,608	220,945	191,165	15,962	207,127
Cost of goods sold	(127,302)	(12,264)	(139,566)	(121,756)	(10,369)	(132,125)
Gross operating income	71,035	10,344	81,379	69,409	5,593	75,002
Operating income (expenses), net	(41,475)	(4,728)	(46,203)	(35,565)	(2,047)	(37,612)
Sales, general and administrative	(37,157)	(4,235)	(41,392)	(32,114)	(1,760)	(33,874)
Other operating income (expenses), net	(4,553)	(519)	(5,072)	(3,668)	(305)	(3,973)
Other gains (losses), net	234	27	261	217	18	235
Operating income (loss) before financial income (loss)	29,560	5,616	35,176	33,844	3,546	37,390
% on ROL	15%	25%	16%	18%	22%	18%

c) Income (loss) YTD for 2013 and 2012:

	September 30, 2013			September 30, 2012		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	550,125	54,176	604,301	476,293	37,996	514,289
Cost of goods sold	(358,427)	(31,991)	(390,418)	(308,274)	(24,652)	(332,926)
Gross operating income	191,698	22,185	213,883	168,019	13,344	181,363
Operating income (expenses), net	(112,236)	(10,028)	(122,264)	(91,765)	(4,637)	(96,402)
Sales, general and administrative	(104,220)	(9,195)	(113,415)	(88,776)	(4,397)	(93,173)
Other operating income (expenses), net	(9,004)	(921)	(9,925)	(6,015)	(491)	(6,506)
Other gains (losses), net	987	89	1,076	3,026	251	3,277
Operating income (loss) before financial income (loss)	79,462	12,157	91,619	76,254	8,707	84,961
% on ROL	14%	22%	15%	16%	23%	17%

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

40 Commitments

a) Commitments for the acquisition of assets

Expenditures contracted on the balance sheet date but not yet incurred referring to property, plant and equipment on September 30, 2013 totaled R$ 10.349.

b) Commitment with operational lease

Operational leases refer to vehicles. The minimum non-cancellable future payments, in total and for each of the following periods, is as follows:

	Consolidated	
	September 30, 2013	December 31, 2012
< 1 year	797	367
More than one year and less than 5 years	792	277
Total	1,589	644

In thousands of reais, unless otherwise indicated

41 Insurance coverage

On September 30, 2013, insurance coverage against fire, theft, collision and miscellaneous risks on PP&E, goods in inventory and lost profits, is considered sufficient by management to cover possible losses.

	Company and Consolidated
Coverages	2013
Fire/lighting/explosion of any type	84,000
Electrical damages	3,600
Riots	1,000
Windstorms/smoke with vehicle impact	25,000
Civil liability – operations	500
Civil liability – employer	500
Loss of profits - windstorm with impact	16,000
Loss of profits - basic	35,115

The term of the policy corresponds to the period from February 14, 2013 until February 14, 2014, when the Company intends to enter into a new insurance contract.

42 Related companies and parties

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

Nature	Transactions with subsidiaries and associated companies	September 30, 2013	December 31, 2012
Assets			
Dividends receivable	Portobello Shop S.A.	-	2,073
Accounts receivable	Portobello América, Inc.	-	41,839
Receivables with subsidiaries - Current		-	41,839
Accounts receivable	Portobello América, Inc.	45,657	-
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	3,909	3,424
Loans	PBTech Com. Serv. Cer. Ltda.	2,771	1,945
Receivables with subsidiaries - Non-current		52,337	5,369
Credits with other related parties	Refinadora Catarinense S.A.	92,995	100,398
Liabilities			
Dividends paid in advance	Portobello Shop S.A.	(7,100)	-
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,552	1,207
Accounts receivable - net of advances	Solução Cerâmica Com. Ltda.	(579)	(1,773)
Accounts receivable - net of advances	Flooring Revest. Cer. Ltda.	125	1,022
		1,098	456

In thousands of reais, unless otherwise indicated

Nature	Transactions with subsidiaries and associated companies	3rd Quarter September 30, 2013	3rd Quarter September 30, 2012	Accumulated September 30, 2013	Accumulated September 30, 2012
Income					
Rendering of services	Portobello Shop S.A.	1,530	1,530	4,590	4,585
Sale of goods	Solução Cerâmica Com. Ltda.	4,989	5,154	12,132	12,274
Sale of goods	Flooring Revest. Cer. Ltda.	2,263	1,946	5,778	4,980
Sale of goods	PBTech Com. Serv. Cer. Ltda.	493	76	1,500	76
Expenses					
Cost of services rendered	Portobello Shop S.A.	(919)	(845)	(3,034)	(2,536)
Purchase of products	Mineração Portobello Ltda.	(711)	(573)	(1,810)	(1,638)
Rent	Gomes Participações Societárias Ltda.	(50)	(67)	(245)	(152)
		7,595	7,221	18,911	17,589

The loan agreement with the subsidiary PBTech is compensated by a variation of 100% of the CDI (Interbank Certificate of Deposit) and matures on December 31, 2016.

Receivables from subsidiary Portobello Shop were not pledged as guarantee for the parent company's loans. The subsidiary is the guarantor of the Company in some financing operations (see Note 22).

This quarter, the Company presents the balance of accounts receivable from Portobello América Inc. in non-current assets, considering the intention of company Management to capitalize the subsidiary's debt.

Related party transactions

Portobello Shop presents accounts receivable and revenue 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:

Nature	Transactions with subsidiaries and associated companies	September 30, 2013	December 31, 2012	Nature	3rd Quarter September 30, 2013	3rd Quarter September 30, 2012	Accumulated September 30, 2013	Accumulated September 30, 2012
Assets				Income				
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	-	29					
Accounts receivable	Solução Cerâmica Com. Ltda.	493	515	Royalties	1,337	1,399	3,185	3,291
Accounts receivable	Flooring Revest. Cer. Ltda.	246	180	Royalties	580	510	1,502	1,304
		739	724		1,917	1,909	4,687	4,595

Remuneration of key management personnel

The remuneration of the key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter and semester ended September 30, 2013, was as follows:

In thousands of reais, unless otherwise indicated

a) Expenses incurred in the third quarter of 2013 and 2012:

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Fixed Compensation				
Salaries	2,164	1,808	2,514	2,072
Fees	940	611	940	893
Variable compensation	2,388	1,161	2,642	1,521
Direct and indirect short-term benefits				
Pension plan	184	122	212	180
Others	317	264	390	322
Termination benefits	36	158	193	158
	6,029	4,124	6,891	5,146

c) Expenses incurred YTD in 2013 and 2012

	Company		Consolidated	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Fixed Compensation				
Salaries	6,056	5,197	7,034	5,977
Fees	2,426	1,469	2,793	2,282
Variable compensation	5,694	2,608	7,129	3,348
Direct and indirect short-term benefits				
Pension plan	476	336	612	498
Others	913	767	1,116	938
Termination benefits	36	189	193	189
	15,601	10,566	18,877	13,232

CORPORATE PROJECTIONS

Disclosed projections and assumptions

a) Purpose of prospect

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

b) Period prospected and prospect term

Growth projected to start in the second semester of 2013.

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

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

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

Projections	Estimated value
Investment in the expansion and modernization of the manufacturing unit in Tijucas	R$ 86 million
Productive capacity of the new line	4.6 million m^2/year
Net income of the new line estimated for 2014	R$ 141 million
Goals of growth in 2013	20%

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

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

Monitoring of and changes in disclosed projections

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

There were no changes in the prospects previously disclosed.

However, we inform that the new production line started operations in July 2013.

In relation to the implementation study of the manufacturing unit in the State of Alagoas, the detailing of the executive project is under way.

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

The projections disclosed were fully achieved, thus preventing comparisons.

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

The projections disclosed remain valid, since the estimates are projected to achieve results as from the second semester of 2013.

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

Statement of the Executive Officers on the Quarterly Information and Special Review Report of the Independent Auditors

Pursuant to CVM Instruction 480/09, item I of Article 29, in compliance with items V and VI of Article 25 of this Instruction, the management of Portobello S.A. declares that:

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended September 30, 2013; and
(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended September 30, 2013.

Members of the Executive Board

Cesar Gomes Júnior – CEO
Cláudio Ávila da Silva – Director Vice-president
John Shojiro Suzuki – CEO and Investor Relations Officer
Mauro do Valle Pereira – Director

Tijucas, October 30, 2013.

Cesar Gomes Júnior

Cláudio Ávila da Silva

John Shojiro Suzuki

Mauro do Valle Pereira

Reports and Declarations / Declaration of the Management Regarding the Independent Auditors Report

Statement of the Executive Officers on the Quarterly Information and Special Review Report of the Independent Auditors

Pursuant to CVM Instruction 480/09, item I of Article 29, in compliance with items V and VI of Article 25 of this Instruction, the management of Portobello S.A. declares that:

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended September 30, 2013; and
(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended September 30, 2013.

Members of the Executive Board

Cesar Gomes Júnior – CEO
Cláudio Ávila da Silva – Director Vice-president
John Shojiro Suzuki – CEO and Investor Relations Officer
Mauro do Valle Pereira – Director

Tijucas, October 30, 2013.

Cesar Gomes Júnior

Cláudio Ávila da Silva

John Shojiro Suzuki

Mauro do Valle Pereira