
Portobello Grupo
Portobello

Contents

Company Data / Capital Breakdown

Númber of Shares (thousands)	Current Quarter 6/30//2016
Issued Capital	
Common	158.488
Preferred	0
Total	158.488
Treasury stock	
Common	0
Preferred	0
Total	0

Individual Financial Statements - Statement of Financial Position - Assets

(Reais thousand)

Account Code	Account Description	Current Quarter 6/30/2016	Previous Year 12/31/2015
1	Total Assets	1.415.728	1.421.200
1.01	Current Assets	612.482	611.817
1.01.01	Cash and Cash Equivalents	82.215	81.761
1.01.02	Short-term Investments	85.260	100.478
1.01.03	Accounts Receivable	202.005	175.837
1.01.03.01	Trade receivables	202.005	175.837
1.01.04	Inventory	207.319	205.088
1.01.06	Recoverable Taxes	13.640	20.153
1.01.06.01	Current Taxes Recoverable	13.640	20.153
1.01.06.01.01	Income taxes and contributions recoverable	866	4.964
1.01.06.01.02	Other Current Taxes Recoverable	12.774	15.189
1.01.07	Prepaid Expenses	3.980	3.410
1.01.08	Other Current Assets	18.063	25.090
1.01.08.03	Other	18.063	25.090
1.01.08.03.01	Dividends Receivable	11.250	14.850
1.01.08.03.03	Advances to Suppliers	2.417	2.796
1.01.08.03.04	Other	4.396	7.444
1.02	Noncurrent Assets	803.246	809.383
1.02.01	Long-Term Assets	342.152	354.216
1.02.01.08	Related-party Credits	156.436	168.864
1.02.01.08.02	Credit with Subsidiaries	68.500	84.263
1.02.01.08.04	Other Related-party Credits	87.936	84.601
1.02.01.09	Other Noncurrent Assets	185.716	185.352
1.02.01.09.03	Judicial Deposits	72.869	59.899
1.02.01.09.04	Eletrobrás Receivables	48.621	48.621
1.02.01.09.05	Recoverable Taxes	8.523	10.477
1.02.01.09.06	Tax Asset	25.014	22.718
1.02.01.09.07	Actuarial Asset	9.676	9.676
1.02.01.09.08	Call deposits	6.135	5.826
1.02.01.09.09	Advance for future capital increase	14.276	27.321
1.02.01.09.10	Other	602	814
1.02.02	Capital expenditure	10.287	678
1.02.02.01	Equity Interests	10.287	678
1.02.02.01.02	Interests in Subsidiaries	10.070	480
1.02.02.01.04	Other Equity Interests	217	198
1.02.03	Property, plant and equipment	435.697	436.679
1.02.04	Intangible assets	15.110	17.810

Individual Financial Statements - Statement of Financial Position - Liabilities

(Reais thousand)

Account Code	Account Description	Current Quarter 6/30/2016	Previous Year 12/31/2015
2	Total Liabilities	1.415.728	1.421.200
2.01	Current Liabilities	595.128	417.770
2.01.01	Social and labor obligations	35.259	26.192
2.01.02	Trade payables	122.483	112.665
2.01.03	Tax Obligations	26.855	18.858
2.01.03.01	Federal Tax Liabilities	26.855	18.858
2.01.03.01.02	Financing of Taxes	9.399	9.018
2.01.03.01.03	Taxes, Duties and Contributions	17.456	9.840
2.01.04	Loans and Financing	358.963	210.714
2.01.04.01	Loans and Financing	159.371	210.053
2.01.04.02	Debentures	199.592	661
2.01.05	Other liabilities	50.382	45.476
2.01.05.02	Other	50.382	45.476
2.01.05.02.04	Loans Assignment Suppliers	15.461	15.642
2.01.05.02.05	Customer Advances	13.742	13.732
2.01.05.02.06	Dividends Payable	7.799	7.646
2.01.05.02.08	Other	13.380	8.456
2.01.06	Provisions	1.186	3.865
2.01.06.02	Other Provisions	1.186	3.865
2.01.06.02.06	Provision for profit-sharing	1.186	3.865
2.02	Noncurrent Liabilities	577.629	771.584
2.02.01	Loans and Financing	298.516	485.904
2.02.01.01	Loans and Financing	298.516	289.067
2.02.01.02	Debentures	0	196.837
2.02.02	Other liabilities	132.774	120.842
2.02.02.02	Other	132.774	120.842
2.02.02.02.03	Trade payables	60.634	47.923
2.02.02.02.06	Financing of Taxes	71.060	72.919
2.02.02.02.08	Other	1.080	0
2.02.03	Deferred Taxes	11.199	21.665
2.02.03.01	Deferred Income and Social Contribution Taxes	11.199	21.665
2.02.04	Provisions	135.140	143.173
2.02.04.02	Other Provisions	135.140	143.173
2.02.04.02.04	Provision for devaluation of investments	77.338	93.389
2.02.04.02.05	Provisions for Contingencies	49.093	41.075
2.02.04.02.06	Provision for Long-term Incentive	8.709	8.709
2.03	Shareholders' Equity	242.971	231.846
2.03.01	Realized Capital	119.565	99.565
2.03.04	Profit Reserves	118.310	139.193
2.03.04.01	Legal Reserve	15.113	15.113
2.03.04.05	Profit Retention Reserve	103.197	86.070
2.03.04.08	Additional Dividend Proposed	0	12.504
2.03.04.10	Unallocated Profit Reserve	0	25.506
2.03.05	Retained Earnings/Accumulated Losses	-1.590	0
2.03.08	Other Comprehensive Income	6.686	-6.912

Individual Financial Statements / Income Statement
(Reais thousand)

Account Code	Account Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated of the current year 1/1/2016 to 6/30/2016	Same quarter of the prior year 4/1/2015 to 6/30/2015	Accumulated of the prior year 1/1/2015 to 6/30/2015
3.01	Income from sales of goods and/or services	233.480	454.566	234.654	458.049
3.02	Cost of goods and/or services sold	-168.334	-320.088	-155.124	-305.838
3.03	Gross income	65.146	134.478	79.530	152.211
3.04	Operating expenses/income	-48.679	-108.436	-46.154	-91.361
3.04.01	Sales expenses	-48.235	-97.111	-37.228	-72.839
3.04.02	General and administrative expenses	-9.540	-18.051	-7.978	-15.230
3.04.04	Other operating income	1.830	2.103	5.048	5.213
3.04.04.01	Other operating income	1.830	2.103	5.048	5.213
3.04.05	Other operating expenses	210	-6.810	-4.744	-10.297
3.04.05.01	Other operating expenses	210	-6.810	-4.744	-10.297
3.04.06	Equity income (loss)	7.056	11.433	-1.252	1.792
3.05	Income (loss) before financial income and taxes	16.467	26.042	33.376	60.850
3.06	Financial income (loss)	-18.529	-37.548	-12.273	-26.178
3.06.01	Financial income	9.622	21.334	7.241	20.622
3.06.01.01	Financial income	7.904	16.167	7.241	20.622
3.06.01.02	Net foreign exchange variation	1.718	5.167	0	0
3.06.02	Financial expenses	-28.151	-58.882	-19.514	-46.800
3.06.02.01	Financial expenses	-28.151	-58.882	-18.867	-33.938
3.06.02.02	Net Exchange Variance	0	0	-647	-12.862
3.07	Income (loss) before income tax	-2.062	-11.506	21.103	34.672
3.08	Income and social contribution taxes	6.096	9.316	-6.873	-9.658
3.08.01	Current	0	-1.150	-5.013	-11.292
3.08.02	Deferred assets	6.096	10.466	-1.860	1.634
3.09	Net income (loss) of continued operations	4.034	-2.190	14.230	25.014
3.11	Income/loss for the period	4.034	-2.190	14.230	25.014
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common	0,02545	-0,01382	0,08979	0,15783

Individual Financial Statements / Income Statement
(Reais thousand)

Account Code	Account Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated of the current year 1/1/2016 to 6/30/2016	Same quarter of the prior year 4/1/2015 to 6/30/2015	Accumulated of the prior year 1/1/2015 to 6/30/2015
3.99.02	Diluted earnings per share				
3.99.02.01	Common	0,02545	-0,01382	0,08979	0,15783

Individual Financial Statements - Comprehensive Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated of the current year 1/1/2016 to 6/30/2016	Same quarter of the prior year 4/1/2015 to 6/30/2015	Accumulated of the prior year 1/1/2015 to 6/30/2015
4.01	Net Income for the Period	4.034	-2.190	14.230	25.014
4.02	Other Comprehensive Income	7.135	14.198	2.149	-9.100
4.02.02	Exchange variance of Overseas Subsidiary	7.135	14.198	2.149	-9.100
4.03	Comprehensive Income for the Period	11.169	12.008	16.379	15.914

Individual Statements - Statement of Cash Flows - Indirect Method

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2015 to 6/30/2015
6.01	Net cash from operational activities	14.887	21.754
6.01.01	Cash generated in operations	14.626	75.783
6.01.01.01	Profit or loss for the year before taxes	-11.506	34.672
6.01.01.02	Depreciation and amortization	17.951	13.910
6.01.01.03	Equity in net income of subsidiaries	-11.433	-1.792
6.01.01.04	Unrealized exchange variation	-9.826	13.256
6.01.01.05	Provision for inventory at market value	1.136	673
6.01.01.06	Allowance for doubtful accounts	1.471	340
6.01.01.07	Provision for contingencies	9.496	6.710
6.01.01.08	Provision for labor obligations	-8.744	-6.276
6.01.01.09	Reserve for long-term incentive and profit-sharing	-2.679	2.350
6.01.01.10	Other provisions	-1.923	-72
6.01.01.13	Adjustments to tax assets	-2.296	-5.880
6.01.01.14	Restatements of credits with other related parties	-3.335	-3.439
6.01.01.15	Finance charges on tax installments	3.240	3.190
6.01.01.17	Interest on loans provisioned	31.706	20.065
6.01.01.19	Other	1.368	-1.924
6.01.02	Changes in assets and liabilities	30.307	-26.428
6.01.02.01	(Increase)/Decrease in accounts receivable	-27.607	-13.206
6.01.02.02	Increase /(Decrease) in Advances from clients	10	933
6.01.02.04	(Increase)/Decrease in inventories	-3.367	9.465
6.01.02.05	(Increase)/Decrease in other assets	2.690	-1.275
6.01.02.06	(Increase)/Decrease in legal deposits	-12.970	-7.219
6.01.02.08	(Increase)/Decrease in recoverable taxes	4.369	1.249
6.01.02.09	(Increase)/Decrease in restricted short-term investments	14.909	0
6.01.02.10	Increase/(Decrease) in accounts payable	22.547	-18.741
6.01.02.11	(Increase) Decrease advance to suppliers	379	-1.178
6.01.02.12	(Increase)/Decrease in Provisions for Contingencies	-1.478	0
6.01.02.13	Increase (decrease) in financing of taxes	-4.718	-4.390
6.01.02.14	Increase /(Decrease) in Tax and labor liabilities	27.616	6.877
6.01.02.15	Increase/(Decrease) in other accounts payable	7.927	1.057
6.01.03	Other	-30.046	-27.601
6.01.03.01	Interest paid	-30.046	-16.583
6.01.03.02	Income and social contribution taxes paid	0	-11.018
6.02	Net cash used in investment activities	3.167	-92.509
6.02.01	Acquisition of property, plant and equipment	-14.467	-77.811
6.02.02	Acquisition of intangible assets	-546	-3.924
6.02.04	Dividends received	3.600	5.290
6.02.05	Loans (granted to) repaid by related parties	1.535	1.786
6.02.06	Paid-up capital in subsidiaries	0	-440
6.02.07	Advances for future capital increase	13.045	-17.410
6.03	Net Cash from Financing Activities	-17.600	6.743
6.03.01	Obtainment of loans and financings	102.906	143.023
6.03.02	Payment of loans and financings	-120.506	-97.707

Individual Statements - Statement of Cash Flows - Indirect Method

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2015 to 6/30/2015
6.03.03	Dividends paid	0	-38.573
6.05	Increase (Decrease) in Cash and Cash Equivalents	454	-64.012
6.05.01	Opening Balance of Cash and Cash Equivalents	81.761	87.803
6.05.02	Closing Balance of Cash and Cash Equivalents	82.215	23.791

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2016 to 6/30/2016
(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	99.565	0	139.193	0	-6.912	231.846
5.03	Adjusted Opening Balances	99.565	0	139.193	0	-6.912	231.846
5.05	Total Comprehensive Income	0	0	0	-1.590	13.598	12.008
5.05.01	Net Income for the Period	0	0	0	-2.190	0	-2.190
5.05.02	Other Comprehensive Income	0	0	0	600	13.598	14.198
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	600	-600	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	14.198	14.198
5.06	Internal changes in shareholders' equity	20.000	0	-20.883	0	0	-883
5.06.04	Capital increase	20.000	0	-20.000	0	0	0
5.06.05	Interest on Shareholders' Equity	0	0	-883	0	0	-883
5.07	Closing Balances	119.565	0	118.310	-1.590	6.686	242.971

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 6/30/2015

(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	76.565	0	143.749	0	16.956	237.270
5.03	Adjusted Opening Balances	76.565	0	143.749	0	16.956	237.270
5.05	Total Comprehensive Income	0	0	0	25.613	-9.699	15.914
5.05.01	Net Income for the Period	0	0	0	25.014	0	25.014
5.05.02	Other Comprehensive Income	0	0	0	599	-9.699	-9.100
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	599	-599	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-9.100	-9.100
5.06	Internal changes in shareholders' equity	23.000	0	-45.198	0	0	-22.198
5.06.04	Capital increase	23.000	0	-23.000	0	0	0
5.06.05	Approval of additional dividends	0	0	-22.198	0	0	-22.198
5.07	Closing Balances	99.565	0	98.551	25.613	7.257	230.986

Individual Financial Statements - Statements of Added Value

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2015 to 6/30/2015
7.01	Revenue	571.183	613.244
7.01.01	Sales of Goods, Products and Services	567.307	567.639
7.01.02	Other Revenue	2.677	6.779
7.01.03	Income from construction of own assets	2.670	38.486
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1.471	340
7.02	Consumables acquired from third parties	-303.840	-327.958
7.02.01	Cost of goods and services sold	-224.087	-224.824
7.02.02	Material, Energy, Outsourced Services and Other	-81.265	-102.905
7.02.03	Loss/Recovery of Assets	1.512	-229
7.03	Gross Added Value	267.343	285.286
7.04	Retentions	-17.951	-13.910
7.04.01	Depreciation, Amortization and Depletion	-17.951	-13.910
7.05	Net Added Value Produced	249.392	271.376
7.06	Transferred Added Value	63.879	72.468
7.06.01	Equity in Net Income of Subsidiaries	11.433	1.792
7.06.02	Financial Revenue	52.446	70.676
7.07	Total Added Value to be Distributed	313.271	343.844
7.08	Distribution of Added Value	313.271	343.844
7.08.01	Personnel	96.467	89.502
7.08.01.01	Direct Remuneration	81.611	76.921
7.08.01.02	Benefits	9.251	7.826
7.08.01.03	F.G.T.S.	5.605	4.755
7.08.02	Taxes, Duties and Contributions	123.867	128.590
7.08.02.01	Federal	51.741	67.845
7.08.02.02	State	71.693	60.437
7.08.02.03	Municipal	433	308
7.08.03	Interest Expenses	95.127	100.738
7.08.03.01	Interest	89.994	96.853
7.08.03.02	Rent	5.133	3.885
7.08.04	Interest earnings	-2.190	25.014
7.08.04.03	Retained Earnings/Loss for the Period	-2.190	25.014

Consolidated Financial Statements / Statement of Financial Position - Assets

(Reais thousand)

Account Code	Account Description	Current Quarter 6/30/2016	Previous Year 12/31/2015
1	Total Assets	1.356.772	1.351.893
1.01	Current Assets	630.160	639.604
1.01.01	Cash and Cash Equivalents	91.116	87.664
1.01.02	Short-term Investments	85.260	100.478
1.01.03	Accounts Receivable	217.557	208.367
1.01.03.01	Trade receivables	217.557	208.367
1.01.04	Inventory	207.665	205.291
1.01.06	Recoverable Taxes	15.606	22.775
1.01.06.01	Current Taxes Recoverable	15.606	22.775
1.01.06.01.01	Income taxes and contributions recoverable	1.318	6.020
1.01.06.01.02	Other Current Taxes Recoverable	14.288	16.755
1.01.08	Other Current Assets	12.956	15.029
1.01.08.03	Other	12.956	15.029
1.01.08.03.03	Advances to Suppliers	1.394	2.053
1.01.08.03.04	Other	11.562	12.976
1.02	Noncurrent Assets	726.612	712.289
1.02.01	Long-Term Assets	259.434	242.657
1.02.01.08	Related-party Credits	87.936	84.601
1.02.01.08.04	Other Related-party Credits	87.936	84.601
1.02.01.09	Other Noncurrent Assets	171.498	158.056
1.02.01.09.03	Judicial Deposits	72.904	59.924
1.02.01.09.04	Eletrobrás Receivables	48.621	48.621
1.02.01.09.05	Recoverable Taxes	8.523	10.477
1.02.01.09.06	Tax Asset	25.014	22.718
1.02.01.09.07	Actuarial Asset	9.676	9.676
1.02.01.09.08	Call deposits	6.135	5.826
1.02.01.09.09	Other	625	814
1.02.02	Capital expenditure	217	198
1.02.02.01	Equity Interests	217	198
1.02.02.01.04	Other Equity Interests	217	198
1.02.03	Property, plant and equipment	443.864	444.194
1.02.04	Intangible assets	23.097	25.240

Consolidated Statements / Statement of Financial Position - Liabilities
(Reais thousand)

Account Code	Account Description	Current Quarter 6/30/2016	Previous Year 12/31/2015
2	Total Liabilities	1.356.772	1.351.893
2.01	Current Liabilities	611.104	439.490
2.01.01	Social and labor obligations	38.833	29.015
2.01.02	Trade payables	126.189	127.352
2.01.03	Tax Obligations	29.267	20.400
2.01.03.01	Federal Tax Liabilities	29.267	20.400
2.01.03.01.01	Income taxes and contributions payable	1.239	571
2.01.03.01.02	Financing of Taxes	9.465	9.081
2.01.03.01.03	Taxes, Duties and Contributions	18.563	10.748
2.01.04	Loans and Financing	358.963	210.714
2.01.04.01	Loans and Financing	159.371	210.053
2.01.04.02	Debentures	199.592	661
2.01.05	Other liabilities	56.243	47.481
2.01.05.02	Other	56.243	47.481
2.01.05.02.04	Loans Assignment Suppliers	15.461	15.642
2.01.05.02.05	Customer Advances	19.371	15.301
2.01.05.02.06	Dividends Payable	7.820	7.667
2.01.05.02.08	Other	13.591	8.871
2.01.06	Provisions	1.609	4.528
2.01.06.02	Other Provisions	1.609	4.528
2.01.06.02.06	Provision for profit-sharing	1.609	4.528
2.02	Noncurrent Liabilities	502.677	680.547
2.02.01	Loans and Financing	299.633	487.014
2.02.01.01	Loans and Financing	299.633	290.177
2.02.01.02	Debentures	0	196.837
2.02.02	Other liabilities	133.274	121.342
2.02.02.02	Other	133.274	121.342
2.02.02.02.03	Trade payables	60.634	47.923
2.02.02.02.06	Financing of Taxes	71.542	73.414
2.02.02.02.08	Other	1.098	5
2.02.03	Deferred Taxes	11.199	21.665
2.02.03.01	Deferred Income and Social Contribution Taxes	11.199	21.665
2.02.04	Provisions	58.571	50.526
2.02.04.02	Other Provisions	58.571	50.526
2.02.04.02.05	Provisions for Contingencies	49.235	41.190
2.02.04.02.06	Provision for Long-term Incentive	9.336	9.336
2.03	Shareholders’ Equity	242.991	231.856
2.03.01	Realized Capital	119.565	99.565
2.03.04	Profit Reserves	118.310	139.193
2.03.04.01	Legal Reserve	15.113	15.113
2.03.04.05	Profit Retention Reserve	103.197	86.070
2.03.04.08	Additional Dividend Proposed	0	12.504
2.03.04.10	Unallocated Profit Reserve	0	25.506
2.03.05	Retained Earnings/Accumulated Losses	-1.590	0
2.03.08	Other Comprehensive Income	6.686	-6.912
2.03.09	Minority Interests	20	10

Consolidated Statements / Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated of the current year 1/1/2016 to 6/30/2016	Same quarter of the prior year 4/1/2015 to 6/30/2015	Accumulated of the prior year 1/1/2015 to 6/30/2015
3.01	Income from sales of goods and/or services	256.578	497.939	259.308	500.664
3.02	Cost of goods and/or services sold	-169.520	-321.309	-160.875	-311.040
3.03	Gross income	87.058	176.630	98.433	189.624
3.04	Operating expenses/income	-66.352	-143.263	-62.279	-122.798
3.04.01	Sales expenses	-59.609	-120.755	-49.592	-94.465
3.04.02	General and administrative expenses	-9.705	-18.616	-9.269	-16.803
3.04.04	Other operating income	2.956	3.229	5.052	5.218
3.04.04.01	Other operating income	2.956	3.229	5.052	5.218
3.04.05	Other operating expenses	6	-7.121	-8.470	-16.748
3.04.05.01	Other operating expenses	6	-7.121	-8.470	-16.748
3.05	Income (loss) before financial income and taxes	20.706	33.367	36.154	66.826
3.06	Financial income (loss)	-18.873	-38.493	-12.269	-26.173
3.06.01	Financial income	9.952	21.489	7.492	21.062
3.06.01.01	Financial income	8.160	16.618	7.492	21.062
3.06.01.02	Net foreign exchange variation	1.792	4.871	0	0
3.06.02	Financial expenses	-28.825	-59.982	-19.761	-47.235
3.06.02.01	Financial expenses	-28.825	-59.982	-19.114	-34.373
3.06.02.02	Net Exchange Variance	0	0	-647	-12.862
3.07	Income (loss) before income tax	1.833	-5.126	23.885	40.653
3.08	Income and social contribution taxes	2.207	2.946	-9.650	-15.629
3.08.01	Current	-3.889	-7.520	-7.790	-17.263
3.08.02	Deferred assets	6.096	10.466	-1.860	1.634
3.09	Net income (loss) of continued operations	4.040	-2.180	14.235	25.024
3.11	Consolidated Net Income/loss for the period	4.040	-2.180	14.235	25.024
3.11.01	Attributed to Partners of the Parent Company	4.034	-2.190	14.230	25.014
3.11.02	Attributed to Minority Partners	6	10	5	10
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				

Consolidated Statements / Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated of the current year 1/1/2016 to 6/30/2016	Same quarter of the prior year 4/1/2015 to 6/30/2015	Accumulated of the prior year 1/1/2015 to 6/30/2015
3.99.01.01	Common	0,02545	-0,01382	0,08979	0,15783
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common	0,02545	-0,01382	0,08979	0,15783

Consolidated Statements - Comprehensive Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated of the current year 1/1/2016 to 6/30/2016	Same quarter of the prior year 4/1/2015 to 6/30/2015	Accumulated of the prior year 1/1/2015 to 6/30/2015
4.01	Consolidated Net Income for the Period	4.040	-2.180	14.235	25.024
4.02	Other Comprehensive Income	7.135	14.198	2.149	-9.100
4.02.02	Exchange variance of Overseas Subsidiary	7.135	14.198	2.149	-9.100
4.03	Consolidated Comprehensive Income for the Period	11.175	12.018	16.384	15.924
4.03.01	Attributed to Partners of the Parent Company	11.169	12.008	16.379	15.914
4.03.02	Attributed to Minority Partners	6	10	5	10

Consolidated Statements - Statement of Cash Flows - Indirect Method (Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2015 to 6/30/2015
6.01	Net cash from operational activities	38.406	14.672
6.01.01	Cash generated in operations	33.017	81.943
6.01.01.01	Profit or loss for the year before taxes	-5.126	40.653
6.01.01.02	Depreciation and amortization	19.133	14.268
6.01.01.04	Unrealized exchange variation	-9.856	13.296
6.01.01.05	Provision for inventory at market value	1.136	673
6.01.01.06	Allowance for doubtful accounts	1.555	340
6.01.01.07	Provision for contingencies	9.534	6.727
6.01.01.08	Provision for labor obligations	-9.252	-8.123
6.01.01.09	Reserve for long-term incentive and profit-sharing	-2.919	2.793
6.01.01.10	Other provisions	-1.849	-780
6.01.01.13	Adjustments to tax assets	-2.296	-5.880
6.01.01.14	Restatements of credits with other related parties	-3.335	-3.439
6.01.01.15	Finance charges on tax installments	3.262	3.212
6.01.01.18	Interest on loans provisioned	31.659	20.127
6.01.01.20	Other	1.371	-1.924
6.01.02	Changes in assets and liabilities	38.876	-34.037
6.01.02.01	(Increase)/Decrease in accounts receivable	-10.713	-22.641
6.01.02.02	Increase /(Decrease) in Advances from clients	4.070	2.879
6.01.02.04	(Increase)/Decrease in inventories	-3.510	-7.875
6.01.02.05	(Increase)/Decrease in legal deposits	-12.980	-7.221
6.01.02.06	(Increase)/Decrease in recoverable taxes	4.421	-4.024
6.01.02.07	(Increase)/Decrease in restricted short-term investments	14.909	0
6.01.02.08	(Increase)/Decrease in other assets	1.603	-4.669
6.01.02.09	Increase/(Decrease) in accounts payable	11.566	-980
6.01.02.10	(Increase) Decrease advance to suppliers	659	-789
6.01.02.11	(Increase)/Decrease in Provisions for Contingencies	-1.489	0
6.01.02.12	Increase (decrease) in financing of taxes	-4.750	-4.420
6.01.02.13	Increase /(Decrease) in Tax and labor liabilities	27.428	12.514
6.01.02.14	Increase/(Decrease) in other accounts payable	7.662	3.189
6.01.03	Other	-33.487	-33.234
6.01.03.01	Interest paid	-30.046	-16.583
6.01.03.02	Income and social contribution taxes paid	-3.441	-16.651
6.02	Net cash used in investment activities	-17.407	-86.664
6.02.01	Acquisition of property, plant and equipment	-16.116	-79.940
6.02.02	Acquisition of intangible assets	-1.291	-6.724
6.03	Net Cash from Financing Activities	-17.547	6.742
6.03.01	Obtainment of loans and financings	102.960	143.023
6.03.02	Payment of loans and financings	-120.506	-97.707
6.03.03	Dividends paid	-1	-38.574
6.05	Increase (Decrease) in Cash and Cash Equivalents	3.452	-65.250
6.05.01	Opening Balance of Cash and Cash Equivalents	87.664	92.383
6.05.02	Closing Balance of Cash and Cash Equivalents	91.116	27.133

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2016 to 6/30/2016
(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Income Comprehensive	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	99.565	0	139.193	0	-6.912	231.846	10	231.856
5.03	Adjusted Opening Balances	99.565	0	139.193	0	-6.912	231.846	10	231.856
5.05	Total Comprehensive Income	0	0	0	-1.590	13.598	12.008	10	12.018
5.05.01	Net Income for the Period	0	0	0	-2.190	0	-2.190	10	-2.180
5.05.02	Other Comprehensive Income	0	0	0	600	13.598	14.198	0	14.198
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	600	-600	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	14.198	14.198	0	14.198
5.06	Internal changes in shareholders' equity	20.000	0	-20.883	0	0	-883	0	-883
5.06.04	Capital increase	20.000	0	-20.000	0	0	0	0	0
5.06.05	Interest on Shareholders' Equity	0	0	-883	0	0	-883	0	-883
5.07	Closing Balances	119.565	0	118.310	-1.590	6.686	242.971	20	242.991

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 6/30/2015

(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Accumulated	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	76.565	0	143.749	0	16.956	237.270	10	237.280
5.03	Adjusted Opening Balances	76.565	0	143.749	0	16.956	237.270	10	237.280
5.05	Total Comprehensive Income	0	0	0	25.613	-9.699	15.914	10	15.924
5.05.01	Net Income for the Period	0	0	0	25.014	0	25.014	10	25.024
5.05.02	Other Comprehensive Income	0	0	0	599	-9.699	-9.100	0	-9.100
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	599	-599	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-9.100	-9.100	0	-9.100
5.06	Internal changes in shareholders' equity	23.000	0	-45.198	0	0	-22.198	0	-22.198
5.06.04	Capital increase	23.000	0	-23.000	0	0	0	0	0
5.06.05	Approval of additional dividends	0	0	-22.198	0	0	-22.198	0	-22.198
5.07	Closing Balances	99.565	0	98.551	25.613	7.257	230.986	20	231.006

Consolidated Financial Statements - Statements of Added Value

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2015 to 6/30/2015
7.01	Revenue	621.274	662.149
7.01.01	Sales of Goods, Products and Services	619.934	619.267
7.01.02	Other Revenue	225	4.056
7.01.03	Income from construction of own assets	2.670	38.486
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1.555	340
7.02	Consumables acquired from third parties	-314.383	-344.078
7.02.01	Cost of goods and services sold	-224.793	-225.085
7.02.02	Material, Energy, Outsourced Services and Other	-91.102	-118.763
7.02.03	Loss/Recovery of Assets	1.512	-230
7.03	Gross Added Value	306.891	318.071
7.04	Retentions	-19.133	-14.268
7.04.01	Depreciation, Amortization and Depletion	-19.133	-14.268
7.05	Net Added Value Produced	287.758	303.803
7.06	Transferred Added Value	52.747	71.115
7.06.02	Financial Revenue	52.747	71.115
7.07	Total Added Value to be Distributed	340.505	374.918
7.08	Distribution of Added Value	340.505	374.918
7.08.01	Personnel	106.471	103.218
7.08.01.01	Direct Remuneration	90.270	88.898
7.08.01.02	Benefits	9.804	8.532
7.08.01.03	F.G.T.S.	6.397	5.788
7.08.02	Taxes, Duties and Contributions	138.122	142.829
7.08.02.01	Federal	65.745	80.920
7.08.02.02	State	71.913	61.555
7.08.02.03	Municipal	464	354
7.08.03	Interest Expenses	98.092	103.847
7.08.03.01	Interest	91.249	97.289
7.08.03.02	Rent	6.843	6.558
7.08.04	Interest earnings	-2.180	25.024
7.08.04.03	Retained Earnings/Loss for the Period	-2.190	25.014
7.08.04.04	Minority interests in retained earnings	10	10

COMMENT ON THE CONSOLIDATED PERFORMANCE 2Q16

PBG S.A. (BM&FBovespa: PTBL3 NM), the new name of Portobello S.A., hereby presents its results for the quarter ended June 30, 2016. The financial information presented in this document derives from the consolidated quarterly financial information of PBG S.A., prepared in accordance with the standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

About PBG S.A.

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

KEY FACTS

- Net Revenue of R$ 498 million of the first half of 2016, the same as the first half of 2015, outperforming the market.
- Network of Portobello Shop franchises with 145 stores, an increase of 7% in the last 12 months.
- Evolution of Company Owned stores resulting in a profitability growth.
- Cutback of net debt in the amount of R$ 32 million during the first half of 2016.
- Net income of R$ 4 million in 2Q16.
- During the beggining of august occurred the renegotiation of debentures and minimum clauses of covenants were modified.

MANAGEMENT COMMENTS

The Company continues to experience a challenging year due to lower consumption. The finished materials market continues to shrink, although at increasingly lower rates. According to the Brazilian Construction Material Industry Association (ABRAMAT), the reduction was 6.5% in 2Q16 and 11.2% in the first half compared with the same period of 2015.

In this context, the Company outperformed the market, since its sales maintained the same level as 2015. However, this performance has been achieved by the sale of a mix of less noble products and, therefore less profitability.

In the same scenario, with the sharp reduction in exchange rates, the external market showed itself less attractive than our previous expectations. Even so exportation is an important option to reduce the sales pressure on the domestic market. In 2Q16, the exports accounted for 16% of net revenue, up by 23% on the same period the previous year.

Portobello Shop is moving forward with its plan to expand, it has reached 145 franchises, and 7 owned stores. Our proprietary stores are part of a plan to enhance a unique franchise management model. This business presented a recovery of profitability on the first semester regarding the previous year and aims to maintain to keep the rate of growth.

The industry and the Pointer brand underwent a major revision during the first semester. In the production there was a review of the process and quality standard of products. In the commercial part, stocks were adjusted to market demand levels and the market positioning was revised, with greater emphasis on export and engineering sectors. Second-quarter sales already reflect the effects of the brand repositioning plan and value proposition.

Within the process of optimization of costs, the company is still operating in the review of its cost and expense structure. The reduction in investments and efforts to optimize the product mix have been maintained. In early July, there was a real reduction in the cost of natural gas. As we prepare for a stable second half, we remain confident in our strategy, business model, business management and competitive strengths.

ECONOMIC AND FINANCIAL PERFORMANCE

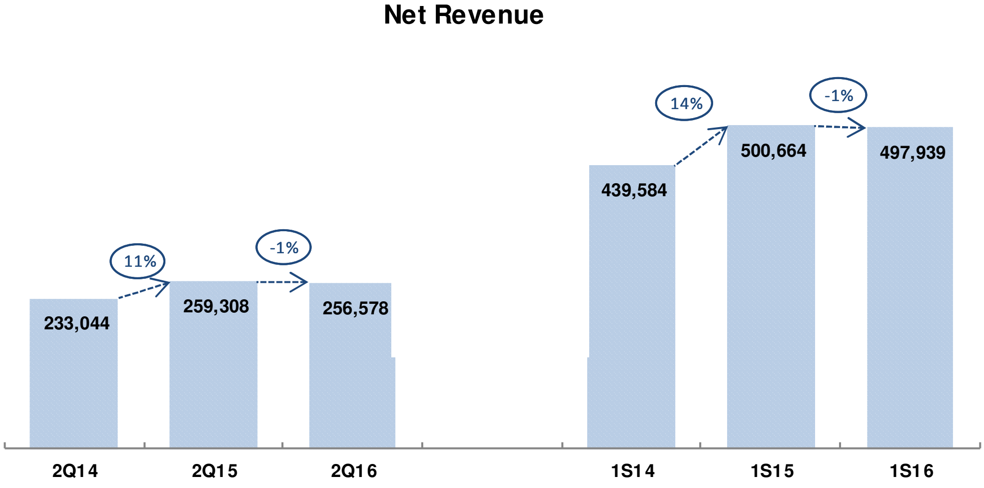
Consolidated net income	2Q14	2Q15	2Q16	▲%	1S14	1S15	1S16	▲%
Gross revenue	298,173	328,744	328,960	0%	560,253	633,975	636,404	0%
Net revenue	233,044	259,308	256,578	-1%	439,584	500,664	497,939	-1%
Gross profit	86,238	98,433	87,058	-12%	163,071	189,624	176,630	-7%
Gross margin	37.0%	38.0%	33.9%	-4.1 p.p.	37.1%	37.9%	35.5%	-2.4 p.p.
Operating expenses	(56,718)	(62,279)	(66,352)	7%	(104,910)	(122,798)	(143,263)	17%
Sales	(43,388)	(49,592)	(59,609)	20%	(78,720)	(94,465)	(120,755)	28%
General and administrative	(8,432)	(9,269)	(9,705)	5%	(15,781)	(16,803)	(18,616)	11%
Other income (expenses)	(4,898)	(3,418)	2,962	-187%	(10,409)	(11,530)	(3,892)	-66%
EBIT	29,520	36,154	20,706	-43%	58,161	66,826	33,367	-50%
EBIT Margin	12.7%	13.9%	8.1%	-5.9 p.p.	13.2%	13.3%	6.7%	-6.6 p.p.
Financial income	(11,127)	(12,269)	(18,873)	54%	(17,965)	(26,173)	(38,493)	47%
Tax on net income	(5,774)	(9,650)	2,207	-123%	(13,002)	(15,629)	2,946	-119%
Net income	12,598	14,235	4,040	-72%	27,153	25,024	(2,180)	-109%
Net Margin	5.4%	5.5%	1.6%	-3.9 p.p.	6.2%	5.0%	-0.4%	-5.4 p.p.
EBITDA	35,732	43,938	30,447	-31%	70,767	81,084	52,490	-35%
EBITDA Margin	*15.3%*	*16.9%*	*11.9%*	-5.1 p.p.	*16.1%*	*16.2%*	*10.5%*	-5.7 p.p.

Net Revenue

Portobello's consolidated net revenue amounted to R$ 257 million in 2Q16 and R$ 498 million in accumulated while maintaining the performance of the same period last year. Gross sales in the domestic finish materials market declined 6.5% in the second quarter, according to the Brazilian Construction Material Industry Association (ABRAMAT). Which shows that the maintained the pace of sales, increasing its share.

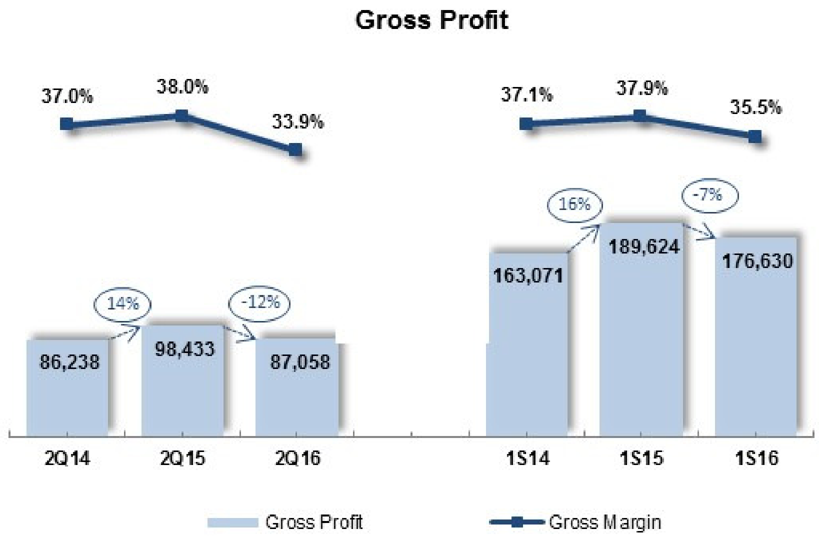
Net revenue in the domestic market, which accounted for 84% of the total, fell by 5% compared to 2T15 and 4% when compared to the first half. In the foreign market, there was a 23% revenue increase compared to 2T15 and 27% compared to 1S15, boosted by higher exchange rate compared to the previous year.

Net revenue	2Q14	2Q15	2Q16	▲%	1S14	1S15	1S16	▲%
Domestic Market	210,556	226,385	216,072	-5%	395,503	438,115	418,565	-4%
Overseas Market	22,488	32,923	40,506	23%	44,081	62,549	79,374	27%
Total	233,044	259,308	256,578	-1%	439,584	500,664	497,939	-1%



Gross Profit

Gross profit amounted to R$ 87 million in the second quarter of 2016, down by 12% on the same period the previous year. Accumulated there was a decrease of 7% compared to the same period in 2015. Gross margin declined by 4 p.p., affected by lower average prices caused by the sale of a more competitive mix and production costs still high in Alagoas.



Operating Income

Sales expenses amounted to R$ 59 million in 2Q16 and R$ 121 million in first half 2016, 20% and 28% greater than in the same period the previous year. Primarily due the gradual shift distribution and logistics, in addition to higher expenses of Pointer and proprietary store operations. Growth in CIF (Cost, Insurance and Freight) sales to logistics operators has resulted in freight costs that are above what they were in 2015, when CIF terms were less widely used. Freight expenses currently account for 19% of commercial expenses.

The administrative expenses of R$ 9.7 million were 5% higher than in the same period in 2015, mainly by the growth of operation structure for Pointer / Alagoas. The expenses were 3.4% of the net revenue in 1S15 to 3.7% in 1H16.

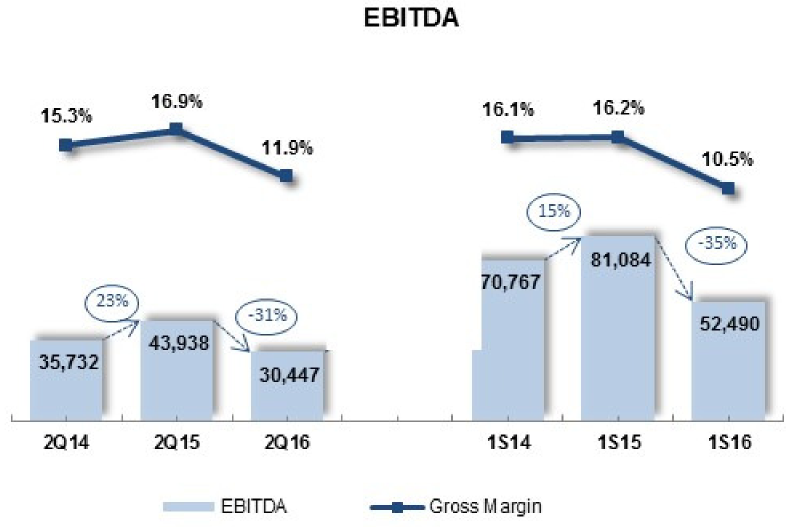
Operating expenses	2Q14	2Q15	2Q16	▲%	%RL	1S14	1S15	1S16	▲%	%RL
Sales	(43,388)	(49,592)	(59,609)	20%	23%	(78,720)	(94,465)	(120,755)	28%	24%
General and administrative	(8,432)	(9,269)	(9,705)	5%	4%	(15,781)	(16,803)	(18,616)	11%	4%
Other income (expenses)	(4,898)	(3,418)	2,962	-187%	-1%	(10,409)	(11,530)	(3,892)	-66%	1%
Total	(56,718)	(62,279)	(66,352)	7%	26%	(104,910)	(122,798)	(143,263)	17%	29%

Other net operating expenses of R$ 4 million in first half are largely explained by the cost of idle capacity in first quarter as a result of the Northeast site adjusting production volumes to sales volumes.

EBITDA

The Company closed the second quarter, as measured by EBITDA, of R$ 30 million, and cumulative amount of R$ 52 million in first half, down by 35% over the same period of 2015.

EBITDA	2Q14	2Q15	2Q16	▲%	%RL	1S14	1S15	1S16	▲%	%RL
Net income	12,598	14,235	4,040	-72%	2%	27,143	25,014	(2,190)	-109%	0%
(+) Financial income/expense	11,127	12,269	18,873	54%	7%	17,965	26,173	38,493	47%	8%
(+) Depreciation and amortization	6,233	7,784	9,741	25%	4%	12,657	14,268	19,133	34%	4%
(+) income and social contribution taxes	5,774	9,650	(2,207)	-123%	-1%	13,002	15,629	(2,946)	-119%	-1%
EBITDA	35,732	43,938	30,447	-31%	12%	70,767	81,084	52,490	-35%	11%
(+) Pre-Op. Alagoas Plant	1,532	6,193	-	-100%	0%	2,266	6,310	-		0%
Adjusted EBITDA	37,264	50,131	30,447	-39%	12%	73,033	87,394	52,490	-40%	11%



Net Income

The second quarter shows a R$ 4 million profit and thus accumulates a loss of R $ 2 million in the half. The performance reflects the lower operating income, for the above-mentioned reasons, and increased financial cost of debt.

INDEBTEDNESS / CAPITAL STRUCTURE

The Company's net debt was R$ 469 million at the end of June 2016, equal to 3.4x the EBITDA of the past twelve months and 2.00x the shareholders' equity. In 1H16, there was a decrease of R $ 32 million in net debt.

In June 2016, the minimum requirements of "covenants" were not met: (i) financing agreement with DEG, and (ii) debentures emission instrument.

Regarding the first covenant, it obtained a "waiver" before the end of the quarter. Regarding the debentures, the renegotiation was approved by debenture holders, leaving only the formalization to be made that will occur until August 15 in a way that keeps the company in compliance.

The balance of gross debt is divided into 23% maturing in the short term and 77% long term.

Indebtedness	Jun-14	Jun-15	Jun-16	▲R$
Bank	310,805	516,565	658,596	142,031
Tax	112,912	83,552	81,007	(2,545)
(=) Total indebtedness	423,717	600,117	739,603	139,486
(+) Cash and cash equivalents	(24,330)	(27,133)	(182,511)	(155,378)
(+) Related-party credits	(96,215)	(92,332)	(87,936)	4,396
(=) Total net indebtedness	303,172	480,652	469,156	(11,496)
EBITDA (last 12 months)	164,016	186,293	138,164	(48,129)
(=) Net debt / EBITDA	1.85	2.58	3.40	-
(=) Net debt / SE	1.46	2.08	1.93	-

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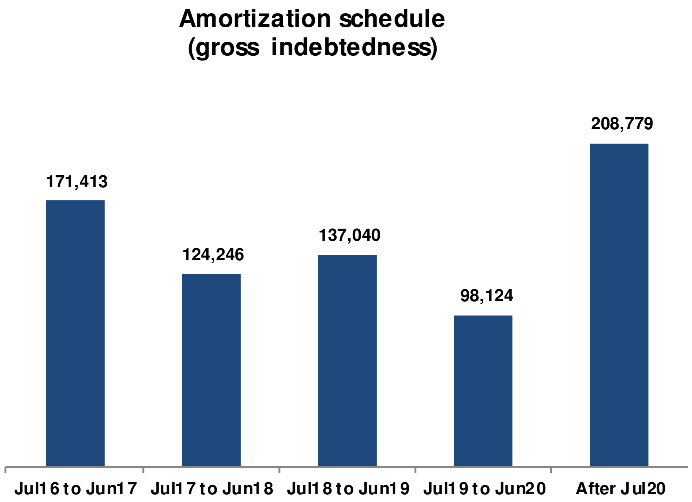
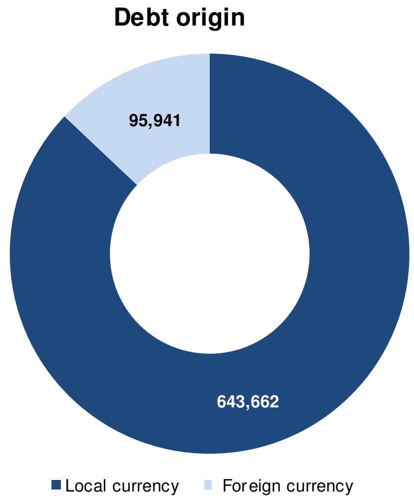
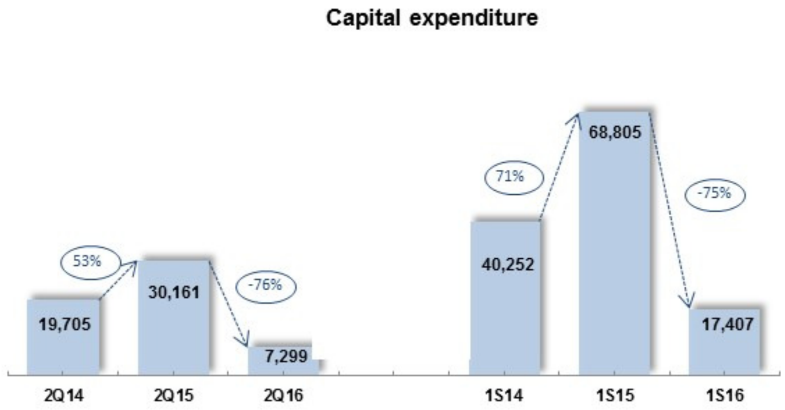




INVESTIMENTS

Capital expenditure totaled R$ 7 million in 2Q16, accumulating R$ 17 million in the half. Of this amount, R$ 12 million are related to the Tijucas plant upgrade (69%), by acquiring a new printer for digital decoration and automation of production. Other investments were allocated to adjustments in Alagoas industrial park (18%) and stores (9%).



SHAREHOLDER PAYMENTS AND MEETING RESOLUTIONS

The Annual General Meeting held April 29, 2016 approved Management's proposal to pay out minimum dividends of 25%.

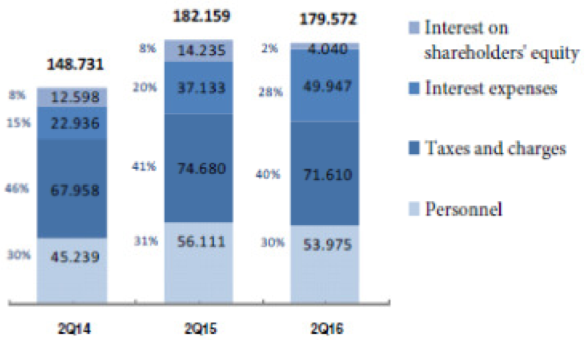
On July 4, 2016, the amount of R $ 7.269 million was paid, approximately R $ 0.046 (net of payments made in September 2015).

Total shareholder remuneration for financial year 2015 was R$ 12,505 thousand, which represents a yield of 3.83%.

The Company proposed and the General Assembly approved a reduction in the number of directors. As a result, from 2016 the Board of Directors will consist of 7 members.

ADDED VALUE

The added value in 2Q16 was R$ 179 million (R$ 182 million in 2Q15). 40% of the total added value was used to pay federal, state and municipal taxes and contributions, 30% for staff salaries and 28% for shareholder and third-party compensation.

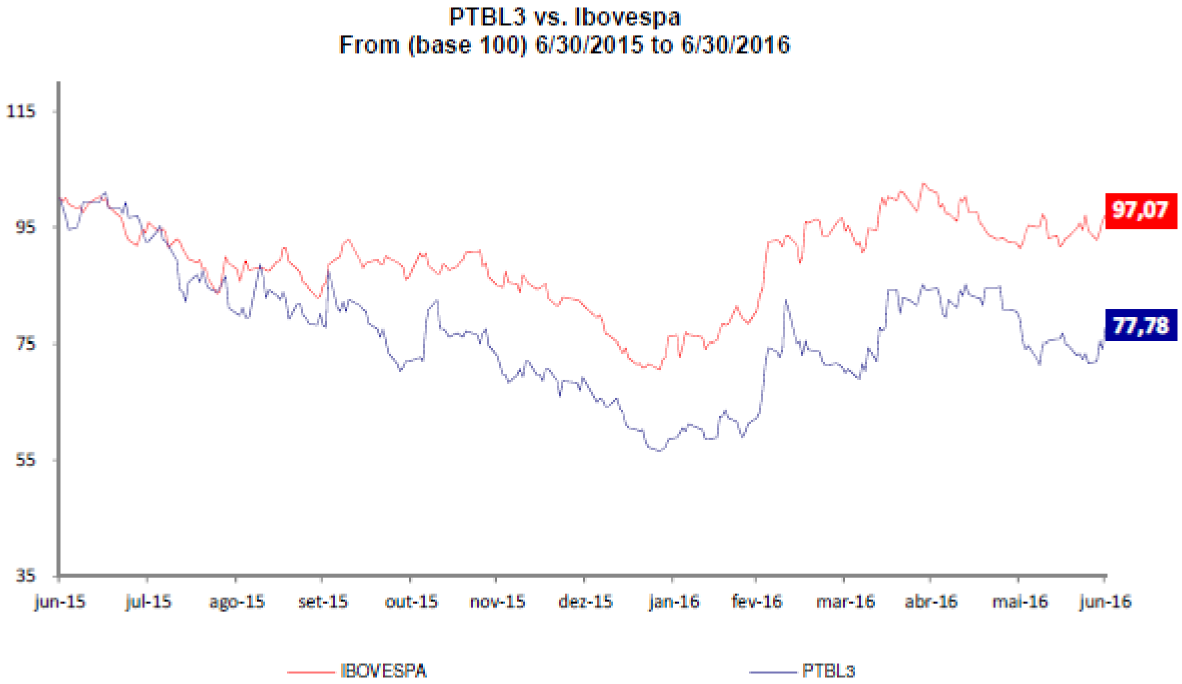


SHARE PERFORMANCE PTBL3

The common shares issued by PBG S.A., traded on BM&FBovespa under the code PTBL3, closed the last auction of June 2016 at R$ 2.31, resulting in a devaluation of 22% in the last twelve months, while Ibovespa dropped 3%.

The average financial volume traded in the last twelve was R$ 6.7 million, down by 10% compared with the R$ 7.4 million in the same period of 2015.

At the end of 2Q16, PBG S.A. had a market value equal to R$ 366 million (R$ 471 million as of June 30, 2015).



OUTLOOK

- The Company believes the challenging economic conditions will continue throughout 2016. However, signs of market recovery can already be seen.
- To counter this Management continues to implement initiatives to maximize the profitability of existing assets, cash flow management and focus on existing competitive edges. The Pointer Business redirect plans and recovery of profitability of stores showed positive signs.
- Management will continue implementing actions by way of its commercial policies and product and channel mix management to mitigate the effects of the crisis. In addition, at the end of the second quarter a comprehensive plan to improve the structure of costs and return to profitability started. Among other points, it has a consultancy specializing in optimizing spending.
- At the beginning of the third quarter, there was a reduction in the cost of natural gas, which improves maintenance perspective of production costs in 2016.
- Portobello Shop is maintaining its expansion plans, and aims to achieve the milestone of 155 stores by the end of 2016;
- The Company believes that throughout 2016 the plant in Alagoas, via its Pointer brand, will reach maturity and increasing returns especially in the last quarter.

INDEPENDENT AUDIT

PBG S.A.'s policy in relation to its independent auditors regarding services provided not related to the independent audit of the financial statements is underpinned by principles that uphold professional independence. These principles state that the auditor should not check their own work, carry out managerial activities or serve as an attorney for their client. In the second quarter of 2016 the Company did not engage independent auditors for other services not related to the independent audit.

MANAGEMENT COMPOSITION

Board of Directors

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

Executive board

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

TELECONFERENCE WITH WEBCAST

A teleconference in Portuguese will take place on August 17, 2016 to present the earnings figures for 2Q16.
Time: 9:30 AM (Brasília time).

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

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

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

1 Reporting entity

PBG S.A, the new name of Portobello S.A, herein also referred to as “Company” or “Parent Company”, is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under the code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011 and amended on August 15, 2014, and holds as of June 30, 2016 53.99% of the company’s shares. The remaining 46.01% of the shares are held by several shareholders.

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

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

In addition, the Company holds shareholding interest in subsidiaries: (i) Portobello América, which was established for the purpose of selling Portobello products in the North-American market and is currently idle; (ii) Mineração Portobello, which is responsible for providing part of raw material used for ceramic coating production; (iii) PBTech, which is responsible for managing own Portobello Shop stores and, currently, manages seven stores; (iv) Portobello Shop, administrator of Portobello Shop and Empório Portobello store franchise chain, chain of 141 franchised stores specialized in porcelain floor tiles (porcellanato) and ceramic coatings; and (v) Companhia Brasileira de Cerâmica responsible for the operations in northeast region, whose operations were taken over by the parent company in December.

2 Presentation of interim information

These interim financial statements include:

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

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

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

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

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

The individual and consolidated interim quarterly information was authorized for issuance by the Board of Directors on August 11, 2016.

The content and values of certain explanatory notes presented in the financial statements for the year ending December 31, 2015, which did not require significant updates, have not been repeated on the notes selected for the quarterly information as of June 30, 2016. These financial statements should therefore be read together.

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

Pronouncements applicable to the Company from January 1, 2016

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

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

Pronouncements applicable to the Company from January 1, 2017

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

b) EmpresasNet (ENET) system

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

3 Significant accounting policies

Accounting practices and calculation methods adopted in the preparation of quarterly information as of June 30, 2016 are the same as those used in the preparation of the financial statements for the year ended December 31, 2015, as well as the contents and values of certain notes that did not require significant updates were not repeated in the notes. These financial statements should therefore be read together.

4 Critical accounting estimates and judgments

The main judgments and uncertainties in the estimates used in applying accounting practices are the same as those detailed in the financial statements for the year ended December 31, 2015.

5 Financial risk management

5.1 Financial risk factors

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

f In thousands of Reais, unless stated otherwise

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

a) Market risk

i) Currency risk

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

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

	In reais			
	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Accounts receivable	43,676	47,775	43,932	47,775
Conta corrente	5,317	594	5,317	594
Credit with subsidiaries	65,718	79,947	-	-
Assets exposed	114,711	128,316	49,249	48,369
Provision for devaluation of investments	(65,607)	(79,676)	-	-
Accounts payable, net of advances	(17,385)	(17,640)	(17,413)	(17,640)
Loans and financing	(95,941)	(175,283)	(95,941)	(175,283)
(-) Swap	34,306	76,630	34,306	76,630
Liabilities exposed	(144,627)	(195,969)	(79,048)	(116,293)
Net exposure	(29,916)	(67,653)	(29,799)	(67,924)

In thousands of Reais, unless stated otherwise

	In Euros				In US$ Dollars			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Accounts receivable	366	458	366	458	8,946	9,412	8,946	9,412
Current account	-	-	-	-	1,656	152	1,656	152
Credit with subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for devaluation of investments	-	-	-	-	(20,440)	(20,392)	-	-
Accounts payable, net of advances	(1,350)	(1,468)	(1,350)	(1,468)	(3,815)	(2,953)	(3,815)	(2,953)
Loans and financing	-	-	-	-	(29,890)	(44,889)	(29,890)	(44,889)
(-) Swap	-	-	-	-	10,688	19,624	10,688	19,624
	(984)	(1,010)	(984)	(1,010)	(12,381)	(18,572)	(12,415)	(18,654)

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

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

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

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

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

Regarding interest earning bank deposits, they are mostly made in investment funds as described in Note 6 and 8.

b) Credit risk

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

c) Liquidity risk

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

f In thousands of Reais, unless stated otherwise

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

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

	Parent Company							
	June 30, 2016				December 31, 2015			
	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes
Less than one year	358,486	742	122,601	9,399	210,808	705	128,623	9,018
Between one and two years	178,161	747	60,634	19,380	252,243	1,124	47,923	18,618
Between two and five years	95,338	-	-	29,070	191,774	-	-	27,927
Over five years	35,017	-	-	22,610	51,303	-	-	26,374
	667,002	1,489	183,235	80,459	706,128	1,829	176,546	81,937

*The difference between the loan total presented in this table and the statement of financial position is due to the Prodec AVP, see note 23a).

	Consolidated							
	June 30, 2016				December 31, 2015			
	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes
Less than one year	358,486	742	126,307	9,465	210,808	705	143,310	9,081
Between one and two years	179,278	747	60,634	19,512	253,353	1,124	47,923	18,744
Between two and five years	95,338	-	-	29,268	191,774	-	-	28,116
Over five years	35,017	-	-	22,762	51,303	-	-	26,554
	668,119	1,489	186,941	81,007	707,238	1,829	191,233	82,495

*The difference between the loan total presented in this table and the statement of financial position is due to the Prodec AVP, see note 23a).

d) Sensitivity analysis

i) Sensitivity analysis of changes in the interest rates

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

As of June 30, 2016 Management considered CDI rate at 14.15% and Selic of 14.25% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidado em Reais							
	June 30, 2016	Risk	Probable		Possible (25%)*		Remote (50%)*	
Operation			%	R$	%	R$	%	R$
Investments (yielding 98.67% of CDI)	80,366	Baixa CDI	14.13%	11,209	10.60%	8,407	7.07%	5,605
	80,366			11,209		8,407		5,605
Operation								
Working capital loans	(7,334)	Alta CDI	14.13%	(878)	17.66%	(1,098)	21.20%	(1,317)
Loans - Export credit note	(191,119)	Alta CDI	14.13%	(27,005)	17.66%	(33,756)	21.20%	(40,508)
Loans - Trade 4131 Swap	(21,580)	Alta CDI	14.13%	(3,049)	17.66%	(3,812)	21.20%	(4,574)
Debentures	(199,594)	Alta CDI	14.13%	(28,713)	17.66%	(35,891)	21.20%	(43,069)
Financing	(81,007)	Alta Selic	14.25%	(11,543)	17.81%	(14,429)	21.38%	(17,315)
	(500,634)			(71,188)		(88,986)		(106,783)

*Possible and remote scenarios calculated at the probable rate.

In thousands of Reais, unless stated otherwise

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of June 30, 2016 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these financial statements as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais						
	June 30, 2016	Probable		Possible (25%)*		Remote (50%)*	
		Rate USD	Gain (Loss)	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Accounts receivable	43,932	3.190	(8,042)	3.988	(891)	4.785	7,718
Current account	5,317	3.190	(33)	3.988	(108)	4.785	934
Accounts payable, net of advances	(17,413)	3.190	3,188	3.988	353	4.785	(3,059)
Loans and financing	(95,941)	3.190	17,563	3.988	1,945	4.785	(16,855)
(-) Swap	34,306	3.190	(6,280)	3.988	(695)	4.785	6,027
Net exposure	(29,799)	3.190	6,396	3.988	604	4.785	(5,235)

*Possible and remote scenarios calculated at the probable rate.

5.2 Capital management

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

The capital is monitored based on the ratio of consolidated financial leverage. This index corresponds to net debt divided by total capital. Net debt, in turn, corresponds to total loans and installment payment of tax liabilities less the amount of cash and cash equivalents, receivables with other related credits with related parties and securities. Total capital is calculated by adding the shareholders' equity, as demonstrated in the consolidated balance sheet, to net debt.

The financial leverage ratios as of June 30, 2016 can be summarized as follows:

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Loans and financing	657,479	696,618	658,596	697,728
Financing of Taxes	80,459	81,937	81,007	82,495
Less: Cash and cash equivalents	(82,215)	(81,761)	(91,116)	(87,664)
Credits with other related parties	(87,936)	(84,601)	(87,936)	(84,601)
Short-term Investments	(85,260)	(100,478)	(85,260)	(100,478)
Net debt	482,527	511,715	475,291	507,480
Total shareholders' equity	242,971	231,846	242,991	231,856
Total capital	725,498	743,561	718,282	739,336
Financial leverage index (%)	67	69	66	69

In thousands of Reais, unless stated otherwise

Additionally, the Company had a credit facility approved by the Banco do Nordeste do Brasil S/A in the amount of R$ 147,784, the purpose of which is to invest in the new manufacturing unit in the city of Marechal Deodoro, state of Alagoas, where the company has secured R$ 94,401.

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets, loans and receivables				
Cash and cash equivalents	82,215	81,761	91,116	87,664
Trade receivables	202,005	175,837	217,557	208,367
Assets stated at fair value through profit or loss				
Call deposits	85,260	100,478	85,260	100,478
Derivatives	-	5,435	-	5,435
	369,480	363,511	393,933	401,944
Liabilities, other financial liabilities				
Trade payables	137,944	128,307	141,650	142,994
Loans, financing and debentures	657,479	696,618	658,596	697,728
Financing of Taxes	80,459	81,937	81,007	82,495
Derivatives	4,327	-	4,327	-
	880,209	906,862	885,580	923,217

6 Cash and cash equivalents

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Current account	7,288	5,553	10,750	9,147
Call deposits	74,927	76,208	80,366	78,517
	82,215	81,761	91,116	87,664

The short-term investments designated as cash equivalents denote interests in investment funds. The average yield of the fund in June 2016 was equal to 98.71% of the CDI rate (Interbank Deposit Certificate) and the amount can be redeemed at any time, without penalty.

7 Financial instruments

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

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

In thousands of Reais, unless stated otherwise

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

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

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

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

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

Contracts	Maturity	Valor Notional	June 30, 2016	December 31, 2015
a) Law 4131	dez-17	28,774	(89)	(119)
b) Export credit	nov-17	48,608	(3,952)	3,917
c) Law 4131	jun-16	15,368	-	1,097
d) Law 4131	ago-16	7,289	(286)	540
		100,039	(4,327)	5,435

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

8 Restricted short-term investments

As of June 30, 2016 the Company had short-term investments related to Debentures contracts amounting to R$ 85,260 (R$ 100,478 as of December 31, 2015) recorded as current assets, which will be released after the guarantee encumbrances have been recorded. The non-current assets are related to the contract with Banco do Nordeste do Brasil S/A.

In thousands of Reais, unless stated otherwise

9 Trade accounts receivable

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Third-party accounts receivable:				
Domestic customers	159,189	128,120	174,569	160,650
Overseas customers	43,676	47,775	43,932	47,775
	202,865	175,895	218,501	208,425
Accounts receivable from related parties:				
Entities related to management	1,917	1,280	1,917	1,280
	1,917	1,280	1,917	1,280
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(2,551)	(1,080)	(2,635)	(1,080)
Recomposition of nominal value to present value	(226)	(258)	(226)	(258)
	(2,777)	(1,338)	(2,861)	(1,338)
	202,005	175,837	217,557	208,367

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

	Parent Company	Consolidated
At December 31, 2015	1,080	1,080
Provision for (reversal of) impairment of accounts receivable	1,471	1,555
At June 30, 2016	2,551	2,635

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

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

In thousands of Reais, unless stated otherwise

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

	Parent Company							
	June 30, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	DecAtber 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Due	196,073	196,073	-	-	169,633	169,633	-	-
Up to 30 days overdue	2,964	-	2,960	4	4,168	-	4,168	-
31 to 90 days overdue	3,072	-	3,067	5	1,576	-	1,536	40
Past due 91 to 360 days	2,157	-	131	2,026	1,248	-	747	501
More than 360 days overdue	516	-	-	516	550	-	11	539
	204,782	196,073	6,158	2,551	177,175	169,633	6,462	1,080

	Consolidated							
	June 30, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Due	210,120	210,120	-	-	201,016	201,016	-	-
Up to 30 days overdue	3,169	-	3,165	4	4,731	-	4,731	-
31 to 90 days overdue	3,672	-	3,666	6	2,074	-	2,034	40
Past due 91 to 360 days	2,602	-	493	2,109	1,334	-	833	501
More than 360 days overdue	855	-	339	516	550	-	11	539
	220,418	210,120	7,663	2,635	209,705	201,016	7,609	1,080

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 23. Its sum is calculated based on a percentage of the residual balance of the debt. As of June 30, 2016, the total amount of accounts receivable pledged as collateral was R$ 78,287 (R$ 97,780 as of December 31, 2015).

10 Inventories

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Finished goods	164,437	167,498	164,783	167,701
Work in progress	7,932	5,756	7,932	5,756
Raw materials and consumables	33,159	33,410	33,159	33,410
Provision for valuation of inventory at realizable value	(7,305)	(6,169)	(7,305)	(6,169)
Imports in transit	9,096	4,593	9,096	4,593
	207,319	205,088	207,665	205,291

11 Advances to suppliers

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Domestic customers	2,348	2,528	1,325	1,785
Overseas customers	69	268	69	268
	2,417	2,796	1,394	2,053

In thousands of Reais, unless stated otherwise

12 Recoverable taxes

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Current				
ICMS (a)	9,639	12,313	10,134	12,821
IPI (b)	1,877	1,549	2,241	1,975
IRPJ/CSLL	866	4,964	1,318	6,020
PIS/COFINS	350	1,112	776	1,521
Other	908	215	1,137	438
	13,640	20,153	15,606	22,775
Non-current *				
ICMS	3,402	3,807	3,402	3,807
PIS/COFINS	5,121	6,670	5,121	6,670
	8,523	10,477	8,523	10,477

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

a) Presumed credit on imported products

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

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

In 2014, the Company hired a consulting company to perform a review on the ICMS tax, and some possibility was identified to use this credit, including for emergency purposes. Thus, as of June 30, 2016, from the amount of R$ 9,639 entered as current assets, R$ 3,817 are connected with recognition of the abovementioned ICMS tax credits, net of amounts already used.

b) Reduction of IPI rate percentages

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

13 Credits with other related parties

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

In thousands of Reais, unless stated otherwise

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

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

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and "Refinadora" signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On December 31, 2015, these credits that also originate in proceeding 87.00.00967-9, represent R$ 87,936 (R$ 84,601 as of December 31, 2015) and are restated by the SELIC rate, according to the contract.

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

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

14 Judicial deposits

The Company and its subsidiaries are parties involved in labor, civil and labor lawsuits (see Note 27) and are discussing these issues in both the administrative and judicial scopes and, when applicable, said lawsuits are backed by judicial deposits. These are recorded at the original value restated by the indices relating to the basic remuneration of the savings account, TR (reference rate) + 0.5%.

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

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Cívil (a)	60,689	47,924	60,707	47,944
Labor	8,779	9,407	8,779	9,407
Tax	3,401	2,568	3,418	2,573
	72,869	59,899	72,904	59,924

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

15 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

In thousands of Reais, unless stated otherwise

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

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

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

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

The amount presented as of June 30, 2016 is equal to R$ 48,621. The amount calculated by the experts is valid for August 2013, while the amount restated by the Company is restated up to July 2014, as mentioned earlier.

On May 18, 2016, the Company was informed about the final and unnappealable decision regarding the award calculation. The Company has already engaged the services of an accounting expert to determine the credit, which will be the object of a future execution of judgment action.

16 Income and social contribution taxes

a) Income and social contribution taxes on profit

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

	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Income tax	673	3,675	1,079	4,522	-	-	(910)	(415)
Social contribution	193	1,289	239	1,498	-	-	(329)	(156)
	866	4,964	1,318	6,020	-	-	(1,239)	(571)

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

In thousands of Reais, unless stated otherwise

b) Deferred income and social contribution taxes

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

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

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

	June 30, 2016	December 31, 2015
Tax loss carryforwards	9,527	-
Temporary differences assets	36,176	34,863
Exchange variance on cash basis	8,145	13,720
Provision for adjustment to market value	1,936	1,836
Provision for contingencies	10,461	9,605
Provision for PIS and COFINS with reduced ICMS base	5,768	3,902
Provision for profit-sharing and Long-term Incentive	3,365	4,275
Other temporary asset differences	6,501	1,525
Temporary differences liabilities	(56,902)	(56,528)
Portobello previdência	(3,291)	(3,291)
Realization of the revaluation reserve	(19,400)	(19,708)
Eletrobrás Receivables	(16,531)	(16,531)
Contingent asset - IPI credit premium - stage II	(8,505)	(7,724)
Adjustment to present value	(3,694)	(3,691)
Depreciation adjustment (to useful life of assets)	(5,481)	(5,583)
Deferred income and social contribution liabilities, net	(11,199)	(21,665)

The net changes in income tax and social contribution as of June 30, 2016 were as follows:

	Parent Company and Consolidated
At December 31, 2015	(21,665)
Tax loss carryforwards	9,527
Temporary differences assets	1,313
Temporary differences liabilities	(682)
Revaluation reserve	308
At June 30, 2016	(11,199)

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

In thousands of Reais, unless stated otherwise

	2nd. Quarter		YTD	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Deferred tax asset debited (Credited) to net income				
Tax loss carryforwards	6,626	-	9,527	-
Exchange variance on cash basis	(2,807)	(188)	(5,575)	4,008
Provision for adjustment to market value	(467)	(315)	100	(336)
Provision for contingencies	653	305	856	776
Provision for PIS and COFINS with reduced ICMS base	1,079	787	1,866	1,505
Provision for profit-sharing and Long-term Incentive	(1,507)	(240)	(910)	912
Other temporary asset differences	3,607	(57)	4,976	(2,636)
	7,184	292	10,840	4,229
Realization of the revaluation reserve	154	154	308	308
Contingent asset - IPI credit premium - stage II	(530)	(1,855)	(781)	(1,999)
Adjustment to present value	(210)	(356)	(3)	(715)
Depreciation adjustment (to useful life of assets)	(502)	(95)	102	(189)
	(1,088)	(2,152)	(374)	(2,595)
	6,096	(1,860)	10,466	1,634

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

Income and social contribution tax expenses are as follow:

Changes in the 2nd. Quarter of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income before income	(2,062)	21,103	1,833	23,885
Tax calculated based on local tax rates	701	(7,175)	(623)	(8,128)
Equity income of subsidiaries	2,399	(426)	-	-
Expenses nondeductible for tax purposes	1,787	364	1,685	364
Depreciation of revalued assets	(154)	(96)	(309)	(96)
Tax credits on tax losses and temporary differences	(4,733)	2,320	(4,642)	70
Current income tax for the year	-	(5,013)	(3,889)	(7,790)
Recording of deferred income and social contribution taxes	6,096	(1,860)	6,096	(1,860)
Income tax and social contribution expenses	6,096	(6,873)	2,207	(9,650)
Effective rate	295.6%	32.6%	-120.4%	40.4%

In thousands of Reais, unless stated otherwise

Changes in the 1st. Quarter of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income before income	(11,506)	34,672	(5,126)	40,653
Tax calculated based on local tax rates	3,912	(11,789)	1,743	(13,837)
Equity income of subsidiaries	3,887	609	-	-
Nondeductible expenses	1,684	876	1,582	876
Depreciation of revalued assets	(308)	(185)	(463)	(185)
Tax credits on tax losses and temporary differences	(9,175)	(803)	(9,232)	(4,117)
Current income tax for the year	-	(11,292)	(6,370)	(17,263)
Recording of deferred income and social contribution taxes	10,466	1,634	10,466	1,634
Income tax and social contribution expenses	10,466	(9,658)	4,096	(15,629)
Effective rate	91.0%	27.9%	79.9%	38.4%

17 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled 'IPI premium credit', in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to June 30, 2016 is R$ 18,566 (R$ 17,396 on December 31, 2015).

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

In recent months, the procedural status of this case has changed significantly. After a final and unappealable decision was delivered more than 10 years ago, the settlement and enforcement of the decision commenced, for which an expert report was prepared by a legal expert. The parties were notified of the amount calculated to state whether or not they accepted the expert calculation. The Company agreed with the calculations presented. The government, represented by the Prosecutions Department of the Ministry of Finance, did not state its position, thereby leading to tacit acceptance and preclusion. The case has therefore been sent the judge for sentencing and can no longer be contested. In 2015 the Company recognized the amount calculated by the legal expert of R$ 4,983. As the company believes that victory in this case is a foregone conclusion, it recorded the tax asset in June 2015, which restated up to June 30, 2016 stands at R$ 5,680 (R$ 5,322 as of December 31, 2015).

18 Contingent assets

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

In thousands of Reais, unless stated otherwise

19 Investment

a) Interest in subsidiaries

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

	Shareholders' equity	Net income for the period	Percentage of interest	December 31, 2015	Exchange variations	Share of profit of equity accounted investees adjustments	June 30, 2016
Provision for devaluation of investments							
Portobello América Inc. (a)	(65,607)	(129)	100%	(79,677)	14,198	(129)	(65,608)
PBTech Ltda.	264	2,813	99.94%	(2,547)	-	2,811	264
Mineração Portobello Ltda.	(20)	281	99.76%	(302)	-	280	(22)
Companhia Brasileira de Cerâmica S/A	2,057	(1,112)	98.00%	(10,863)	-	(1,109)	(11,972)
				(93,389)	14,198	1,853	(77,338)
Investments - Interests in subsidiaries							
Portobello Shop S.A.	4,817	9,581	99.90%	480	-	9,590	10,070
				480	-	9,590	10,070
Total investment in subsidiaries				(92,909)	14,198	11,443	(67,268)

(a) As of June 30, 2016 the Company presents provision for loss on investments of the subsidiary Portobello América Inc. in non-current liabilities. Management’s intention is to capitalize the subsidiary’s debt.

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

	Country of incorporation	Percentage interest	Assets	Liabilities	Revenue	Net income
Em December 31, 2015						
Portobello América Inc.	United States	100.00%	288	79,964	-	(88)
PBTech Ltda.	Brazil	99.94%	5,296	7,815	44,806	1,529
Portobello Shop S/A	Brazil	99.90%	23,148	22,668	64,693	20,612
Mineração Portobello Ltda.	Brazil	99.76%	1,527	1,829	5,699	(16)
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	27,643	11,731	62,311	(11,236)
Em June 30, 2016						
Portobello América Inc.	United States	100.00%	124	65,731	-	(129)
PBTech Ltda.	Brazil	99.94%	11,553	11,289	29,966	2,813
Portobello Shop S/A	Brazil	99.90%	29,208	19,147	30,887	9,581
Mineração Portobello Ltda.	Brazil	99.76%	2,741	2,762	4,227	281
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	2,559	543	(56)	(1,112)

b) Advance for future capital increase

The parent company PBG S.A. has an AFAC (advance for future capital increase) from the subsidiary Companhia Brasileira de Cerâmica of R$ 14,276 (R$ 27,321 as of December 31, 2015, classified in noncurrent assets.

In thousands of Reais, unless stated otherwise

c) Companhia Brasileira de Cerâmica

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

20 Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated	
		June 30, 2016			December 31, 2015	June 30, 2016	December 31, 2015
	Average annual depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Net value	Net value
Land		12,141	-	12,141	12,141	13,062	13,062
Buildings, Civil Works and Improvements	3%	201,515	(31,670)	169,845	164,853	167,778	163,773
Machinery and equipment	15%	503,722	(269,494)	234,228	224,665	234,228	224,665
Furniture and fixtures	10%	9,444	(8,086)	1,358	1,418	1,375	1,440
Computers	20%	18,250	(14,476)	3,774	4,123	3,792	4,147
Other PPE in progress	20%	207	(183)	24	30	9,276	5,494
Property, plant and equipment in progress		14,327	-	14,327	29,449	14,353	31,613
		759,606	(323,909)	435,697	436,679	443,864	444,194

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 31e).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2015.

b) Changes in the Property, Plant and Equipment

	Parent Company										
	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	June 30, 2016
Land	12,141	-	-	-	-	12,141	-	-	-	-	12,141
Buildings and improvements	100,944	-	69,163	(5,254)	-	164,853	-	8,445	(3,453)	-	169,845
Machinery and equipment	135,008	1,012	109,426	(20,462)	(319)	224,665	525	20,321	(11,283)	-	234,228
Furniture and fixtures	1,018	49	535	(184)	-	1,418	-	37	(97)	-	1,358
Computers	1,861	1,618	1,530	(886)	-	4,123	85	176	(610)	-	3,774
Other PPE in progress	41	-	-	(11)	-	30	-	-	(6)	-	24
Property, plant and equipment	136,438	74,029	(181,018)	-	-	29,449	13,857	(28,979)	-	-	14,327
	387,451	76,708	(364)	(26,797)	(319)	436,679	14,467	-	(15,449)	-	435,697

In thousands of Reais, unless stated otherwise

	Consolidated										
	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	June 30, 2016
Land	13,062	-	-	-	-	13,062	-	-	-	-	13,062
Buildings and improvements	100,844	-	69,163	(6,234)	-	163,773	-	8,445	(4,440)	-	167,778
Machinery and equipment	135,008	1,012	109,426	(20,462)	(319)	224,665	525	20,321	(11,283)	-	234,228
Furniture and fixtures	1,041	52	535	(188)	-	1,440	-	37	(99)	(3)	1,375
Computers	1,891	1,622	1,530	(896)	-	4,147	90	170	(615)	-	3,792
Other PPE in progress	1,973	200	3,332	(11)	-	5,494	-	3,788	(6)	-	9,276
Property, plant and equipment	138,766	77,326	(184,350)	-	(129)	31,613	15,501	(32,761)	-	-	14,353
	392,585	80,212	(364)	(27,791)	(448)	444,194	16,116	-	(16,443)	(3)	443,864

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

	Parent Company		Consolidated		Parent Company		Consolidated	
	2nd. Quarter				YTD			
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Cost of goods sold	7,072	4,636	7,072	4,636	13,909	9,274	13,909	9,274
Commercial expense	533	423	1,041	625	1,033	856	2,024	1,181
Administrative expense	253	253	256	256	507	414	510	420
Other	-	1,206	-	1,206	-	1,206	-	1,206
	7,858	6,518	8,369	6,723	15,449	11,750	16,443	12,081

21 Intangible assets

a) Breakdown

		Parent Company				Consolidated	
		June 30, 2016			December 31, 2015	June 30, 2016	December 31, 2015
	Average annual amortization rate	Cost	Accumulated amortization	Net value	Net value	Net value	Net value
Patents and trademarks	-	150	-	150	150	150	150
Software	20%	18,061	(12,988)	5,073	2,032	5,073	2,032
Mine exploration right	20%	1,000	(1,000)	-	773	948	1,164
Goodwill	-	-	-	-	-	7,039	7,039
Software under development	-	2,324	-	2,324	5,315	2,324	5,315
Management syst(a)	21%	18,887	(11,324)	7,563	9,540	7,563	9,540
		40,422	(25,312)	15,110	17,810	23,097	25,240

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

In thousands of Reais, unless stated otherwise

b) Change in intangible assets

	Parent Company									
	December 31, 2014	Additions	Amortization	Transfer	December 31, 2015	Additions	Amortization	Transfer	Write-offs	June 30, 2016
Patents and trademarks	150	-	-	-	150	-	-	-	-	150
Software	139	1,802	(272)	363	2,032	406	(496)	3,131	-	5,073
Mine exploration right	50	1,015	(292)	-	773	-	(29)	-	(744)	-
Software under development	2,803	2,512	-	-	5,315	140	-	(3,131)	-	2,324
Management syst	13,495	-	(3,955)	-	9,540	-	(1,977)	-	-	7,563
	16,637	5,329	(4,519)	363	17,810	546	(2,502)	-	(744)	15,110

	Consolidated									
	December 31, 2014	Additions	Amortization	Transfer	December 31, 2015	Additions	Amortization	Transfer	Write-offs	June 30, 2016
Patents and trademarks	150	-	-	-	150	-	-	-	-	150
Software	139	1,802	(272)	363	2,032	407	(497)	3,131	-	5,073
Mine exploration right	494	1,015	(345)	-	1,164	744	(216)	-	(744)	948
Goodwill	4,240	2,799	-	-	7,039	-	-	-	-	7,039
Software under development	2,803	2,512	-	-	5,315	140	-	(3,131)	-	2,324
Management syst	13,495	-	(3,955)	-	9,540	-	(1,977)	-	-	7,563
	21,321	8,128	(4,572)	363	25,240	1,291	(2,690)	-	(744)	23,097

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

	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Cost of goods sold	173	17	283	30	324	68	512	95
Commercial expense	704	704	704	704	1,408	1,408	1,408	1,408
Administrative expense	385	327	385	327	770	684	770	684
	1,262	1,048	1,372	1,061	2,502	2,160	2,690	2,187

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Software	588	1,177	1,147	1,137	952	72	-	-	-	-	5,073
Mine exploration right	220	426	38	38	38	38	38	38	38	36	948
Management system	2,494	3,673	1,396	-	-	-	-	-	-	-	7,563
	3,302	5,276	2,581	1,175	990	110	38	38	38	36	13,584

The brands and patents, goodwill and software items under development in the total amount of R$ 9,513 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

In thousands of Reais, unless stated otherwise

22 Trade payables and loan assignment

a) Trade accounts payable

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Domestic customers	105,520	96,740	109,226	111,427
Overseas customers	17,081	16,241	17,081	16,241
Decomposition of nominal value to present value	(118)	(316)	(118)	(316)
Current	122,483	112,665	126,189	127,352
Domestic market (a)	60,634	47,923	60,634	47,923
Non-current	60,634	47,923	60,634	47,923
	183,117	160,588	186,823	175,275

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

b) Supplier credit assignment

The Company made supplier credit assignments with first-rate financial institutions amounting to R$ 15,461 in 2Q16 and R$ 15,642 in 2015, in order to provide its partner suppliers more attractive credit facilities in order to maintain commercial relations.

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

23 Loans and financing

a) Loans and financing

	Currency	Maturities	Charges	Parent Company June 30, 2016	Parent Company December 31, 2015	Consolidated June 30, 2016	Consolidated December 31, 2015
Current							
Working Capital (a)	R$	Oct/2016	15.12% p.a.¹	6,216	15,541	6,216	15,541
Financial lease (b)	R$	May/2018	11.48% p.a.	742	705	742	705
Banco do Nordeste S.A (c)	R$	Jun/2025	3.00% p.a.	9,513	9,015	9,513	9,015
BNDES	R$	Mar/2016	- p.a.¹	-	2,362	-	2,362
Law 4131 (d) - (note 7)	R$	Dec/2017	15.73% p.a.	14,437	14,488	14,437	14,488
Law 4131 (d) - (note 7)	US$	Aug/2016	15.68% p.a.¹	2,145	24,482	2,145	24,482
NCE (e)	R$	Jan/2018	15.58% p.a.¹	69,434	63,790	69,434	63,790
Prepayment (f)	US$	May/2018	5.15% p.a.+VC	4,023	4,896	4,023	4,896
PRODEC (g)	R$	Sep/2019	4.00% p.a.¹	10,544	13,514	10,544	13,514
FINEP (h)	R$	May/2021	7.53% p.a.¹	10,163	6,866	10,163	6,866
DEG (i)	US$	Oct/2021	5.70% p.a.+VC	10,268	12,497	10,268	12,497
FINAME (j)	R$	Aug/2023	3.00% p.a.¹	422	415	422	415
ACC	US$		0.00% p.a.+VC	-	15,365	-	15,365
NCE (e) - (note 7)	US$	Nov/2017	15.40% p.a.	21,462	26,117	21,462	26,117
Debentures 1st. tranche (k)	R$	Nov/2022	17.68% p.a.	99,817	336	99,817	336
Debentures 2nd. tranche (k)	R$	Nov/2020	17.28% p.a.	99,777	325	99,777	325
Total current			12.71% p.a.¹	358,963	210,714	358,963	210,714
Total local currency				321,065	127,357	321,065	127,357
Total foreign currency				37,898	83,357	37,898	83,357
Non-current							
Working Capital (a)	R$	Oct/2016	15.12% p.a.¹	-	-	1,118	1,110
Financial lease (b)	R$	May/2018	11.48% p.a.	747	1,124	747	1,124
Banco do Nordeste S.A (c)	R$	Jun/2025	3.00% p.a.	75,989	76,446	75,989	76,446
Law 4131 (d) - (note 7)	R$	Dec/2017	15.73% p.a.	7,143	14,286	7,143	14,286
NCE (e)	R$	Jan/2018	15.58% p.a.¹	89,524	48,716	89,524	48,716
Prepayment (f)	US$	May/2018	5.15% p.a.+VC	4,012	7,322	4,012	7,322
PRODEC (g)	R$	Sep/2019	4.00% p.a.¹	38,847	33,934	38,846	33,934
FINEP (h)	R$	May/2021	7.53% p.a.¹	25,784	19,986	25,784	19,986
DEG (i)	US$	Oct/2021	5.70% p.a.+VC	43,332	58,572	43,332	58,572
FINAME (j)	R$	Aug/2023	3.00% p.a.¹	2,439	2,648	2,439	2,648
NCE (e) - (note 7)	US$	nov/2017	15.40% p.a.	10,699	26,032	10,699	26,032
Debentures 1st. tranche (k)	R$	Nov/2022	17.68% p.a.	-	98,419	-	98,419
Debentures 2nd. tranche (k)	R$	Nov/2020	17.28% p.a.	-	98,419	-	98,419
Total noncurrent			11.90% p.a.¹	298,516	485,904	299,633	487,014
Total local currency				240,473	393,978	241,590	395,088
Total foreign currency				58,043	91,926	58,043	91,926
Grand Total			12.10% p.a.¹	657,479	696,618	658,596	697,728
Total local currency				561,538	521,335	562,655	522,445
Total foreign currency				95,941	175,283	95,941	175,283

¹ Weighted average rate

VC - Exchange variation

f In thousands of Reais, unless stated otherwise

b) Contract details

Note	Contract	Date – Disbursement	Date – Maturity	Amount borrowed (R$ thousand)	Term (months)	Amorization	Grace period (months)	Guarantees
(a)	Working Capital	set-15	out-16	R$ 20,000	13	Monthly		Receivables of Portobello SA at 20% of debit balance of contract
(b)	Financial lease	mai-15	mai-18	R$ 2,192	36	Monthly		Machinery and equipment
(c)	Banco do Nordeste	ago-14	jun-25	R$ 94,401	133	Monthly	24	Mortgage on property and machinery and equipment
	Contract entered into in 06/2013, R$ 147,700. The Bank released the 1st financing portion on 08/2014 in the amount of R$ 29,221 and the 2nd on01/2015 for R$ 45,765, the 3rd was released in 09/2015 for R$ 14,700, and the 4th on 03/2016 for R$ 4,713.							
(d)	4131 Trade	dez-12	dez-17	R$ 50,000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		set-15	ago-16	US$ 2,000	12	Quarterly	6	Operação clean
(e)	Export Credit (NCE)	jan-13	dez-17	R$ 20,000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		mar-14	jan-17	R$ 15,000	35	Monthly	12	
		mar-14	jan-17	R$ 13,300	35	Monthly	12	
		abr-14	mar-17	R$ 15,000	36	Monthly	12	
		mai-14	abr-17	R$ 15,000	35	Monthly	8	
		set-14	set-17	R$ 10,000	36	Quarterly	3	Clean operation
		nov-14	nov-17	US$ 15,000	36	Quarterly	12	Receivables of Portobello SA at 15% of debit balance of contract
		fev-15	jan-18	R$ 50,000	36	Quarterly	9	
		mai-16	mai-18	R$ 50,000	24	Semi-annual	12	
		jun-16	mai-19	US$ 10,000	36	Quarterly	12	Receivables of Portobello SA at 20% of debit balance of contract
		jun-16	mai-19	US$ 20,000	36	Quarterly	12	
(f)	Prepayment	jun-13	mai-18	US$ 5,000	60	Quarterly	15	Commercial pledge
(g)	PRODEC				48	Bullet	Bullet	-
	(Development Program of Empresa Catarinense) - Special Arrangement of Santa Catarina state obtained in July 2009. The balance is subject to the adjustment to present value, where the rate used for calculation purposes is the average of the working capital (12.58% per annum). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with a grace period of 48 months, a term of 120 months and monetary restatement of 4% per annum and changes in the UFIR rate.							
(h)	Finep	jul-10	set-18	R$ 30,103	99	Monthly	24	Bank Guarantee
		All 5 financing portions have been released by the Bank, as follows: 1 - R$ 5,000 in 07/2010, 2 - R$ 5,100 in 08/2010, 3 - R$ 3,146 in 09/2010, 4 - R$ 5,572 in 12/2012 and 5th - R$ 11,282 in 08/2013.						
		jul-14	mai-21	R$ 25,107	84	Monthly	24	Bank Guarantee
		Contract entered into in 07/2014, for R$ 57,300, with Bank releasing 1st financing portion of R$ 12,627 the same month. The 2nd portion released on 01/2016 of R$ 12,479.						
(i)	DEG	mai-14	out-21	US$ 18,000	90	Semi-annual	23	Machinery and equipment and promissory notes
	This contract has covenants which were not performed, although the Company has obtained the waiver for 2Q16 and the balance is maintained in noncurrent.							
(j)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1,890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(k)	Debentures 1st. Tranche	dez-15	nov-22	R$ 100,000	83	Semi-annual	24	Collateral and additional personal guarantee
	Debentures 2nd. Tranche	dez-15	nov-20	R$ 100,000	59	Semi-annual	24	Collateral and additional personal guarantee
	On November 17, 2015, the 2nd. issue of ordinary debentures, non-convertible into shares, with collateral and additional personal guarantee, in two tranches, were approved by Portobello S.A.'s Board of Directors for distribution to the general public including limited efforts of distribution. The proceeds obtained from the issue will be allocated to the extension of the Issuer's debt profile related to the maturity of debts in the years of 2015 and 2016; the remaining balance will be used to reinforce the Issuer's cash. This contract contains covenants which were not fulfilled, and the Company has not yet received the waiver for 2Q16; therefore, the balance of this contract was reclassified to current liability.,							

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

The long-term loans have the following payment schedule:

	Parent Company		Consolidated	
Maturing on July 1st.	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
2017	91,462	149,553	91,462	149,553
2018	81,229	98,435	82,346	99,545
2019 to 2025	125,825	237,916	125,825	237,916
	298,516	485,904	299,633	487,014

f In thousands of Reais, unless stated otherwise

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

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Reais	561,538	521,335	562,655	522,445
US$ Dollars	95,941	175,283	95,941	175,283
	657,479	696,618	658,596	697,728

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

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

Financial lease	June 30, 2016	December 31, 2015
Gross obligations (minimum payments)		
Less than one year	856	856
Total	856	856
Future financing charges	633	973
Present value of the Obligations	1,489	1,829
Present value of the Obligations		
Less than one year	742	705
Between one and five years	747	1,124
Total	1,489	1,829

c) Debentures

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

	June 30, 2016	December 31, 2015
Amount borrowed		
1st tranche debentures	101,622	100,668
2nd tranche debentures	101,582	100,647
Gross balance	203,204	201,315
Borrowing costs	(3,612)	(3,817)
Net balance	199,592	197,498
Current	199,592	661
Noncurrent	-	196,837

In thousands of Reais, unless stated otherwise

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

Detail of operation by tranche		
Tranche	1st	2nd
CVM Registration No	480/09	
Assets Code	PTBL12	PTBL22
Issue Date	26/11/2015	
Maturity Date	11/26/2022	11/26/2020
Volume R$	100,000,000.00	100,000,000.00
No. Debentures	1,000	1,000
Nominal Unit Value R$	100,000.00	100,000.00
Means	Registered and book-entered	
Type	Collateral and additional personal guarantees	
Convertible	Not convertible into Issuer shares	
Restatement	There will be no monetary correction of the nominal value	
Compensation	DI rate + 3,55% per annum (year of 252 days)	DI rate + 3,15% per annum (year of 252 days)
Payment of Compensation	Semi-annual, with first compensation date on 5/26/2016	
Amortisation	To be amortised in 11 (eleven) consecutive semi-annual payments commencing 24 (twenty-four) months as from the Issuance Date, with the first payment on November 26, 2017.	to be amortised in 7 (seven) consecutive semi-annual payments commencing 24 (twenty-four) months as from the Issuance Date, with the first payment on November 26, 2017.
Corporate acts:	Board meeting held on 11/17/2015	
Covenants	Division of Net Debt over EBITDA <= 3.35 times (2015), 3.00 (2016), 2.75 (2017), 2.65 (2018), 2.50 (2019, 2020 and 2021) and 3.00 (from 2022).	
	Division of Current assets over Current liabilities >= 1.15 times	

On June 30, 2016 financial indices in the calculation of covenants of the debentures have not been met, thus breaking the covenant for two consecutive quarters. The contract was reclassified to current liabilities, however the Company remains fully compliant with this agreement since it was renegotiated with the debenture holders and approved by the Board of Directors. In the coming days this process will be formalized with the debenture holders.

24 Financing of tax liabilities

Tax liabilities	Financing application		Parent Company		Consolidated	
	Date	Outstanding instalments	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
LAW 11941/09 (a)	Nov/09	100	80,459	81,937	81,007	82,495

f In thousands of Reais, unless stated otherwise

The payment schedule for these commitments are as follows:

	Parent Company		Consolidated	
Maturity	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
2016	4,554	9,018	4,586	9,081
2017 to 2023 (*)	67,830	65,163	68,292	65,604
2024	8,075	7,756	8,129	7,810
	80,459	81,937	81,007	82,495
Current	9,399	9,018	9,465	9,081
Noncurrent	71,060	72,919	71,542	73,414

(*) Seven annual instalments of R$ 9,690 as of June 30, 2016 and R$ 9,309 as of December 31, 2015 for the Parent company and R$ 9,756 and R$ 9,372 respectively for Consolidated.

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

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

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

Once the consolidation is complete, the Company has undertaken to pay the monthly instalments of R$ 791 no later than three months late, in addition to withdrawing judicial proceedings and waiving any claim to rights on which the aforesaid proceedings were filed, under pain of immediate termination of the financing program and consequent forfeiting of the benefits offered by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in Notes 17 and 18.

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

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

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

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the "undue use" had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Notes 17 and 18. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of "undue use", manifestly recognized by the Federal Revenue Service of Brazil in the reporting unit. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it's practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit. As clarification, injunction filed to claim court homologation for payment in installments was rejected in the lower court. TRF of the 4th region partially approved the appeal. The Company maintains the proceeding of reversing remaining court dispute in the Higher Court of Justice.

f In thousands of Reais, unless stated otherwise

In the remote chance the PGFN's decision is upheld by the highest court, which the Company believes to be remote based on the opinion of its legal advisers, the impact on the Company's net income would be a loss of R$ 23,523 as of June 30, 2016, considering the derecognition of the debt, the inexistence of benefits and maintaining the debits as a contingent liability, where any tax liability will be settled by the credits deriving from case 1998.34.00.029022-4, as mentioned in note 18.

26 Taxes and contributions

As of June 30, 2016, taxes, rates, and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Withholding income tax (IRRF)	2,343	2,251	2,569	2,660
ICMS	12,894	7,245	12,927	7,189
PIS/COFINS	1,627	-	2,287	455
Other	592	344	780	444
	17,456	9,840	18,563	10,748

27 Provision for contingencies

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

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

	Parent Company		Consolidated	
Amount provided for	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Civil	8,351	7,794	8,460	7,909
Labor	21,864	20,823	21,864	20,823
Tax	18,878	12,458	18,911	12,458
	49,093	41,075	49,235	41,190

The provisions are measured at the estimate of the expenditures that shall be necessary to settle the

f In thousands of Reais, unless stated otherwise

obligation. And the civil and labor-related lawsuits are assessed individually by the Company's legal advisors, who classify them according to the expectations of success of the suits.
Statement of changes in provisions:

	Parent Company			Total
	Civil	Labor	Tax	
At December 31, 2015	7,794	20,823	12,458	41,075
Debited (credited) to income statement:	967	2,109	6,420	9,496
Additional provisions	634	618	5,596	6,848
Reversals due to nonuse	(153)	(232)	-	(385)
Monetary restatement (note 34)	486	1,723	824	3,033
Reversals due to realization	(410)	(1,068)	-	(1,478)
At June 30, 2016	8,351	21,864	18,878	49,093

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2015	7,909	20,823	12,458	41,190
Debited (credited) to income statement:	972	2,109	6,453	9,534
Additional provisions	635	618	5,629	6,882
Reversals due to nonuse	(153)	(232)	-	(385)
Monetary restatement (note 34)	490	1,723	824	3,037
Reversals due to realization	(421)	(1,068)	-	(1,489)
At June 30, 2016	8,460	21,864	18,911	49,235

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 232 lawsuits (232 lawsuits on December 31, 2015), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 14).

Labor claims

The Company and its subsidiary Portobello Shop S.A. are defendants in 372 labor complaints (372 complaints on December 31, 2015), filed by former employees and third parties. Claims refer mainly to health hazard premium, matter that has already been decided in the TRT (regional labor court) of the 12th Region in favor of the Company. Other claims refer to the payment of severance pay, additional pay, overtime, salary equalization and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company's legal consultants. Some lawsuits are supported by judicial deposits (Note 14).

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

Change to the criteria for correcting labor debits

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

Tax

a) INSS on Cooperatives

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

The Company asserts that in the exercise of its activities, it engages cooperatives in various work areas, which provide specialized services, thus subjecting it to the payment of the contribution, but it is understood that there is no constitutional provision for such collection, since this goes against the principles of legality, equality and protection for cooperatives, based on this it seeks preliminary injunction in order that its right not to be subject to the payment of social security contributions be declared, as well as making compensation of amounts unduly paid for such purposes. The balance of the provision as of June 30, 2016 is R$ 601 (R$ 601 as of December 31, 2015).

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

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

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

The Company filed a petition for a writ of mandamus with aims to change the calculation base for the PIS (Social Integration Program) and the COFINS (Social Security Financing Contribution) taxes upon the exclusion of the ICMS tax. The Federal Courts of Santa Catarina State rendered a merit judgment in favor of excluding the ICMS from the calculation base, and the amount as of June 30, 2016 is R$ 16,976 (R$ 11,475 as of December 31, 2015).

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

f In thousands of Reais, unless stated otherwise

c) PIS and COFINS on financial revenue

In September 2015 the Company filed a Writ of Mandamus in order to stay PIS/COFINS on financial revenue. The amounts are determined and paid monthly via court deposits. The balance of the provision as of June 30, 2016 is R$ 1,074 (R$ 382 as of December 31, 2015).

d) Preliminary injunction related to ICMS on financial income

Declaratory action brought by PBG S/A against the State of Santa Catarina, distributed under No. 0301204-19.2015.8.24.0072, in progress before the 2nd. Civil Circuit Court of the Judicial District of Tijucas/ Santa Catarina, in which the plaintiff requires that the State of Santa Catarina refrain from including in the ICMS calculation basis the amounts due on a TUST (Tariff for using the Transmission System) and TUSD (Tariff for using the Distribution System) basis. The declaratory act also requires the refund of amounts incorrectly paid, within the 5-year period prior to the filing date (07/24/2015) of this action.

In an interlocutory decision, it was conceded interim relief to "determine that the defendant refrain from including, as from the invoice subsequent to the legal notice, from the ICMS calculation basis the amounts due on a TUST and TUSD basis in the consuming unit of the plaintiff (12351313)."

Currently, the case records are completed for a decision.

Taking into consideration that there is no final and unnappealable decision on the aforementioned theme, we should provided for the amount of R$300,000.00 (three hundred Thousand reais) per month. The risk was classified as remote.

28 Lawsuits with possible loss

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

	Parent Company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Civil	2,875	2,677	2,971	2,977
Labor	7,623	8,581	7,626	8,581
	10,498	11,258	10,597	11,558

a) Administrative Proceeding 10983.721445/2014-78

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

f In thousands of Reais, unless stated otherwise

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

29 Employee benefits

29.1 Private pension plan

The Company and its subsidiaries, since 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência - Banco do Brasil Pension Fund, and has 34 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

The main actuarial assumptions used were:

	Parent Company
	June 30, 2016 and 2015
Economic hypotheses	
Discount rate	6% p.a. (real)
Expecte rate of return on assets	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years
Increase in social security benefits	
and limits	2% a.a. (real) a partir de 48 anos
Inflation	Desconsiderada
Capacity factor	
Salaries	100%
Benefits	100%
Demographic hypotheses	
Mortality table	AT 83
Mortality table of disabled people	Exp. IAPC
Disability rate table	Hunter combined with Álvaro Vindas

In thousands of Reais, unless stated otherwise

29.2 Employee benefit expenses

a) Expenses incurred in the 2nd. Quarter of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Compensation	35,949	30,341	39,131	36,771
Benefits				
Pension plans	219	269	219	201
Government Severance	2,998	2,476	3,359	3,226
Other	4,733	3,736	5,024	4,260
Total	43,899	36,822	47,733	44,458

b) Expenses incurred in the 1st. Semester of 2016 and 2015

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Compensation	68,086	57,845	74,904	67,151
Benefits				
Pension plans	515	538	516	487
Government Severance	5,605	4,756	6,397	5,787
Other	8,735	7,287	9,288	8,045
Total	82,941	70,426	91,105	81,470

30 Long-term incentive

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

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

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

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

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

The present value of the obligation as of June 30, 2016 is R$ 8,709 at the parent company and R$ 9,336 at the consolidated (R$ 8,709 at the parent company and R$ 9,336 at the consolidated on December 31, 2015).

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

31 Shareholders' equity

a) Capital

After the resolutions of the AGM on April 29, 2016 the Company increased its capital by R $ 20,000, fully paid by the capitalization of profits, exclusively for the company's capitalization, with no change in total number of shares as provided by Art. 169, § 1 of Law 6,404 / 76. Thus, as of June 30, 2016 the Company has a subscribed and paid-in capital of R$ 119,565 (R$ 99,565 on December 31, 2015) comprising 158,488,517 common nominative shares with no par value.

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

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

As of June 30, 2016 there were 72,869,374 outstanding shares, equivalent to 45.98% of total shares issued (72,769,371 on December 31, 2015, equivalent to 45,91% 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) Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses and increase capital. As of June 30, 2016, the balance of legal reserve amounts to R$ 15,113 (R$ 15,113 as of December 31, 2015), as provided for by article 193 of the Corporation Law.

c) Profit retention reserve

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

In thousands of Reais, unless stated otherwise

d) Profits at the disposal of the AGM

At the General Meeting held on April 29, 2016, the Company's Management proposed and approvedat a General Meeting the allocation of reserves in compliance with Articles 196 of the Corporate Law (Law 6404/76

e) Equity evaluation adjustment - Deemed cost

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

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

The balance of the adjustment to company assets, net of deferred taxes, amounts to R$ 37,658 as of June 30, 2016 (R$ 38,258 as of December 31, 2015), the expense of depreciation of the re-appraisal, in the quarter ended June 30, 2016, was R$ 300 (R$ 618 on December 31, 2015), and the balance of deferred income tax and social contributions adjustments to equity evaluation recorded in non- current liabilities is R$ 19,400 (R$ 19,708 on December 31, 2015), see Note 16(b).).

In addition to the aforementioned deemed cost of R$ 37,658, the balance of the equity appraisal adjustment of R$ 6,686 charged to the item consists of the balances of accumulated translation adjustments of R$ 27,512 and other comprehensive income of R$ 3,460, both charged to items, as per the statement of changes in shareholders' equity.

32 Revenue

The reconciliation of gross income to net income, presented in the statement of income for the quarter ended June 30, 2016, is as follows.

a) Revenues incurred in the 2nd. quarter of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Gross sales revenue	302,061	299,076	328,960	328,744
Deductions from gross revenue	(68,581)	(64,422)	(72,382)	(69,436)
Sales taxes	(59,253)	(55,046)	(62,568)	(59,310)
Returns	(9,328)	(9,376)	(9,814)	(10,126)
Net sales revenue	233,480	234,654	256,578	259,308
Domestic customers	199,710	201,864	216,005	226,385
Overseas customers	33,770	32,790	40,573	32,923

In thousands of Reais, unless stated otherwise

b) Revenues earned in the 1st. semester of 2016 and 2015:

	Parent Company		Consolidate	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Gross sales revenue	585,615	583,465	636,404	633,975
Deductions from gross revenue	(131,049)	(125,416)	(138,465)	(133,311)
Sales taxes	(112,741)	(109,590)	(119,198)	(116,402)
Returns	(18,308)	(15,826)	(19,267)	(16,909)
Net sales revenue	454,566	458,049	497,939	500,664
Domestic customers	387,286	397,269	418,498	438,115
Overseas customers	67,280	60,780	79,441	62,549

33 Expenses by nature

The cost of goods sold, selling expenses and administrative expenses for the quarter ended June 30, 2016 are as follows:

a) Expenses incurred in the 2nd. quarter of 2016 and 2015

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Costs and expenses				
Cost of goods sold and/or services rendered	(168,334)	(155,124)	(169,520)	(160,875)
Selling expenses	(48,235)	(37,228)	(59,609)	(49,592)
General and Administrative	(9,540)	(7,978)	(9,705)	(9,269)
	(226,109)	(200,330)	(238,834)	(219,736)
Breakdown of expenses by nature				
Changes in inventory of finished good and goods in progress (a)	(4,570)	(1,911)	(4,417)	(14,124)
Direct production costs (raw materials and consumables)	93,302	78,561	91,617	87,342
General production expenses (including maintenance)	13,075	11,868	13,075	12,483
Cost of goods resold	20,504	34,415	22,929	38,672
Expense on transportation of goods sold	3,234	1,601	3,234	1,601
Salaries, charges and employee benefits (b)	54,288	41,378	59,105	50,207
Labor and outsourced services (c)	14,744	7,143	15,329	8,578
Amortization and depreciation	9,122	6,360	9,744	6,579
Rental and operating lease expenses	2,643	1,903	3,500	3,785
Sales commission	7,090	5,890	7,466	6,282
Advertising and marketing expenses	3,280	2,748	5,712	5,409
Other commercial expenses	7,100	8,713	9,165	11,175
Other administrative expenses	2,297	1,661	2,375	1,747
Total	226,109	200,330	238,834	219,736

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

(b) The grow th in these expenditures basically occurred due to the decision not to adhere to the INSS taxation through the relief of the payroll in 2016. Up to 2015 the Company used to tax INSS in accordance w ith the rules for relieving payroll, thus recording the amounts as deduction in revenue.

(c) The increase in these expenditures refer to logistics services expenditures from the new distribution centers.

In thousands of Reais, unless stated otherwise

b) Expenses incurred In the 1st. semester of 2016 and 2015

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Costs and expenses				
Cost of goods sold and/or services rendered	(320,088)	(305,838)	(321,309)	(311,040)
Selling Expenses	(97,111)	(72,839)	(120,755)	(94,465)
General and Administrative	(18,051)	(15,230)	(18,616)	(16,803)
	(435,250)	(393,907)	(460,680)	(422,308)
Breakdown of expenses by nature				
Changes in inventory of finished good and goods in progress (a)	(2,791)	(8,774)	(2,660)	(20,985)
Direct production costs (raw materials and consumables)	177,824	152,949	174,351	160,335
General production expenses (including maintenance)	19,519	22,847	19,518	23,462
Cost of goods resold	39,330	77,612	43,374	82,700
Expense on transportation of goods sold	5,038	2,795	5,043	2,795
Salaries, charges and employee benefits	102,618	79,301	112,854	92,283
Labor and outsourced services (c)	33,259	14,769	34,575	17,037
Amortization and depreciation	17,950	12,704	19,133	13,063
Rental and operating lease expenses	5,132	3,885	6,843	6,558
Sales commission	13,298	11,501	14,066	12,187
Advertising and marketing expenses	5,431	3,999	9,926	8,096
Other commercial expenses	14,745	17,362	19,549	21,660
Other administrative expenses	3,897	2,957	4,108	3,117
Total	435,250	393,907	460,680	422,308

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

(b) The grow th in these expenditures basically occurred due to the decision not to adhere to the INSS taxation through the relief of the payroll in 2016. Up to 2015 the Company used to tax INSS in accordance w ith the rules for relieving payroll, thus recording the amounts as deduction in revenue.

(c) The increase in these expenditures refer to logistics services expenditures from the new distribution centers.

34 Other net operating income and expenses

Other individual and consolidated operating income and expenses for the quarter ended June 30, 2016 are as follows:

a) Expenses incurred in the 2nd. quarter of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Other operating revenue				
Service revenue	22	14	22	14
Tax Credits (a)	1,135	-	1,135	-
IPI premium credit tax asset (note 17)	673	4,983	673	4,983
Other revenue	-	51	1,126	55
Total	1,830	5,048	2,956	5,052
Other operating expenses				
Provision for contingencies (note 27)	(1,470)	(413)	(1,483)	(413)
Provision for Long-term Incentive (note 30)	165	(944)	165	(1,053)
Provision for profit sharing (b)	1,564	(3,241)	1,564	(4,087)
Alagoas Plant preoperating expenses	(2)	(70)	(2)	(2,708)
Other expenses	(47)	(76)	(238)	(209)
Total	210	(4,744)	6	(8,470)
Net total	2,040	304	2,962	(3,418)

(a) Untimely ICMS credits - sale w ithout tax payment 06/2011 to 06/2014

(b) Recognition of provision for employee profit sharing to be paid after end of year reversed because the minimum requirements for payment w ere not met.

Note to the financial statements

In thousands of Reais, unless stated otherwise

b) Expenses incurred in the 1st. semester of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Other operating revenue				
Service revenue	197	50	197	47
Tax credits (a)	1,135		1,135	
IPI premium credit tax asset (note 17)	673	4,983	673	4,983
Other revenue	98	180	1,224	188
Total	2,103	5,213	3,229	5,218
Other operating expenses				
Provision for contingencies (note 27)	(1,877)	(905)	(1,909)	(947)
Provision for Long-term Incentive (note 30)	(227)	(1,746)	(227)	(1,984)
Provision for profit sharing (b)	-	(5,828)	-	(7,115)
Alagoas Plant preoperating expenses	(2)	(1,523)	(2)	(6,310)
Idleness cost (c)	(4,391)	-	(4,391)	-
Other expenses	(313)	(295)	(592)	(392)
Total	(6,810)	(10,297)	(7,121)	(16,748)
Net total	(4,707)	(5,084)	(3,892)	(11,530)

(a) Untimely ICMS credits - sale w ithout tax payment 06/2011 to 06/2014

(b) Recognition of provision for employee profit sharing to be paid after end of year reversed because the minimum requirements for payment w ere not met.

(c) Expenses on the adaptation of production equipment aiming at adjusting production to the Northeast market demand.

In thousands of Reais, unless stated otherwise

35 Financial income

The individual and consolidated financial income for the quarter ended June 30, 2016 is as follows:

a) Expenses incurred in the 2nd. quarter of 2016 and 2015

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Finance income				
Interest	4,822	2,431	5,000	2,622
Asset restatement	2,902	2,277	2,902	2,277
Income from Swap Transactions (a)	-	2,443	-	2,443
Other	180	90	258	150
Total	7,904	7,241	8,160	7,492
Finance costs				
Interest	(9,122)	(9,563)	(9,222)	(9,642)
Financial charges on taxes	(1,716)	(1,657)	(1,727)	(1,670)
Breakdown of Discount for Provision for Contingencies	(1,613)	(1,164)	(1,618)	(1,168)
Service commissions and fees	(807)	(576)	(1,187)	(716)
Bank discounts/expenses	(196)	(226)	(199)	(226)
Income from Swap transactions (a)	(5,912)	(5,673)	(5,912)	(5,673)
Provision for debenture interest	(7,843)	-	(7,843)	-
Other	(942)	(8)	(1,117)	(19)
Total	(28,151)	(18,867)	(28,825)	(19,114)
Net exchange variation				
Trade receivables and payables	(8,480)	(4,364)	(8,406)	(4,364)
Loans and financing	10,198	3,717	10,198	3,717
Total	1,718	(647)	1,792	(647)
Net total	(18,529)	(12,273)	(18,873)	(12,269)

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

In thousands of Reais, unless stated otherwise

b) Expenses incurred in the 1st. semester of 2016 and 2015

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Finance income				
Interest	10,387	5,318	10,746	5,673
Asset restatement	5,384	4,750	5,384	4,750
Income from Swap Transactions (a)	-	10,283	-	10,283
Other	396	271	488	356
Total	16,167	20,622	16,618	21,062
Finance costs				
Interest	(18,023)	(17,548)	(18,229)	(17,683)
Financial charges on taxes	(3,396)	(3,251)	(3,422)	(3,276)
Breakdown of Discount for Provision for Contingencies	(3,032)	(2,172)	(3,042)	(2,179)
Service commissions and fees	(1,429)	(576)	(2,068)	(716)
Bank discounts/expenses	(378)	(226)	(382)	(226)
Income from Swap transactions (a)	(13,888)	(5,673)	(13,888)	(5,673)
Provision for debenture interest	(16,877)	-	(16,877)	-
Income tax on interest and IOF	(520)	(2,558)	(536)	(2,561)
Other	(1,339)	(1,934)	(1,538)	(2,059)
Total	(58,882)	(33,938)	(59,982)	(34,373)
Net exchange variation				
Trade receivables and payables	(17,930)	3,947	(18,226)	3,947
Loans and financing	23,097	(16,809)	23,097	(16,809)
Total	5,167	(12,862)	4,871	(12,862)
Net total	(37,548)	(26,178)	(38,493)	(26,173)

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

36 Earnings per share

a) Basic

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

Profit or loss for the 2nd. quarter of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Profit attributable to shareholders	4,034	14,230	4,034	14,230
Weighted average of common shares	158,489	158,489	158,489	158,489
Basic earnings per share	0.0255	0.0898	0.0255	0.0898

In thousands of Reais, unless stated otherwise

Profit or loss for the 1st. semester of 2016 and 2015:

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Profit attributable to shareholders	(2,190)	25,014	(2,190)	25,014
Weighted average of common shares	158,489	158,489	158,489	158,489
Basic earnings per share	(0.0138)	0.1578	(0.0138)	0.1578

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

b) Diluted

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

37 Dividends

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

The remainder payable to the shareholders as profit distributions is R$ 7,269, and the payment date will be resolved at the Annual General Meeting for July 4, 2016. The total distributed in 2015 is 25% of the adjusted net income for FY 2015, in the amount of R$ 12,505.

38 Segment reporting

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

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

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

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

Information per business segment, reviewed by the Executive Board:

In thousands of Reais, unless stated otherwise

a) Profit or loss for the 2nd. quarter of 2016 and 2015:

	June 30, 2016			June 30, 2015		
Continued operations	Brazil	Other Countries	Total	Brazil	Other Countries	Total
Revenue	216,005	40,573	256,578	226,385	32,923	259,308
Cost of goods sold	(143,114)	(26,406)	(169,520)	(140,450)	(20,425)	(160,875)
Gross operating profit	72,891	14,167	87,058	85,935	12,498	98,433
Net operating income (expenses)	(57,225)	(9,127)	(66,352)	(54,374)	(7,905)	(62,279)
General, administrative and sales	(60,222)	(9,092)	(69,314)	(51,390)	(7,471)	(58,861)
Other net operating income (expenses)	2,997	(35)	2,962	(2,984)	(434)	(3,418)
Operating income before financial income/expenses	15,666	5,040	20,706	31,561	4,593	36,154
% over ROL	7%	12%	8%	14%	14%	14%

b) Profit or loss for the 1st. semester of 2016 and 2015

	June 30, 2016			June 30, 2015		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	418,498	79,441	497,939	438,115	62,549	500,664
Cost of goods sold	(275,057)	(46,252)	(321,309)	(272,782)	(38,258)	(311,040)
Gross operating profit	143,441	33,189	176,630	165,333	24,291	189,624
Net operating income (expenses)	(125,228)	(18,035)	(143,263)	(107,699)	(15,099)	(122,798)
General, administrative and sales	(122,287)	(17,084)	(139,371)	(97,587)	(13,681)	(111,268)
Other net operating income (expenses)	(2,941)	(951)	(3,892)	(10,112)	(1,418)	(11,530)
Operating income before financial income/expenses	18,213	15,154	33,367	57,634	9,192	66,826
% over ROL	4%	19%	7%	13%	15%	13%

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

39 Commitments

a) Commitments for the acquisition of assets

As of June 30, 2016, there were no contracted expenditures recorded as of the balance sheet date, but not yet incurred referring to Property, plant and equipment.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on June 30, 2016 and December 31, 2015, amount to R$ 690 and R$ 699, respectively, for less than one year. For more than one year and less than five years, R$ 581 and R$ 904, respectively.

40 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. As of June 30, 2016, coverage for fire, lightning strikes and explosions of any nature was R$ 84,000, for windstorm and smoke with impact of vehicles, R$ 25,000, for loss of profit, R$ 51,115, and for electric damage, riots and civil liabilities, R$ 5,600. The policy is in force from June 13, 2016 to June 13, 2017.

The Company also has Civil Liability Insurance for Management (D&O), contracted from ACE Seguros Soluções Corporativas S/A to cover losses and damages to third parties resulting from actions related to the exercise of their functions and attributions, up to the amount of R$ 10 million, with validity from August 27, 2015 to August 27, 2016.

In thousands of Reais, unless stated otherwise

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

41 Related companies and parties

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

Nature	Transactions with subsidiaries and related parties	June 30, 2016	December 31, 2015
Assets			
Dividends receivable	Portobello Shop S.A.	11,250	14,850
Accounts receivable	Portobello América, Inc.	65,719	79,947
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	2,707	4,268
Trade receivables	Portobello Shop S.A.	74	48
Credits with Subsidiaries - Noncurrent		68,500	84,263
Credits with other related parties	Refinadora Catarinense S.A.	87,936	84,601
Liabilities			
Prepaid dividends	Portobello Shop S.A.	-	5,763
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,090	752
Accounts receivable net of advance	Solução Cerâmica Com. Ltda.	503	10
Accounts receivable net of advance	Flooring Revest. Cer. Ltda.	233	523
		1,826	1,285

		2nd. Quarter		YTD	
Nature	Transactions with subsidiaries and related parties	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue					
Service rendering	Portobello Shop S.A.	-	-	-	-
Sale of goods	Solução Cerâmica Com. Ltda.	5,751	5,326	10,796	10,111
Sale of goods	Flooring Revest. Cer. Ltda.	2,507	2,589	4,457	4,514
Sale of goods	PBTech Com. Serv. Cer. Ltda.	5,170	4,538	8,827	8,264
Expenses					
Cost of services rendered	Portobello Shop S.A.	-	-	-	-
Purchase of goods	Mineração Portobello Ltda.	(1,685)	(1,334)	(3,473)	(2,728)
Rent	Gomes Participações Societárias Ltda.	(92)	(146)	(182)	(260)
		11,651	10,973	20,425	19,901

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

In thousands of Reais, unless stated otherwise

Related party transactions

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

Transactions with related parties	Nature	June 30, 2016	December 31, 2015	Natureza	2nd. Quarter June 30, 2016	2nd. Quarter June 30, 2015	YTD June 30, 2016	YTD June 30, 2015
	Assets			Receitas				
Solução Cerâmica Com. Ltda.	Accounts receivable	603	361	Royalties	1,450	1,337	2,707	2,534
Flooring Revest. Cer. Ltda.	Accounts receivable	263	168	Royalties	632	687	1,137	1,203
		866	529		2,082	2,024	3,844	3,737

Compensation of key management personnel

The compensation paid to key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended June 30, 2016 are:

a) Expenses incurred in the 2nd. quarter of 2016 and 2015:

	Parent Company June 30, 2016	Parent Company June 30, 2015	Consolidated June 30, 2016	Consolidated June 30, 2015
Fixed compensation				
Salaries	3,024	2,374	3,385	2,920
Fees	1,165	1,098	1,165	1,098
Variable compensation	2,720	3,133	2,936	3,694
Short-term direct and indirect employee benefits				
Pension plans	212	205	212	210
Other	436	338	469	409
Severance benefits	-	-	-	332
	7,557	7,148	8,167	8,663

In thousands of Reais, unless stated otherwise

b) Expenses incurred in the 1st. semester of 2016 and 2015

	Parent Company		Consolidated	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Fixed compensation				
Salaries	6,103	4,960	6,835	5,979
Fees	2,314	2,176	2,314	2,176
Variable compensation	3,139	3,488	3,422	4,115
Short-term direct and indirect employee benefits				
Pension plans	446	422	446	439
Other	935	692	1,067	827
Severance benefits	-	51	-	383
	12,937	11,789	14,084	13,919

Report on the quarterly information review - ITR

Report on the quarterly information review - ITR
To the Directors, Officers and Shareholders PBG S.A
Tijucas - SC

Introduction

We have reviewed the interim, individual and consolidated financial statements of the company PBG S.A. ("Company"), contained in the Quarterly Information Form - IRT for the quarter ended June 30, 2016, consisting of the balance sheets as of June 30, 2016 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders' equity and statements of cash flows for the 3 and 6-month period then ended, in addition to the notes to the financial statements.

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

Review scope

We conducted our review in accordance with Brazilian and international standards for reviewing interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily to the management responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is significantly less than an audit to be conducted in accordance with auditing standards, and, consequently, it does not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. We are not therefore expressing an audit opinion.

Conclusion about the individual interim information

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

Conclusion about the consolidated interim information

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

Report on the quarterly information review - ITR

Other matters

Statements of Added Value

We have also reviewed the individual and consolidated Statements of added value (DVA) for the six-month period ended June 30, 2016, prepared by Company management, the presentation of which in the interim information is required by the standards issued by the CVM - Brazilian Securities Commission applicable to the preparation of the Quarterly Information - ITR and is considered supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the same review procedures described above and based on our review we are not aware of any facts that lead us to believe they have not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Florianópolis, August 11, 2016

KPMG Auditores Independentes
CRC SC-000071/F-8

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

Representation of the Officers about the Financial Statements and Review Report Review Report

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

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 6/30/2016;

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 6/30/2016.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Vice-President

John Shojiro Suzuki - CFO and Investor Relations Officer

Mauro do Valle Pereira - Officer

Tijucas, August 12, 2016.