Portobello

Portobello S.A.

Report on the review of quarterly information - ITR

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Report on the review of quarterly information - ITR

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

Introduction
We have reviewed the interim, individual and consolidated interim financial information of Portobello S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2014, which comprises the balance sheet as of June 30, 2014 and related statements of income, of comprehensive income for the 3 and 6-months period then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

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

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

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

Conclusion on the consolidated interim information

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

Other issues

Statements of added value

We also reviewed the individual and Consolidated value-added statements for the six-month period ended on June 30, 2014, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Florianópolis, August 7, 2014.

KPMG Auditores Independentes
CRC SC-000071/F-8

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

Contents

Company information / Capital composition

Quantity of shares (Thousand)	Current quarter 06/30/2014
Paid-in capital	
Common	159,009
Preferred	0
Total	159,009
Treasury	
Common	520
Preferred	0
Total	520

Individual financial statements / Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
1	Total assets	995,191	953,107
1.01	Current assets	429,507	427,954
1.01.01	Cash and cash equivalents	54,647	55,389
1.01.03	Accounts receivable	170,517	158,522
1.01.03.01	Trade accounts receivable	170,517	158,522
1.01.04	Inventories	189,961	177,666
1.01.06	Recoverable taxes	6,667	17,281
1.01.06.01	Current taxes recoverable	6,667	17,281
1.01.06.01.01	Income and social contribution tax recoverable	0	10,522
1.01.06.01.02	Other current taxes recoverable	6,667	6,759
1.01.08	Other current assets	7,715	19,096
1.01.08.03	Others	7,715	19,096
1.01.08.03.01	Dividends receivable	0	2,934
1.01.08.03.03	Advances to suppliers	2,840	11,388
1.01.08.03.04	Others	4,875	4,774
1.02	Non-current assets	565,684	525,153
1.02.01	Long term assets	247,144	241,993
1.02.01.08	Related party credits	137,592	149,871
1.02.01.08.02	Receivables from subsidiaries	51,921	55,331
1.02.01.08.04	Other related party credits	85,671	94,540
1.02.01.09	Other non-current assets	109,552	92,122
1.02.01.09.03	Judicial deposits	30,840	20,721
1.02.01.09.04	Receivables - Eletrobrás	48,055	43,555
1.02.01.09.05	Recoverable taxes	6,002	3,884
1.02.01.09.06	Tax assets	14,589	13,896
1.02.01.09.07	Actuarial assets	9,547	9,547
1.02.01.09.08	Others	519	519
1.02.02	Investments	9,275	678
1.02.02.01	Equity interest	9,275	678
1.02.02.01.02	Interest in subsidiaries	9,077	480
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	292,764	264,424
1.02.04	Intangible assets	16,501	18,058

Individual financial statements/ Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2	Total liabilities	995,191	953,107
2.01	Current liabilities	320,872	347,351
2.01.01	Social and labor obligations	26,731	19,398
2.01.02	Suppliers	105,406	152,441
2.01.03	Tax liabilities	23,603	24,415
2.01.03.01	Federal tax liabilities	23,603	24,415
2.01.03.01.01	Income and social contribution tax payable	491	0
2.01.03.01.02	Installment payment of tax liabilities	12,954	17,674
2.01.03.01.03	Taxes, rates and contributions	10,158	6,741
2.01.04	Loans and financing	117,018	91,068
2.01.04.01	Loans and financing	117,018	91,068
2.01.05	Other liabilities	27,338	39,458
2.01.05.02	Others	27,338	39,458
2.01.05.02.04	Advances from clients	14,438	18,047
2.01.05.02.06	Dividends payable	355	15,224
2.01.05.02.07	Dividends paid in advance	5,161	0
2.01.05.02.08	Others	7,384	6,187
2.01.06	Provisions	20,776	20,571
2.01.06.02	Other provisions	20,776	20,571
2.01.06.02.05	Provision for contingencies	15,864	14,600
2.01.06.02.06	Provision for profit sharing	4,912	5,971
2.02	Non-current liabilities	461,073	413,907
2.02.01	Loans and financing	241,618	201,100
2.02.01.01	Loans and financing	241,618	201,100
2.02.02	Other liabilities	122,985	116,667
2.02.02.02	Others	122,985	116,667
2.02.02.02.03	Suppliers	24,116	15,966
2.02.02.02.04	Related party debts	2,359	2,544
2.02.02.02.06	Installment payment of tax liabilities	96,407	98,082
2.02.02.02.08	Others	103	75
2.02.03	Deferred taxes	29,543	29,154
2.02.03.01	Deferred income and social contribution taxes	29,543	29,154
2.02.04	Provisions	66,927	66,986
2.02.04.02	Other provisions	66,927	66,986
2.02.04.02.04	Provision for loss in investments	51,562	55,231
2.02.04.02.05	Provisions for contingencies	7,284	5,887
2.02.04.02.06	Provision for long-term incentive	8,081	5,868
2.03	Shareholders' equity	213,246	191,849
2.03.01	Realized capital	76,565	46,065
2.03.02	Capital reserves	-2,545	-2,545
2.03.02.05	Treasury shares	-2,545	-2,545
2.03.04	Profit reserves	76,554	115,651
2.03.04.01	Legal reserve	0	7,808
2.03.04.05	Profit retention reserve	0	41,786
2.03.04.08	Additional dividend proposed	0	8,597
2.03.04.10	Profit reserves to be allocated	0	57,460

Individual financial statements/ Balance sheet - Liabilities

(In thousand of reais)

Code of Account	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2.03.05	Retained Earnings/Losses	27,929	0
2.03.08	Other comprehensive income	34,743	32,678

Individual financial statements / Statement of income
(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2014-06/30/2014	Accumulated of the current year, 01/01/2014-06/30/2014	Same quarter of the prior year, 04/01/2013-06/30/2013	Accumulated of the prior year, 01/01/2013-06/30/2013
3.01	Income from sales of goods and/or services	217,290	409,195	194,000	358,979
3.02	Cost of goods and/or services sold	-147,321	-277,588	-135,346	-251,224
3.03	Gross income	69,969	131,607	58,654	107,755
3.04	Operating expenses/income	-45,786	-83,564	-28,213	-54,788
3.04.01	Sales expenses	-35,993	-65,490	-26,141	-48,095
3.04.02	General and administrative expenses	-6,930	-12,990	-6,215	-10,898
3.04.04	Other operating income	994	1,677	4,715	4,566
3.04.04.01	Other operating income	994	1,677	2,918	3,751
3.04.04.02	Other gains (losses), net	0	0	1,797	815
3.04.05	Other operating expenses	-8,415	-16,128	-3,996	-5,736
3.04.05.01	Other operating expenses	-5,506	-10,932	-3,996	-5,736
3.04.05.02	Other gains (losses), net	-2,909	-5,196	0	0
3.04.06	Equity income (loss)	4,558	9,367	3,424	5,375
3.05	Income (loss) before financial income (loss) and taxes	24,183	48,043	30,441	52,967
3.06	Financial income (loss)	-8,161	-12,644	-8,795	-12,990
3.06.01	Financial income	6,712	12,500	3,997	8,656
3.06.01.01	Financial income	5,622	10,977	3,997	8,656
3.06.01.02	Net exchange variation	1,090	1,523	0	0
3.06.02	Financial expenses	-14,873	-25,144	-12,792	-21,646
3.06.02.01	Financial expenses	-14,873	-25,144	-8,533	-18,077
3.06.02.02	Net exchange variation	0	0	-4,259	-3,569
3.07	Income (loss) before income tax	16,022	35,399	21,646	39,977
3.08	Income and social contribution taxes	-3,429	-8,256	-5,391	-10,660
3.08.01	Current	-4,330	-7,867	-5,110	-10,911
3.08.02	Deferred assets	901	-389	-281	251
3.09	Net income (loss) of continued operations	12,593	27,143	16,255	29,317
3.11	Income/loss for the period	12,593	27,143	16,255	29,317
3.99	Earnings per share - (Reais / Shares)				

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2014-06/30/2014	Accumulated of the current year, 01/01/2014-06/30/2014	Same quarter of the prior year, 04/01/2013-06/30/2013	Accumulated of the prior year, 01/01/2013-06/30/2013
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.07946	0.17126	0.10223	0.18437
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.07946	0.17126	0.10223	0.18437

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2014-06/30/2014	Accumulated of the current year, 01/01/2014-06/30/2014	Same quarter of the prior year, 04/01/2013-06/30/2013	Accumulated of the prior year, 01/01/2013-06/30/2013
4.01	Net income for the period	12,593	27,143	16,255	29,317
4.02	Other comprehensive income	1,231	2,851	-4,101	-3,497
4.02.02	Exchange variation of foreign subsidiary	1,231	2,851	-4,101	-3,497
4.03	Comprehensive income for the period	13,824	29,994	12,154	25,820

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year, 01/01/2014-06/30/2014	Accumulated of the prior year, 01/01/2013-06/30/2013
6.01	Net cash from operational activities	-22,083	-2,768
6.01.01	Cash generated in operations	56,052	70,961
6.01.01.01	Profit or loss for the year before taxes	35,399	39,977
6.01.01.02	Depreciation and amortization	12,527	7,161
6.01.01.03	Equity in net income of subsidiaries	-9,367	-5,375
6.01.01.04	Unrealized exchange variation	-4,391	6,769
6.01.01.05	Provision for inventory at market value	1,688	1,383
6.01.01.06	Allowance for doubtful accounts	151	190
6.01.01.07	Provision for contingencies	1,131	1,086
6.01.01.08	Provision for labor obligations	-4,353	5,365
6.01.01.09	Reserve for long-term incentive and profit-sharing	1,154	-1,682
6.01.01.10	Other provisions	-671	-2,722
6.01.01.12	Restatement of Eletrobrás compulsory loans	-4,500	-3,645
6.01.01.13	Adjustments to tax assets	-693	-443
6.01.01.14	Restatements of credits with other related parties	8,869	8,810
6.01.01.15	Finance charges on tax installments	3,966	3,307
6.01.01.16	Decomposition of discount of provisions for contingencies	1,530	2,228
6.01.01.18	Accrued interest on loans	12,684	7,516
6.01.01.19	Negative goodwill on receivables received from related parties	2,032	0
6.01.01.20	Others	-1,104	1,036
6.01.02	Changes in assets and liabilities	-61,038	-61,563
6.01.02.01	(Increase)/Decrease in accounts receivable	-12,131	-23,146
6.01.02.02	Increase /(Decrease) in Advances from clients	-3,609	-3,391
6.01.02.04	(Increase)/Decrease in inventories	-13,983	-18,966
6.01.02.05	(Increase)/Decrease in other assets	-101	-4,736
6.01.02.06	(Increase)/Decrease in legal deposits	-10,119	-875
6.01.02.07	(Increase) Decrease in receivables from related parties	-2,032	0
6.01.02.08	(Increase)/Decrease in recoverable taxes	-2,026	0
6.01.02.10	Increase/(Decrease) in accounts payable	-38,890	10,709
6.01.02.11	(Increase) Decrease advance to suppliers	8,548	-7,104
6.01.02.12	Increase/(Decrease) in installment payments	-10,361	-11,303
6.01.02.13	Increase /(Decrease) in Tax and labor liabilities	21,955	-2,625
6.01.02.14	Increase/(Decrease) in other accounts payable	1,711	-126
6.01.03	Others	-17,097	-12,166
6.01.03.01	Interest paid	-13,391	-4,910
6.01.03.02	Income and social contribution taxes paid	-3,706	-7,256
6.02	Net cash used in investment activities	-24,985	-155,863
6.02.01	Acquisition of property, plant and equipment	-38,754	-79,168
6.02.02	Acquisition of intangible assets	-556	-3,415
6.02.03	Proceeds from sales of permanent assets	0	210
6.02.04	Dividends received	8,095	5,100
6.02.05	Loans (granted to) repaid by related parties	6,278	-78,590
6.02.06	Paid-up capital in subsidiaries	-48	0

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year, 01/01/2014-06/30/2014	Accumulated of the prior year, 01/01/2013-06/30/2013
6.03	Net cash from financing activities	46,326	102,971
6.03.01	Funding loans and financing	110,524	171,677
6.03.02	Payment of loans and financing	-40,732	-60,155
6.03.03	Dividends paid	-23,466	-8,551
6.05	Increase (decrease) in cash and cash equivalents	-742	-55,660
6.05.01	Opening balance of cash and cash equivalents	55,389	56,576
6.05.02	Closing balance of cash and cash equivalents	54,647	916

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2014-06/30/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	46,065	-2,545	115,651	0	32,678	191,849
5.03	Adjusted opening balances	46,065	-2,545	115,651	0	32,678	191,849
5.05	Total comprehensive income	0	0	0	27,929	2,065	29,994
5.05.01	Net income for the period	0	0	0	27,143	0	27,143
5.05.02	Other comprehensive income	0	0	0	786	2,065	2,851
5.05.02.06	Realization of revaluation reserve	0	0	0	786	-786	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	2,851	2,851
5.06	Internal changes in shareholders' equity	30,500	0	-39,097	0	0	-8,597
5.06.04	Capital increase	30,500	0	-30,500	0	0	0
5.06.05	Approval of additional dividends	0	0	-8,597	0	0	-8,597
5.07	Closing balances	76,565	-2,545	76,554	27,929	34,743	213,246

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2013-06/30/2013

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119
5.05	Total comprehensive income	0	0	0	30,107	-4,287	25,820
5.05.01	Net income for the period	0	0	0	29,317	0	29,317
5.05.02	Other comprehensive income	0	0	0	790	-4,287	-3,497
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,497	-3,497
5.06	Internal changes in shareholders' equity	5,267	-267	-5,000	0	0	0
5.06.01	Formation of reserves	267	-267	0	0	0	0
5.06.04	Capital increase	5,000	0	-5,000	0	0	0
5.07	Closing balances	46,065	0	45,069	30,107	31,698	152,939

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year, 01/01/2014-06/30/2014	Accumulated of the prior year, 01/01/2013-06/30/2013
7.01	Income	515,889	452,178
7.01.01	Sale of merchandise, products and services	511,470	446,086
7.01.02	Other income	4,570	6,282
7.01.04	Allowance for /reversal of doubtful accounts	-151	-190
7.02	Inputs acquired from third parties	-262,242	-233,070
7.02.01	Cost of products, goods and services sold	-203,619	-190,860
7.02.02	Materials, Energy, Third-party services and other	-58,523	-43,906
7.02.03	Loss/recovery of asset values	-100	1,696
7.03	Gross added value	253,647	219,108
7.04	Retentions	-12,527	-7,161
7.04.01	Depreciation, amortization and depletion	-12,527	-7,161
7.05	Net added value produced	241,120	211,947
7.06	Added value received as transfer	29,626	26,565
7.06.01	Equity income (loss)	9,367	5,375
7.06.02	Financial income	20,259	21,190
7.07	Total added value payable	270,746	238,512
7.08	Distribution of added value	270,746	238,512
7.08.01	Personnel	80,888	63,806
7.08.01.01	Direct remuneration	69,893	55,679
7.08.01.02	Benefits	6,590	4,616
7.08.01.03	F.G.T.S.	4,405	3,511
7.08.02	Taxes, rates and contributions	119,626	107,927
7.08.02.01	Federal	62,842	59,691
7.08.02.02	State	56,540	47,991
7.08.02.03	Municipal	244	245
7.08.03	Third-party capital remuneration	43,089	37,462
7.08.03.01	Interest	38,099	33,364
7.08.03.02	Rents	4,990	4,098
7.08.04	Remuneration of own capital	27,143	29,317
7.08.04.03	Retained earnings / Loss for the period	27,143	29,317

Consolidated financial statements or Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
1	Total assets	946,804	904,908
1.01	Current assets	439,532	433,732
1.01.01	Cash and cash equivalents	56,234	57,677
1.01.03	Accounts receivable	177,627	163,801
1.01.03.01	Trade accounts receivable	177,627	163,801
1.01.04	Inventories	190,030	177,847
1.01.06	Recoverable taxes	7,265	17,883
1.01.06.01	Current taxes recoverable	7,265	17,883
1.01.06.01.01	Income and social contribution tax recoverable	452	10,978
1.01.06.01.02	Other current taxes recoverable	6,813	6,905
1.01.08	Other current assets	8,376	16,524
1.01.08.03	Others	8,376	16,524
1.01.08.03.03	Advances to suppliers	1,544	9,975
1.01.08.03.04	Others	6,832	6,549
1.02	Non-current assets	507,272	471,176
1.02.01	Long term assets	195,242	186,662
1.02.01.08	Related party credits	85,671	94,540
1.02.01.08.04	Other related party credits	85,671	94,540
1.02.01.09	Other non-current assets	109,571	92,122
1.02.01.09.03	Judicial deposits	30,859	20,721
1.02.01.09.04	Receivables - Eletrobrás	48,055	43,555
1.02.01.09.05	Recoverable taxes	6,002	3,884
1.02.01.09.06	Tax assets	14,589	13,896
1.02.01.09.07	Actuarial assets	9,547	9,547
1.02.01.09.08	Others	519	519
1.02.02	Investments	198	198
1.02.02.01	Equity interest	198	198
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	294,751	265,572
1.02.04	Intangible assets	17,081	18,744

Consolidated financial statements or Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2	Total liabilities	946,804	904,908
2.01	Current liabilities	321,959	352,485
2.01.01	Social and labor obligations	28,545	20,483
2.01.02	Suppliers	106,806	153,842
2.01.03	Tax liabilities	25,193	25,853
2.01.03.01	Federal tax liabilities	25,193	25,853
2.01.03.01.01	Income and social contribution tax payable	1,268	461
2.01.03.01.02	Installment payment of tax liabilities	13,111	18,080
2.01.03.01.03	Taxes, rates and contributions	10,814	7,312
2.01.04	Loans and financing	117,018	91,068
2.01.04.01	Loans and financing	117,018	91,068
2.01.05	Other liabilities	22,923	40,003
2.01.05.02	Others	22,923	40,003
2.01.05.02.04	Advances from clients	15,048	18,440
2.01.05.02.06	Dividends payable	355	15,239
2.01.05.02.07	Others	7,520	6,324
2.01.06	Provisions	21,474	21,236
2.01.06.02	Other provisions	21,474	21,236
2.01.06.02.05	Provision for contingencies	15,902	14,635
2.01.06.02.06	Provision for profit sharing	5,572	6,601
2.02	Non-current liabilities	411,581	360,566
2.02.01	Loans and financing	242,583	202,066
2.02.01.01	Loans and financing	242,583	202,066
2.02.02	Other liabilities	123,511	117,200
2.02.02.02	Others	123,511	117,200
2.02.02.02.03	Suppliers	24,116	15,966
2.02.02.02.05	Private pension plan	2,359	2,544
2.02.02.02.06	Installment payment of tax liabilities	96,932	98,616
2.02.02.02.08	Others	104	74
2.02.03	Deferred taxes	29,543	29,154
2.02.03.01	Deferred income and social contribution taxes	29,543	29,154
2.02.04	Provisions	15,944	12,146
2.02.04.02	Other provisions	15,944	12,146
2.02.04.02.05	Provision for contingencies	7,306	5,908
2.02.04.02.06	Provision for long-term incentive	8,638	6,238
2.03	Consolidated shareholders' equity	213,264	191,857
2.03.01	Realized capital	76,565	46,065
2.03.02	Capital reserves	-2,545	-2,545
2.03.02.05	Treasury shares	-2,545	-2,545
2.03.04	Profit reserves	76,554	115,651
2.03.04.01	Legal reserve	7,808	7,808
2.03.04.05	Profit retention reserve	68,746	41,786
2.03.04.08	Additional dividend proposed	0	8,597
2.03.04.10	Profit reserves to be allocated	0	57,460
2.03.05	Retained Earnings/Losses	27,929	0
2.03.08	Other comprehensive income	34,743	32,678

Consolidated Financial Statements I Balance Sheet Liability

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2.03.09	Interest of non-controlling shareholders	18	8

Consolidated financial statements or Statement of income
(In thousands of reais)

Code of account	Account description	Current quarter 04/01/2014-06/30/2014	Accumulated of the current year, 01/01/2014-06/30/2014	Same quarter of the prior year, 04/01/2013-06/30/2013	Accumulated of the prior year, 01/01/2013-06/30/2013
3.01	Income from sales of goods and/or services	233,044	439,584	207,601	383,356
3.02	Cost of goods and/or services sold	-146,806	-276,513	-135,141	-250,852
3.03	Gross income	86,238	163,071	72,460	132,504
3.04	Operating expenses/income	-59,627	-110,106	-40,226	-76,061
3.04.01	Sales expenses	-43,388	-78,720	-31,983	-58,104
3.04.02	General and administrative expenses	-8,432	-15,781	-7,668	-13,919
3.04.04	Other operating income	893	1,204	4,342	3,627
3.04.04.01	Other operating income	893	1,204	2,545	2,812
3.04.04.02	Other gains (losses), net	0	0	1,797	815
3.04.05	Other operating expenses	-8,700	-16,809	-4,917	-7,665
3.04.05.01	Other operating expenses	-5,791	-11,613	-4,917	-7,665
3.04.05.02	Other gains (losses), net	-2,909	-5,196	0	0
3.05	Income (loss) before financial income (loss) and taxes	26,611	52,965	32,234	56,443
3.06	Financial income (loss)	-8,218	-12,769	-8,697	-12,932
3.06.01	Financial income	6,840	12,714	4,296	9,015
3.06.01.01	Financial income	5,750	11,191	4,296	9,015
3.06.01.02	Net exchange variation	1,090	1,523	0	0
3.06.02	Financial expenses	-15,058	-25,483	-12,993	-21,947
3.06.02.01	Financial expenses	-15,058	-25,483	-8,734	-18,378
3.06.02.02	Net exchange variation	0	0	-4,259	-3,569
3.07	Income (loss) before income tax	18,393	40,196	23,537	43,511
3.08	Income and social contribution taxes	-5,774	-13,002	-7,274	-14,160
3.08.01	Current	-6,675	-12,613	-6,993	-14,411
3.08.02	Deferred assets	901	-389	-281	251
3.09	Net income (loss) of continued operations	12,619	27,194	16,263	29,351
3.10	Net income (loss) of discontinued operations	-21	-41	-4	-27
3.10.01	Net income (loss) of discontinued operations	-21	-41	-4	-27
3.11	Income/loss for the period	12,598	27,153	16,259	29,324

Consolidated financial statements or Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2014-06/30/2014	Accumulated of the current year, 01/01/2014-06/30/2014	Same quarter of the prior year, 04/01/2013-06/30/2013	Accumulated of the prior year, 01/01/2013-06/30/2013
3.11.01	Attributed to the Parent company's partners	12,593	27,143	16,255	29,317
3.11.02	Attributed to non-controlling partners	5	10	4	7
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.07946	0.17126	0.10223	0.18437
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.07946	0.17126	0.10228	0.18459

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2014-06/30/2014	Accumulated of the current year, 01/01/2014-06/30/2014	Same quarter of the prior year, 04/01/2013-06/30/2013	Accumulated of the prior year, 01/01/2013-06/30/2013
4.01	Consolidated net income for the period	12,598	27,153	16,259	29,324
4.02	Other comprehensive income	1,231	2,851	-4,101	-3,497
4.02.02	Exchange variation of foreign subsidiary	1,231	2,851	-4,101	-3,497
4.03	Consolidated comprehensive income for the period	13,829	30,004	12,158	25,827
4.03.01	Attributed to the Parent company's partners	13,824	29,994	12,154	25,820
4.03.02	Attributed to non-controlling partners	5	10	4	7

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year, 01/01/2014-06/30/2014	Accumulated of the prior year, 01/01/2013-06/30/2013
6.01	Net cash from operational activities	-7,582	-6,117
6.01.01	Cash generated in operations	76,002	73,514
6.01.01.01	Profit or loss for the year before taxes	40,155	43,511
6.01.01.02	Depreciation and amortization	12,656	7,197
6.01.01.04	Unrealized exchange variation	1,328	-279
6.01.01.05	Provision for inventory at market value	1,688	1,387
6.01.01.06	Allowance for doubtful accounts	151	187
6.01.01.07	Provision for contingencies	1,132	1,922
6.01.01.08	Provision for labor obligations	-4,622	5,365
6.01.01.09	Provision for profit sharing	1,371	-1,909
6.01.01.10	Other provisions	-671	-2,754
6.01.01.12	Restatement of Eletrobrás compulsory loans	-4,500	-3,645
6.01.01.13	Adjustments to tax assets	-693	-443
6.01.01.14	Restatements of credits with other related parties	8,869	8,810
6.01.01.15	Finance charges on tax installments	3,994	3,347
6.01.01.16	Decomposition of discount of provisions for contingencies	1,533	2,265
6.01.01.18	Accrued interest on loans	12,684	7,516
6.01.01.19	Negative goodwill on receivables received from related parties	2,032	0
6.01.01.20	Others	-1,105	1,037
6.01.02	Changes in assets and liabilities	-64,085	-64,070
6.01.02.01	(Increase)/Decrease in accounts receivable	-13,962	-24,037
6.01.02.02	Increase /(Decrease) in Advances from clients	-3,392	-3,045
6.01.02.04	(Increase)/Decrease in inventories	-13,871	-19,043
6.01.02.05	(Increase)/Decrease in other assets	-283	-5,895
6.01.02.06	(Increase)/Decrease in legal deposits	-10,138	-875
6.01.02.07	(Increase) Decrease in receivables from related parties	-2,032	0
6.01.02.08	(Increase)/Decrease in recoverable taxes	-2,026	0
6.01.02.09	Increase/(Decrease) in accounts payable	-38,891	10,441
6.01.02.10	(Increase) Decrease advance to suppliers	8,431	-7,046
6.01.02.11	Increase/(Decrease) in installment payments	-10,647	-11,772
6.01.02.12	Increase /(Decrease) in Tax and labor liabilities	21,014	-2,594
6.01.02.14	Increase/(Decrease) in other accounts payable	1,712	-204
6.01.03	Others	-19,499	-15,561
6.01.03.01	Interest paid	-13,391	-4,910
6.01.03.02	Income and social contribution taxes paid	-6,108	-10,651
6.02	Net cash used in investment activities	-40,172	-82,378
6.02.01	Acquisition of property, plant and equipment	-39,696	-79,173
6.02.02	Acquisition of intangible assets	-476	-3,415
6.02.03	Proceeds from sales of permanent assets	0	210
6.03	Net cash from financing activities	46,311	102,972
6.03.01	Funding loans and financing	110,524	171,677
6.03.02	Payment of loans and financing	-40,732	-60,155
6.03.03	Dividends paid	-23,481	-8,550
6.05	Increase (decrease) in cash and cash equivalents	-1,443	14,477

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year, 01/01/2014-06/30/2014	Accumulated of the prior year, 01/01/2013-06/30/2013
6.05.01	Opening balance of cash and cash equivalents	57,677	58,870
6.05.02	Closing balance of cash and cash equivalents	56,234	73,347

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2014-06/30/2014

(In thousand of reais)

Code of account	Account description	Capital paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857
5.03	Adjusted opening balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857
5.05	Total comprehensive income	0	0	0	27,929	2,065	29,994	10	30,004
5.05.01	Net income for the period	0	0	0	27,143	0	27,143	10	27,153
5.05.02	Other comprehensive income	0	0	0	786	2,065	2,851	0	2,851
5.05.02.06	Realization of revaluation reserve	0	0	0	786	-786	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	2,851	2,851	0	2,851
5.06	Internal changes in shareholders' equity	30,500	0	-39,097	0	0	-8,597	0	-8,597
5.06.04	Capital increase	30,500	0	-30,500	0	0	0	0	0
5.06.05	Approval of additional dividends	0	0	-8,597	0	0	-8,597	0	-8,597
5.07	Closing balances	76,565	-2,545	76,554	27,929	34,743	213,246	18	213,264

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2013-06/30/2013

(In thousand of reais)

Code of account	Account description	Capital paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119	11	127,130
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119	11	127,130
5.05	Total comprehensive income	0	0	0	30,107	4,287	25,820	4	25,824
5.05.01	Net income for the period	0	0	0	29,317	0	29,317	4	29,321
5.05.02	Other comprehensive income	0	0	0	790	4,287	-3,497	0	-3,497
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,497	-3,497	0	-3,497
5.06	Internal changes in shareholders' equity	5,267	-267	-5,000	0	0	0	0	0
5.06.01	Formation of reserves	267	-267	0	0	0	0	0	0
5.06.04	Capital increase	5,000	0	-5,000	0	0	0	0	0
5.07	Closing balances	46,065	0	45,069	30,107	31,698	152,939	15	152,954

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year, 01/01/2014-06/30/2014	Accumulated of the prior year, 01/01/2013-06/30/2013
7.01	Income	546,644	476,118
7.01.01	Sale of merchandise, products and services	547,121	474,175
7.01.02	Other income	-326	2,130
7.01.04	Allowance for /reversal of doubtful accounts	-151	-187
7.02	Inputs acquired from third parties	-268,971	-241,373
7.02.01	Cost of products, merchandise and services sold	-202,477	-190,458
7.02.02	Materials, Energy, Third-party services and other	-66,353	-52,584
7.02.03	Loss/recovery of asset values	-100	1,696
7.02.04	Others	-41	-27
7.02.04.01	Income from discontinued operations	-41	-27
7.03	Gross added value	277,673	234,745
7.04	Retentions	-12,657	-7,197
7.04.01	Depreciation, amortization and depletion	-12,657	-7,197
7.05	Net added value produced	265,016	227,548
7.06	Added value received as transfer	20,474	21,550
7.06.02	Financial income	20,474	21,550
7.07	Total added value payable	285,490	249,098
7.08	Distribution of added value	285,490	249,098
7.08.01	Personnel	85,967	67,101
7.08.01.01	Direct remuneration	74,321	58,543
7.08.01.02	Benefits	6,833	4,867
7.08.01.03	F.G.T.S.	4,813	3,691
7.08.02	Taxes, rates and contributions	128,641	114,694
7.08.02.01	Federal	71,779	66,420
7.08.02.02	State	56,587	47,996
7.08.02.03	Municipal	275	278
7.08.03	Third-party capital remuneration	43,729	37,979
7.08.03.01	Interest	38,440	33,669
7.08.03.02	Rents	5,289	4,310
7.08.04	Remuneration of own capital	27,153	29,324
7.08.04.03	Retained earnings / Loss for the period	27,143	29,317
7.08.04.04	Interest of non-controlling shareholders in retained earnings	10	7

COMMENT ON THE CONSOLIDATED PERFORMANCE IN 2Q14

Portobello S.A. (BM&FBovespa: PTBL3 NM) presents its income for the 2nd quarter of 2014. Financial information presented in this document derives from consolidated quarterly financial information of Portobello S.A., prepared in accordance with standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

About Portobello

Portobello is currently Brazil's largest ceramics company, with gross income exceeding R$1 billion. Its production, which is close to 30 million square meters, caters for countries on the five continents, as well as for the domestic market, through multi-brand sales points, Portobello Shop and the sales channel for engineers.

HIGHLIGHTS

- Net income in R$233, 12% higher than in 2Q13 and 15% for the half;
- Gross income (loss) in R$86 million, 19% > 2Q13, with 37% margin;
- EBITDA in R$36 million in 2Q14, 5% > 2Q13;
- EBITDA margin in 15.3%, < 2Q13 in 1.1 p.p.;
- Portobello Shop franchise network with 119 stores;
- Continued construction work of its Northeast Unit whose operations are expected to start in the 2nd quarter of 2015.

MANAGEMENT COMMENTS

The Company has revised its goals for 2014, considering that performance of economy is lower than that foreseen at the end of 2013, evidenced at the beginning of the year by financial market instability and several falls in expected Brazilian GDP expansion.

This downturn in economy was felt in the industry both by ABRAMAT, which follows performance of construction material industries, as well as IBGE, which measures this industry's retail performance. Both institutions present positive rates, however, they fell in the last 3 months of the half. With this performance, both rates reflect decreased expectations for the year. Portobello has maintained a significantly higher performance - growth of 15% per annum, but it is aware of growing difficulties felt by the industry that may affect its earnings during the 2nd half of the year.

In conformity with the economy monitoring, the Management has adopted internal rationalization actions, both of operating costs and investment plan, which is being carefully and conservatively analyzed.

Management maintains its focus on manufacturing higher added value products and on its distinguished production model (own and outsourced production), but with a lower share of products acquired from China, considering the Company's strategy based on CAMEX (Foreign Commerce Chamber) Resolution no. 53/2014, which applies provisional law against imports of technical porcelain tile from China.

The Company's performance in the six-month period was based on maintenance of Portobello industry, as well as the Company's management and distribution model through its four sales channels. Maintained income growth but net income decreased due mainly to increase in financial expenses resulting from investment program conducted in 2013 and the 1H14, which is in line with the Company's growth strategy.

In thousands of reais, unless otherwise indicated

ECONOMIC AND FINANCIAL PERFORMANCE

Consolidated income (loss)	2Q12	2Q13	2Q14	▲%	1H12	1H13	1H14	▲%1
Gross income	197,502	265,597	298,173	12%	386,823	486,043	560,253	15%
Net income	157,169	207,601	233,044	12%	307,162	383,356	439,584	15%
Gross income	55,869	72,460	86,238	19%	106,361	132,504	163,071	23%
Gross margin	35.5%	34.9%	37.0%	2.1 p.p.	34.6%	34.6%	37.1%	2.5 p.p.
Operating expenses	(33,778)	(42,023)	(56,718)	35%	(61,832)	(76,876)	(104,910)	36%
Sales	(25,250)	(31,983)	(43,388)	36%	(47,736)	(58,104)	(78,720)	35%
General and administrative	(6,079)	(7,668)	(8,432)	10%	(11,563)	(13,919)	(15,781)	13%
Other income (expenses)	(2,449)	(2,372)	(4,898)	106%	(2,533)	(4,853)	(10,409)	114%
EBIT	22,091	30,437	29,520	-3%	44,529	55,628	58,161	5%
EBIT margin	14.1%	14.7%	12.7%	-2 p.p.	14.5%	14.5%	13.2%	-1.3 p.p.
Financial income (loss)	(4,949)	(6,900)	(11,127)	61%	(10,190)	(12,117)	(17,965)	48%
Taxes on income	(4,866)	(7,274)	(5,774)	-21%	(10,905)	(14,160)	(13,002)	-8%
Net income	12,638	16,259	12,598	-23%	23,796	29,324	27,153	-7%
Net Margin	8.0%	7.8%	5.4%	-2.4 p.p.	7.7%	7.6%	6.2%	-1.5 p.p.
EBITDA	26,222	34,102	35,753	5%	52,695	62,825	70,818	13%
EBITDA margin	*16.7%*	*16.4%*	*15.3%*	-1.1 p.p.	*17.2%*	*16.4%*	*16.1%*	-0.3 p.p.

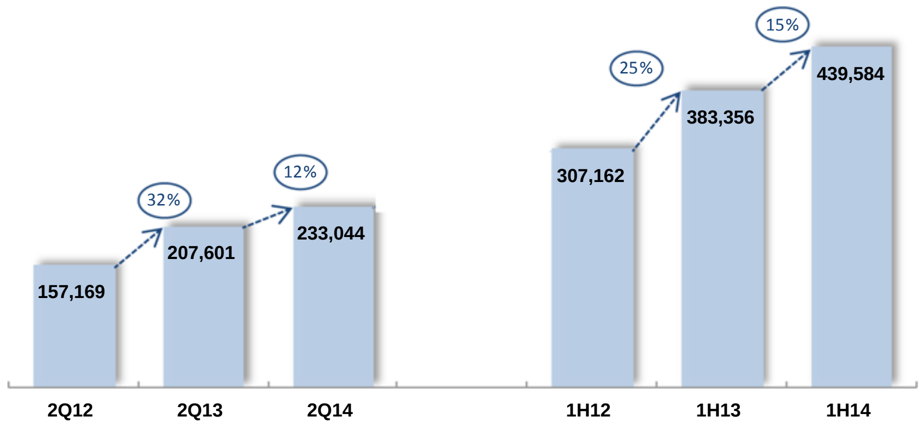
Net income

In the 2Q14, Portobello's consolidated net income increased 12% when compared to income earned in the same period of 2013, totaling R$ 233 million, and accumulated income reached R$440 million, 15% higher than that of the 1S13.

Increase in physical sales volume and sales mix with nobler products - whose profitability per unit sold is higher - are still the main factors for the Company's excellent performance.

Domestic market's net income, which represented 90% of total, increased 10% in relation to the 2Q13 and had similar participation in Engineering, Multibrand retail and Portobello Shop. Growth in this market, as in the 1Q14, was the result of response to growing demand for more innovative products with distinguished technological design and solutions. While foreign market grew 34% in comparison with the 2Q13, also influenced by more sophisticated products' sales volume and average price higher than that of the same period of 2013.

Net income

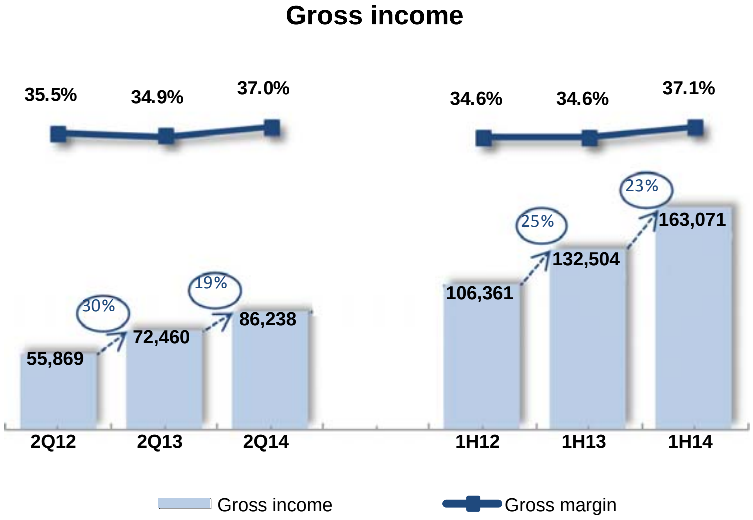


In thousands of reais, unless otherwise indicated

Net income	2Q12	2Q13	2Q14	▲%	1H12	1H13	1H14	▲%
Domestic market	145,494	190,869	210,556	10%	285,128	351,788	395,503	12%
Foreign market	11,675	16,732	22,488	34%	22,034	31,568	44,081	40%
Total	157,169	207,601	233,044	12%	307,162	383,356	439,584	15%

Gross income

Gross profit was R$ 86 million in 2Q14 and presented a 19% growth over the same period in the previous year, accumulating a gain of 23% in the first six months of 2014. In this quarter, gross margin presented historic growth, reaching 37%, that is, two percentage points higher than that of the 2Q13 and the same increase in accumulated income. Gross margin growing performance is the result of gradual development of actions focused on operating efficiency gains, intended to increase quality, continuously improve industrial processes and incentive internal meritocracy program for managers and leaders.



Operating income

Consolidated selling, general and administrative expenses represented Net Income margin of 19% and 4% in the 2Q14 and 15% and 4%, respectively, in the 2Q13, maintained at levels expected by the Company, which aims at growth and operating efficiency gains.

Selling expenses totaled R$43 million in the 2Q14 and R$79 million in the 1S14, respectively, 36% and 35% higher than the same periods of prior year, resulting from higher investments in sale force, marketing campaigns and, mainly, investments in logistics and regional distribution centers that shall contribute to operating effectiveness and sales growth, beginning as of 2015.

Administrative expenses that totaled R$8 million in the 2Q14 and R$16 million in the 1S14, respectively 10% and 13% higher than the same periods of prior year, result mainly from expenses with contracting of advisors to maintain the Company's growth.

Operating expenses	2Q12	2Q13	2Q14	▲%	%NR	1H12	1H13	1H14	▲%	%NR
Sales	(25,250)	(31,983)	(43,388)	36%	19%	(47,736)	(58,104)	(78,720)	35%	18%
General and administrative	(6,079)	(7,668)	(8,432)	10%	4%	(11,563)	(13,919)	(15,781)	13%	4%
Other income (expenses)	(2,449)	(2,372)	(4,898)	106%	2%	(2,533)	(4,853)	(10,409)	114%	2%
Total	(33,778)	(42,023)	(56,718)	35%	24%	(61,832)	(76,876)	(104,910)	36%	24%

Other operating expenses, net, of R$ 5 million in 2Q14 and R$ 10 million in 1H14 refer specially to provision for judicial contingencies, to the long-term incentive program (with full settlement five years after initial recognition), and a reserve for employee profit sharing, for payment after the end of the year, and pre-operating expenses of Alagoas Plant.

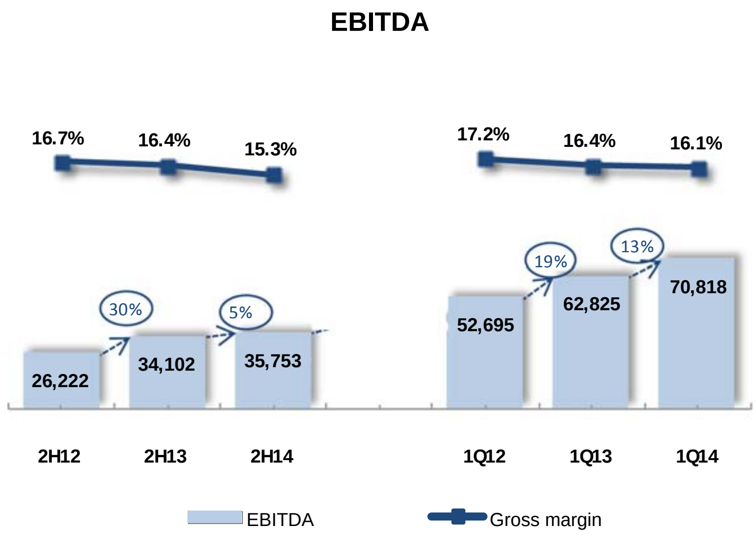
In thousands of reais, unless otherwise indicated

EBITDA

As a result of previously mentioned effects, in the 2Q14, cash generation measured by EBITDA was R$36 million in the quarter and accumulated R$71 million in the 1H14, with growth of 5% and 13%, respectively, over the same periods of 2013. The EBITDA margin was 15% and 16%, respectively. If we segregate expenditures with the new Alagoas plant, EBITDA would be R$37 million in the quarter and R$73 million in amount accumulated in the half.

EBITDA	2Q12	2Q13	2Q14	▲%	%NR	1H12	1H13	1H14	▲%	%NR
Net income	12,635	16,255	12,593	-23%	5%	23,790	29,317	27,143	-7%	6%
(+) Financial income	4,949	6,900	11,127	61%	5%	10,190	12,117	17,965	48%	4%
(+) Depreciation and amortization	4,131	3,665	6,233	70%	3%	8,166	7,197	12,657	76%	3%
(+) Income and social contribution taxes	4,866	7,274	5,774	-21%	2%	10,905	14,160	13,002	-8%	3%
(+) Others*	(359)	8	26	225%	0%	(356)	34	51	50%	0%
EBITDA	26,222	34,102	35,753	5%	15%	52,695	62,825	70,818	13%	16%
(+) Pre-Operational phase of Alagoas Plant	-	-	1,532	-	-	-	-	2,265	-	-
Adjusted EBITDA	26,222	34,102	37,285	9%	16%	52,695 52,695	62,825	73,083	16%	17%

* Income from discontinued operations and non-controlling shareholders' interest.



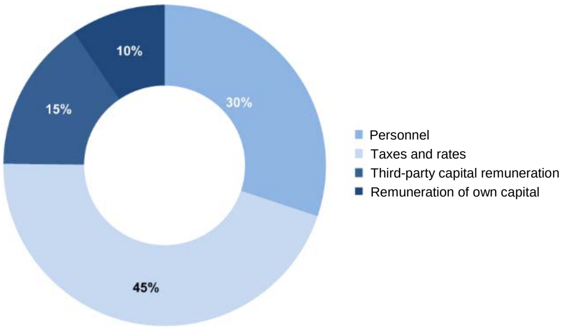
Net income

Net income for the quarter was R$13 million, 23% lower than that referring to the same quarter of 2013. While accumulated income totaled R$27 million, 7% lower than the R$29 million presented in the 1H13. Income for this year was lower than the 1H13 as a result of high investments in sales force and higher financial expenses due to increased indebtedness, which is the result of investments in the Company's organic, profitable and sustainable growth.

In thousands of reais, unless otherwise indicated

Added value

In the quarter, added value totaled R$149 million, accumulating R$285. Of this amount, 45% of total added value was used to pay taxes, tariffs and contributions to Federal, State and Municipal governments, 30% to pay personnel, and 25% to pay shareholders and third parties remuneration.

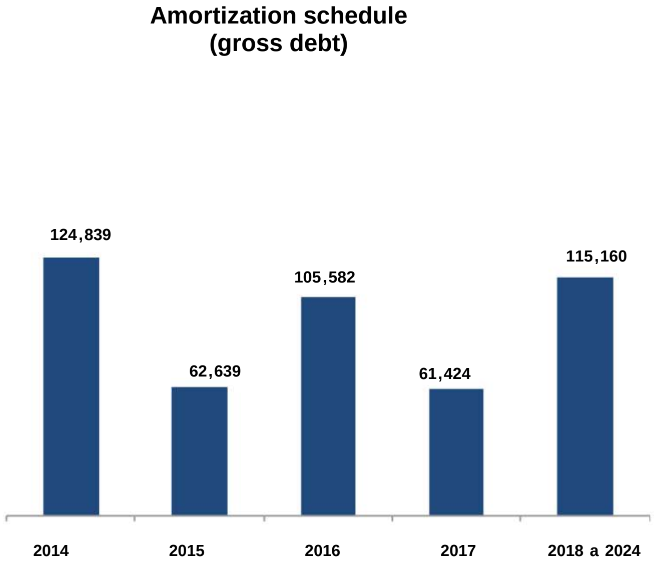


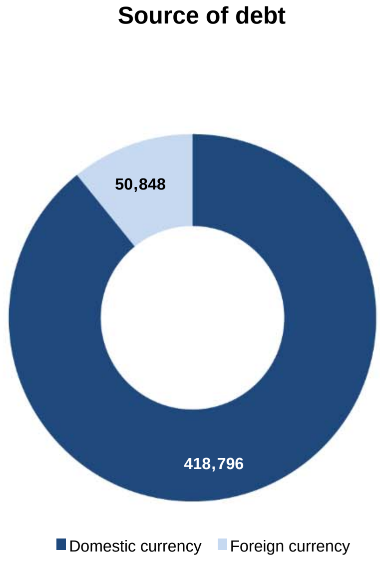
INDEBTEDNESS/CAPITAL STRUCTURE

In nominal terms, the Company's net indebtedness was R$328 million at the end of June 2014, against R$245 million in 2013, which is equivalent to 2.0 times EBITDA for the last 12 months and 54% of shareholders' equity. This indebtedness level, which increased financial expenses, is related to investments in the expansion that will support the Company's growth. Gross indebtedness totaled R$470 million; 28% matures in the short term and 72% in the long term period.

Indebtedness	Jun 2012	Jun 2013	Jun 2014	▲ R$
Bank	123,085	284,637	359,601	74,964
Tax	140,952	124,982	110,043	(14,939)
(=) Total indebtedness	264,037	409,619	469,644	60,025
(+) Cash and cash equivalents and securities	(23,276)	(73,347)	(56,234)	17,113
(+) Credits with Refinadora Catarinense	(97,519)	(91,588)	(85,671)	5,917
(=) Total net indebtedness	143,242	244,684	327,739	83,055
EBITDA (last 12 months)	103,549	139,383	164,118	24,735
(=) Net debt/ EBITDA	1.4	1.8	2.0	-
(=) Net debt / Income (loss)	40%	60%	54%	-

Financial income (loss)	2Q12	2Q13	2Q14	▲%	%NR	1H12	1H13	1H14	▲%	%NR
Financial income	(216)	37	6,840	18386%	3%	5,338	5,446	12,714	133%	3%
Financial expenses	(9,035)	(8,734)	(15,058)	72%	6%	(18,570)	(18,378)	(25,483)	39%	6%
Other gains (losses)	4,302	1,797	(2,909)	-262%	1%	3,042	815	(5,196)	-738%	1%
Total	(4,949)	(6,900)	(11,127)	61%	5%	(10,190)	(12,117)	(17,965)	48%	4%





INVESTMENTS

In the second quarter of 2014, investments in fixed assets intended to growth projects totaled R$20 million, accumulating R$40 million in the six-month period. The expansion program provides for investments in a plant in the Northeast, which is already in the construction stage.

> ***Fábrica Nordeste***
> *In November 2013, the milestone for construction of the manufacturing plant in Alagoas was laid. The unit has one million square meter of available area for the expansion and in the first phase of operations will generate 1,000 jobs (direct and indirect). Financed by Banco do Nordeste do Brasil S/A, the plant has a budget of R$ 210 million that will be disbursed up to the beginning of the year 2015, when its production should start. It is estimated that Capex may reach R$149 million, and in 2015 the plant may produce about 16,000 square meters, followed by a gross income of approximately 211 million. The investment seeks to meet the public in the Northern and Northeastern region of Brazil, which currently accounts for 25% of domestic ceramics market. With specific public and portfolio, the plant will be the leverage of the new brand - Pointer.*

The Company maintains its investments in a new logistics model, as previously mentioned, to serve growth projects with the same service quality level, and aiming at lower costs. To this effect, the Company will create at strategic locations, distribution centers, and it already has one in the state of Pernambuco and second, in the state of São Paulo, with its operations started in the 1Q14.

REMUNERATION TO SHAREHOLDERS

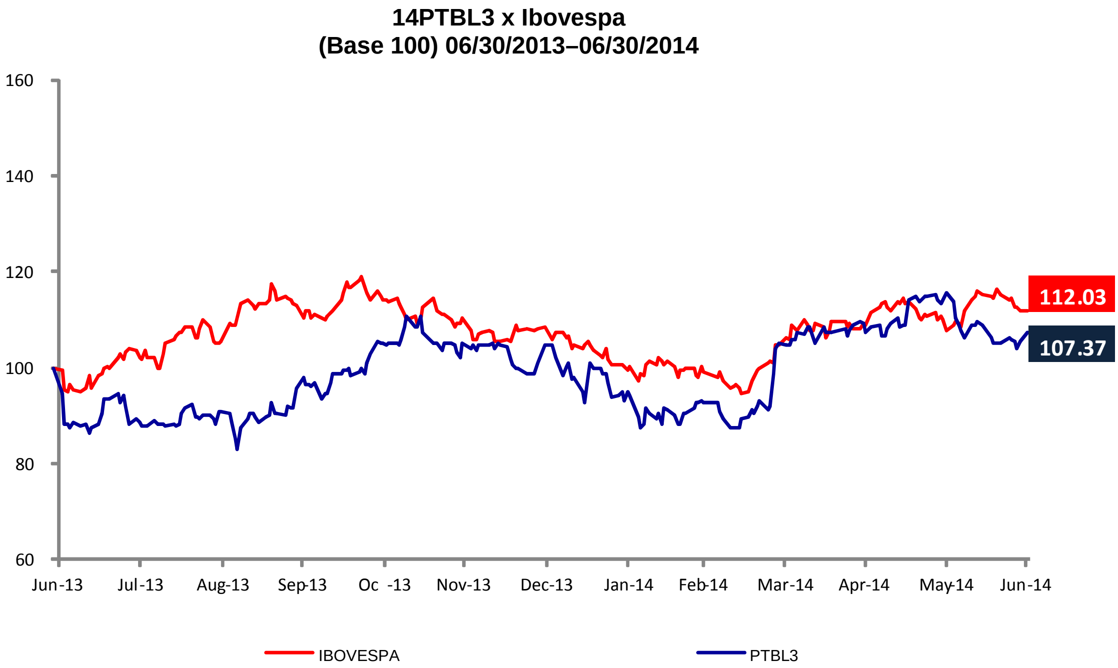
The Annual Shareholders' Meeting held on April 30, 2014 approved Management's proposal of distributing dividends of 10% in addition to minimum mandatory dividends. Amount paid on May 30, 2014 was R$24 million (net of payments made in September 2013), which corresponds to interest on own capital of R$8 million, being R$0.0484 per share and dividends amounting to approximately R$16 million, approximately R$0.1007 per share.

PERFORMANCE OF PTBL3 SHARES

The common shares issued by Portobello, traded on BM&FBovespa under the ticker symbol PTBL3, ended the last trading day of June 2014 quoted at R$ 5.10, an appreciation of 7% in the last twelve months, whereas the Ibovespa index increased by 12%.

Average financial volume traded in the last 12 months was R$12.9 million, an increase of 40% in face of the R$9.2 million for the same period of 2013.

In the second quarter of 2014 Portobello presented a market value equivalent to R$ 811 million (R$ 755 million as of June 30, 2013).



OUTLOOK

- The Company believes that seasonal sales in the 2nd half of the year will be better than those obtained in the first half, although at growth rates lower that those normally seen for this period in recent years;
- The retail will have a better performance than that resulting from large real estate investments, influenced by refurbishment market's greater share;
- Portobello Shop maintains its expansion plan and believes that it will exceed 130 stores at the end of the year.

DESIGN AND RELATIONSHIP

One of the significant values of Portobello, the Design is the vehicle that conducts the brand relationship with its main target audience - the specifier. Architecture and interior design professionals consider the information on materials and trends as a significant source for their work and, on the other hand, having dialogs with those professionals is extremely important to the process of creation and innovation of the Company.
Two distribution channels relate more directly to architects, interior designers and engineers. These are: "*Engenharia*" (Engineering) channel, which serves major works by builders and corporate clients, and *Portobello Shop* channel, where most sales is accomplished through the specifier.
In the *Engenharia* channel, "Criar" (Create) program brings together a range of services to this public, such as support for the specification, sample express, technical information through digital channels and guided visits to the plant. Architects participate in products workshops during their visits to the plant where they can exchange information and make suggestions to the creative team. Out of such dialog, insights arise for new product designs and services, acting as one of the innovation vectors.
In order to encourage the professional activity and enhance their architectural creation, Portobello annually publishes the book "*Arquitetura Brasileira*" (Brazilian Architecture) with the publication of their major works. In 2014, the 3rd edition of the book will be released with the participation of over 20 architects.

In Portobello Shop channel, "*Ser*" (Being) program has been the primary means of relationship with specifiers for ten years. In 2013, a group of architects visited Japan on a cultural trip, and several groups participated in the product workshops with the creative team. The best professionals of the country receive an homage in a special awards. In 2013, two new means of communication with the specifiers of this retail channel were launched. "*Moda"* (Fashion), a newsletter on trends, published on a quarterly basis, in partnership with Bamboo Magazine, gather information about the releases and movements of interior decorating market. *Casas Portobello* is a constant publication available in Portobello Shop stores with examples of real environments made by architects and interior designers. It is a way to disseminate the work, inspire clients and value professionals.
Portobello believes that design inspires and excites people and that dialog with architecture and interior design professionals is critical to constantly feed this process.

INDEPENDENT AUDIT

Portobello's policy towards its auditors with respect to service provision not related to external audits of financial statements, which is covered by the principles that preserve the professional independence. These principles are based on the assumption that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client. In the 2Q14, the Company did not hire independent auditors for services other than those related to external auditing.

COMPOSITION OF MANAGEMENT

Executive Board

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

Board of Directors

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

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

Portobello

Statement of the Executive Officers on the Financial Statements and Special Review Report of Independent Auditors

Pursuant to CVM Instruction No. 480/09, item I of Article 28, in compliance with items V and VI of Article 25 of this Instruction, the management of Portobello S.A. declares that:

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended June 30, 2014; and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended June 30, 2014.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Director Vice-president

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira - Director

Tijucas, August 12, 2014.

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Cesar Gomes Júnior

____

Cláudio Ávila da Silva

____

John Shojiro Suzuki

____

Mauro do Valle Pereira

1 Operations

Portobello S.A., herein also referred to as “Company” or “Parent Company”, is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011, and holds on June 30, 2014 59.54% of the company’s shares. Remaining 40.46% of shares are held by several shareholders.

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

In addition, the Company holds shareholding interest in subsidiaries: (i) Portobello América, which was established for the purpose of selling Portobello products in the North-American market and is classified as a discontinued operation, as explained in Note 34; (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 a store in the city of Belo Horizonte; and (iv) Portobello Shop, administrator of Portobello Shop and Empório Portobello store franchise chain, specialized in ceramic coating and (v) Companhia Brasileira de Cerâmica responsible for the operations in northeast region. Portobello Shop has a chain of 119 franchised stores specialized in porcelain floor tiles (porcellanato) and ceramic coatings.

2 Presentation of interim financial statements

The consolidated quarterly information, identified as “Consolidated,” was prepared in compliance with the Accounting Pronouncements Committee - International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), which are in accordance with Brazilian accounting practices (BRGAAP) and are compliant.

The individual quarterly information of Portobello S.A., identified as “Parent company”, was prepared according to accounting practices adopted in Brazil. Those practices differ from the international accounting standards applicable to Portobello S.A. only as to what regards the valuation of investments under the equity method, since, under IFRS, the investments must be measured and presented at acquisition cost or fair value.

Said quarterly information was prepared according to the rules of the Brazilian Securities and Exchange Commission (CVM) applicable to the elaboration of the Quarterly Information (ITR), using the historic cost as a base value, except for the evaluation at fair value of certain financial instruments, when required by applicable rules.

To create quarterly information is necessary the Management of the Company and its subsidiaries make estimates for the recording of certain transactions affecting their assets and liabilities, income and expenses.

The content and values of certain explanatory notes presented in the financial statements for the year ending December 31, 2013, which did not require significant updates, have not been repeated on the notes selected for the quarterly information as of June 30, 2014. Therefore, these two financial statements should be read together.

Accounting practices and calculation methods adopted in the preparation of quarterly information as of June 30, 2014, as well as the main judgments and uncertainties in the estimates used in applying accounting practices are the same as those used in the preparation of the financial statements for the year ended December 31, 2013.

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

Pronouncements applicable to the Company from January 01, 2014.

- Review of IAS 32 - Financial Instruments: This change is part of the project for the “offsetting between assets and liabilities” of IASB, which clarifies that legal offsetting right, to be effective, has to be current and attributable to all parties in the normal course of business, and clarifies in which circumstances some systems for regularization of gross amounts (clearing houses) comply with offset requirements provided by IAS 32. Adoption of said rule by the Company did not materially impact its financial statements.

- Review of IAS 36 - Disclosures of recoverable value for non-financial assets: This rule changes disclosure requirements for measurement of the asset’s recoverable value when this is determined based on fair value less estimated cost to sell the asset. Adoption of said rule by the Company did not cause the need to change the Company’s disclosure.

- Review of IAS 39 - Renewal of derivatives and maintenance of hedge accounting: This change is intended to allow an exception in hedge accounting discontinuity when renewal of a derivative assigned as hedge instrument reaches certain criteria. The Company has no transactions related to renewal of derivatives.

- IFRIC 21 - Government rates: The purpose of this interpretation is to determine when the obligation of paying a certain tax that is under the scope of IAS 37 - Provisions, contingent assets and contingent liabilities is to be accounted for. Procedure adopted by the Company to recognize said obligations is in conformity with the rule’s provisions. Adoption of said rule by the Company did not cause the need to change the Company’s disclosure.

Pronouncements applicable to the Company from January 1, 2016

- Review of IAS 16 and IAS 41 - Property, plant and equipment, Biological assets and Agricultural product: The purpose of this change is to define and include the concept of fruit tree in the scope of IAS 16. The Company has no transactions of this nature.

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

Pronouncements applicable to the Company from January 01, 2017

- IFRS 15 - Income from contracts with clients: 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.

In thousands of reais, unless otherwise indicated

b) EmpresasNet (ENET) system

It is worth noting that the table "Statement of Changes in Shareholders' Equity" of the CVM's "EmpresasNet - ENET" System, the adjustment of equity assessments mentioned in "Other Comprehensive Income," is presented in the column as such as there is no more appropriate option in the standard CVM statement for the presentation of said transaction.

c) Approval of quarterly information

The quarterly information previously mentioned was approved by the Board of Directors in a meeting held on August 7, 2014.

3 Financial risk management

3.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange 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, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Accounts receivable	28,358	24,254	28,358	24,254
Checking account	45,991	-	45,991	-
Receivables from subsidiaries	45,094	47,962	-	-
Exposed assets	119,443	72,216	74,349	24,254
Provision for loss in investments	(44,838)	(47,649)	-	-
Accounts payable, net of advances	(10,181)	(41,989)	(10,181)	(41,989)
Loans and financing	(50,848)	(17,551)	(50,848)	(17,551)
Exposed liabilities	(105,867)	(107,189)	(61,029)	(59,540)
Net exposure	13,576	(34,973)	13,320	(35,286)

In thousands of reais, unless otherwise indicated

	In Euros				In US$			
	Parent company		Consolidated		Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Accounts receivable	398	341	398	341	7,937	8,082	7,937	8,082
Checking account	-	-	-	-	20,881	-	20,881	-
Receivables from subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for loss in investments	-	-	-	-	(20,358)	(20,340)	-	-
Accounts payable, net of advances	(1,621)	(2,111)	(1,621)	(2,111)	(2,328)	(15,016)	(2,328)	(15,016)
Loans and financing	-	(88)	-	(88)	(23,087)	(7,371)	(23,087)	(7,371)
	(1,223)	(1,858)	(1,223)	(1,858)	3,519	(14,171)	3,403	(14,305)

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

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 4.

b) Credit risk

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

c) Liquidity risk

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

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

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

In thousands of reais, unless otherwise indicated

	Parent company							
	June 30, 2014				December 31, 2013			
	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities
Less than 1 year	116,255	978	105,454	12,954	90,277	1,007	152,521	17,674
Between one and two years	151,029	14	24,116	20,658	156,043	476	15,966	19,947
Between two and five years	80,277	-	-	30,987	46,996	-	-	29,922
Over 5 years	16,351	-	-	44,762	2,545	-	-	48,213
	363,911	992	129,570	109,361	295,861	1,483	168,487	115,756

	Consolidated							
	June 30, 2014				December 31, 2013			
	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities
Less than 1 year	116,255	978	106,854	13,111	90,277	1,007	153,922	18,080
Between one and two years	151,029	14	24,116	20,770	156,043	737	15,966	20,055
Between two and five years	81,242	-	-	31,155	47,962	-	-	30,084
Over 5 years	16,351	-	-	45,007	2,545	-	-	48,477
	364,876	992	130,970	110,043	296,827	1,744	169,888	116,696

d) Sensitivity analysis

i) Sensitivity analysis of variations in the interest rates

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

On June 30, 2014, the Management considered CDI rate at 10.80% and TJLP of 5% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in reais							
	June 30, 2014	Risk	Probable		Possible (25%)		Remote (50%)	
Operation			%	R$	%	R$	%	R$
Investments (remunerated at 100.42% CDI)	5,968	Low CDI	10.80%	647	8.10%	485	5.40%	324
	5,968			647		485		324
Operation								
Loans - Working capital	(4,040)	High CDI	10.80%	(436)	13.50%	(545)	16.20%	(654)
Loans - Export credit note	(104,179)	High CDI	10.80%	(11,251)	13.50%	(14,064)	16.20%	(16,877)
Loans - Trade 4131 Swap	(50,335)	High CDI	10.80%	(5,436)	13.50%	(6,795)	16.20%	(8,154)
Loans - BNDES	(26,719)	High TJLP	5.00%	(1,336)	6.25%	(1,670)	7.50%	(2,004)
	(185,273)			(18,459)		(23,074)		(27,689)

In thousands of reais, unless otherwise indicated

ii) Sensitivity analysis of variations in the exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of June 30, 2014 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these interim 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, 2014	Probable		Possible (25%)		Remote (50%)	
		Rate - US$	Gain (loss)	Rate - US$	Gain (loss)	Rate - US$	Gain (loss)
Accounts receivable	28,358	2.2025	-	2.7531	7,090	3.3038	14,179
Checking account	45,991	2.2025	-	2.7531	11,498	3.3038	22,996
Accounts payable, net of advances	(10,181)	2.2025	-	2.7531	(2,546)	3.3038	(5,091)
Loans and financing	(50,849)	2.2025	-	2.7531	(12,712)	3.3038	(25,425)
Net exposure	13,319	2.2025	-	2.7531	3,330	3.3038	6,659

3.2 Capital management

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

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

The financial leverage ratios on June 30, 2014 can be summarized as follows:

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Loans and financing	358,636	292,168	359,601	293,134
Installment payment of tax liabilities	109,361	115,756	110,043	116,696
Less: Cash and cash equivalents	(54,647)	(55,389)	(56,234)	(57,677)
Credits with other related parties	(85,671)	(94,540)	(85,671)	(94,540)
Net debt	327,679	257,995	327,739	257,613
Total shareholders' equity	213,246	191,849	213,264	191,857
Total capital	540,925	449,844	541,003	449,470
Financial leverage index (%)	61	57	61	57

On June 30, 2014, the Company has available credit facilities, however unused, amounting to R$ 57,450. 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.

In thousands of reais, unless otherwise indicated

Out of the amounts available on June 30, 2014, R$12,479 was raised from FINEP in July and, in the beginning of August 2014, there was the first release of Banco Nordeste do Brasil S/A credit facility, from which the Company raised R$ 29,221.

3.3 Financial instruments by category

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

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Assets, loans and receivables				
Cash and cash equivalents	54,647	55,389	56,234	57,677
Trade accounts receivable	170,517	158,522	177,627	163,801
	225,164	213,911	233,861	221,478
Liabilities, other financial liabilities				
Suppliers	105,406	152,441	106,806	153,842
Loans and financing	358,636	292,168	359,601	293,134
Installment payment of tax liabilities	109,361	115,756	110,043	116,696
	573,403	560,365	576,450	563,672

4 Cash and cash equivalents

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Checking account	49,519	6,410	50,263	6,979
Interest earning bank deposits	5,128	48,979	5,971	50,698
	54,647	55,389	56,234	57,677

Financial investments designated as cash equivalents are shares of investment funds. These funds' average yield in the second quarter of 2014 was equivalent to 100.42% of the interbank deposit certificate (CDI) rate. The investment can be redeemed at any time without penalties.
On June 30, 2014, out of the amount of R$49,519 available in current account, the amount of R$45,991 corresponds to international current account in Citibank of New York.

5 Derivative financial instruments

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

In December 2012, the Company entered into a transaction under the rules of Law No. 4131 (exporting trading companies) in the amount of R$ 50,000 at the cost of 9.8% per year as a fixed rate, but using the swap for CDI as detailed in item "a" below, with 60 months for payment and a 24-month grace period. That transaction is classified in long-term liabilities and linked to the loans and financing group. Amortizations are semi-annual, beginning in December 2014.

a) Interest rate swap

In thousands of reais, unless otherwise indicated

The reference (notional) value of the interest rate swap agreement on June 30, 2014 corresponds to R$ 50,000 at the rate of CDI+1.60% per annum. Amortizations are made on a half-annual basis.

Transaction adjusted value of R$ 90 was recorded net in current liabilities and the amount recognized in income for the quarter ended June 30, 2014 totals losses of R$ 318 (R$161 as of December 31, 2013).

6 Trade accounts receivable

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Accounts receivable from third parties:				
Domestic market	141,320	133,795	148,430	139,074
Foreign market	28,358	24,254	28,358	24,254
	169,678	158,049	176,788	163,328
Accounts receivable from related parties				
Entities related to the Management	1,541	1,045	1,541	1,045
	1,541	1,045	1,541	1,045
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(671)	(520)	(671)	(520)
Recomposition of the nominal value to present value	(31)	(52)	(31)	(52)
	(702)	(572)	(702)	(572)
	170,517	158,522	177,627	163,801

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

	Parent company	Consolidated
December 31, 2013	520	520
Provision (reversal) of impairment of accounts receivable	151	151
June 30, 2014	671	671

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

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

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

	Parent company							
	June 30, 2014	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2013	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	156,505	156,505	-	-	150,724	150,724	-	-
Overdue up to 30 days	10,492	-	10,492	-	6,027	-	6,027	-
Overdue, 31-90 days	1,503	-	1,476	27	1,286	-	1,276	10
Overdue from 91 to 360 days	2,253	-	1,974	279	978	-	652	326
Overdue for more than 360 days	466	-	101	365	79	-	(105)	184
	171,219	156,505	14,043	671	159,094	150,724	7,850	520

In thousands of reais, unless otherwise indicated

	Consolidated							
	June 30, 2014	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2013	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	163,295	163,295	-	-	155,936	155,936	-	-
Overdue up to 30 days	10,783	-	10,783	-	6,047	-	6,047	-
Overdue, 31-90 days	1,528	-	1,501	27	1,319	-	1,309	10
Overdue from 91 to 360 days	2,256	-	1,977	279	992	-	666	326
Overdue for more than 360 days	467	-	102	365	79	-	(105)	184
	178,329	163,295	14,363	671	164,373	155,936	7,917	520

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 20. Its sum is calculated based on a percentage of the residual balance of the debt. On June 30, 2014, the total amount of accounts receivable pledged as collateral was R$ 77,931 (R$ 57,065 on December 31, 2013).

7 Inventories

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Finished products	172,868	135,728	172,937	135,909
Work in process	7,220	6,808	7,220	6,808
Raw materials and consumption materials	13,492	14,851	13,492	14,851
Provision for inventory appraisal at realizable value	(7,090)	(5,402)	(7,090)	(5,402)
Imports in transit	3,471	25,681	3,471	25,681
	189,961	177,666	190,030	177,847

8 Advances to suppliers

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Domestic market	2,803	11,170	1,507	9,757
Foreign market	37	218	37	218
	2,840	11,388	1,544	9,975

In thousands of reais, unless otherwise indicated

9 Recoverable taxes

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Current				
ICMS	5,329	5,006	5,330	5,006
IPI	1,159	1,313	1,159	1,313
IRPJ/CSLL	-	10,522	452	10,978
Others	179	440	324	586
	6,667	17,281	7,265	17,883
Non-current*				
ICMS	3,513	3,400	3,513	3,400
PIS/COFINS	2,489	484	2,489	484
* Property, plant and equipment	6,002	3,884	6,002	3,884

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

10 Credits with other related parties

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

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

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

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and “Refinadora” signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On June 30, 2014, these credits that also originate in proceeding 87.00.00967-9, represent R$ 85,671 (R$ 94,540 on December 31, 2013) 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 three 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, in the amounts of R$ 8,505, R$ 9,824 and R$ 9,995, respectively.

In thousands of reais, unless otherwise indicated

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

11 Judicial deposits

The Company and its subsidiaries are parties involved in labor, civil and labor lawsuits (see Note 24) 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, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Civil	24,117	16,030	24,136	16,030
Labor	2,934	2,657	2,934	2,657
Tax	3,789	2,034	3,789	2,034
	30,840	20,721	30,859	20,721

The Company, as a result of an untimely and unilateral decision by supplier SC Gás of canceling discount on contracted gas monthly value, benefit called loyalty program, filed a lawsuit postulating maintenance of said benefit, and an injunction was authorized determining that amounts referring to the discount should be deposited in court. For this reason, balance of civil deposit in court is approximately R$ 24 million.

12 Receivables - Eletrobrás

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

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

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

Having submitted the calculation to review, the accounting unit of the Federal Courts presented new amounts, determining as ‘net court award’ the amount of R$ 24,749. In September 2010 the Company recognized the difference between the amounts calculated previously and the current calculation of the accounting unit of the federal courts in the amount of R$ 9,136, recorded under the heading “Other operating income”. On June 30, 2014, the restated amount of the assets is R$ 48,055 (R$ 43,555 on December 31, 2013).

In thousands of reais, unless otherwise indicated

13 Income and social contribution taxes

a) Income and social contribution taxes on net income

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

	Current assets				Current liabilities			
	Parent company		Consolidated		Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Income tax	-	7,156	406	7,565	(359)	-	(929)	(339)
Social contribution	-	3,366	46	3,413	(132)	-	(339)	(122)
	-	10,522	452	10,978	(491)	-	(1,268)	(461)

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

b) Deferred income and social contribution taxes

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

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

	June 30, 2014	December 31, 2013
Assets	14,231	12,198
Negative basis of CSLL	-	160
Temporary differences	14,231	12,038
Portobello Private Pension	(2,444)	(2,381)
Provision for adjustment to market value	1,877	1,553
Provision for contingencies	7,694	6,966
Provision for profit sharing and long-term incentives	4,417	4,025
Other temporary difference - assets	2,687	1,875
Liabilities	(43,774)	(41,352)
Temporary differences	(43,774)	(41,352)
Realization of revaluation reserve	(17,129)	(17,396)
Receivables - Eletrobrás	(16,339)	(14,809)
Contingent assets - IPI premium credit - Phase II	(4,960)	(4,725)
Adjustment to present value	(2,074)	(1,713)
Adjustment of depreciation (for the useful life of assets)	(4,555)	(4,464)
Foreign exchange variation at cash basis	1,283	1,755
Deferred income and social contribution taxes, net	(29,543)	(29,154)

The net changes in income tax and social contribution at June 30, 2014 were as follows:

In thousands of reais, unless otherwise indicated

	Parent company and Consolidated
December 31, 2013	(29,154)
Negative basis of CSLL	(160)
Temporary credit differences	2,193
Temporary liability differences	(2,689)
Revaluation reserve	267
June 30, 2014	(29,543)

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

	2nd quarter		Accumulated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Deferred tax asset charged to (recognized in) income				
Negative basis of CSLL	-	-	(160)	-
Portobello Private Pension	(31)	(35)	(63)	(67)
Provision for adjustment to market value	71	256	324	459
Provision for contingencies	478	(14)	728	248
Provision for profit sharing and long-term incentives	902	(936)	392	(572)
Other temporary difference - assets	596	189	812	201
	2,016	(540)	2,033	269
Realization of revaluation reserve	134	134	267	269
Receivables - Eletrobrás	(794)	(582)	(1,530)	(1,239)
Contingent assets - IPI premium credit - Phase II	(120)	(79)	(235)	(151)
Adjustment to present value	(289)	10	(361)	383
Adjustment of depreciation (for the useful life of assets)	(91)	45	(91)	86
Foreign exchange variation at cash basis	45	731	(472)	634
	(1,115)	259	(2,422)	(18)
	901	(281)	(389)	251

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

Income and social contribution tax expenses are as follow:

Changes in 2Q14 and 2Q13:

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Income (loss) before tax	16,022	21,646	18,393	23,537
Tax calculated based on rates of local taxes	(5,447)	(7,360)	(6,253)	(8,002)
Income (loss) of subsidiaries by the equity method	1,550	1,163	-	-
Nondeductible expenses for tax purposes	170	478	170	478
Depreciation of revalued assets	(134)	(134)	(134)	(134)
Tax credits on tax losses and temporary differences	(469)	743	(458)	665
Current tax on income for the year	(4,330)	(5,110)	(6,675)	(6,993)
Formation of deferred income and social contribution taxes	901	(281)	901	(281)
Income and social contribution tax expense	(3,429)	(5,391)	(5,774)	(7,274)
Effective rate	21.4%	24.9%	31.4%	30.9%

In thousands of reais, unless otherwise indicated

Changes in 1H14 and 1H13:

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Income (loss) before tax	35,399	39,977	40,196	43,511
Tax calculated based on rates of local taxes	(12,035)	(13,593)	(13,666)	(14,793)
Income (loss) of subsidiaries by the equity method	3,185	1,827	-	-
Nondeductible expenses for tax purposes	363	844	331	770
Depreciation of revalued assets	(268)	(268)	(268)	(269)
Tax credits on tax losses and temporary differences	888	279	990	(119)
Current tax on income for the year	(7,867)	(10,911)	(12,613)	(14,411)
Formation of deferred income and social contribution taxes	(389)	251	(389)	251
Income and social contribution tax expense	(8,256)	(10,660)	(13,002)	(14,160)
Effective rate	23.3%	26.7%	32.3%	32.5%

14 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, 2014 is R$ 14,589 (R$ 13,896 on December 31, 2013).

15 Contingent assets

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

16 Investments

a) Equity in income of subsidiaries and associated companies

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”.

In thousands of reais, unless otherwise indicated

	Shareholders' equity	Income (loss) for the year	Ownership interest	December 31, 2013	Exchange variation	Paid-up capital	Equity income (loss)	June 30, 2014
Provision for loss in investments								
Portobello América Inc. (a)	(44,838)	(41)	100%	(47,649)	2,851	-	(41)	(44,839)
PBTech Ltda.	(6,313)	425	99.94%	(6,736)	-	-	425	(6,311)
Mineração Portobello Ltda.	(411)	435	99.76%	(846)	-	-	434	(41 2)
				(55,231)	2,851	-	818	(51,562)
Investments - Interest in subsidiaries								
Portobello Shop S.A.	9,028	8,558	99.90%	480	-	-	8,549	9,029
Companhia Brasileira de Cerâmica S/A (b)	50	-	98.00%	-	-	48	-	48
				480	-	48	8,549	9,077
Total investments in subsidiaries				(54,751)	2,851	48	9,367	(42,485)

(a) On June 30, 2014, 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.

(b) Companhia Brasileira de Cerâmica is a subsidiary established to operate as the manager of Northeast region's activities and, on June 30, 2014, its capital is R$50, already paid-up.

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

	Organization Country	Ownership interest	Assets	Liabilities	Income	Income (loss)
December 31, 2013						
Portobello América Inc.	United States	100.00%	327	47,976	-	(75)
PBTech Ltda.	Brazil	99.94%	1,966	8,704	5,700	(1,810)
Portobello Shop S/A	Brazil	99.90%	8,775	8,295	55,255	15,134
Mineração Portobello Ltda.	Brazil	99.76%	891	1,735	2,707	62
June 30, 2014						
Portobello América Inc.	United States	100.00%	268	45,106	-	(41)
PBTech Ltda.	Brazil	99.94%	2,165	8,478	3,954	425
Portobello Shop S/A	Brazil	99.90%	15,179	6,151	31,737	8,549
Mineração Portobello Ltda.	Brazil	99.76%	1,389	1,800	1,899	434
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	49	-	-	-

In thousands of reais, unless otherwise indicated

17 Property, plant and equipment

a) Breakdown

		Parent company				Consolidated	
		June 30, 2014			December 31, 2013	June 30,2014	December 31, 2013
	Annual average depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount	Net amount	Net amount
Land		12,141	-	12,141	12,141	13,051	12,518
Buildings, civil works and improvements	3%	120,872	(20,879)	99,993	99,961	100,023	100,075
Machinery and equipment	7%	366,924	(231,767)	135,157	139,409	135,157	139,409
Furniture and fixtures	10%	8,688	(7,681)	1,007	960	1,080	1,045
Computers	20%	14,314	(12,671)	1,643	1,702	1,683	1,747
Other fixed assets	20%	219	(211)	8	15	533	540
Construction in process (a)		42,815	-	42,815	10,236	43,224	10,238
		565,973	(273,209)	292,764	264,424	294,751	265,572

(a) The balance of construction in progress comprises mainly projects for the expansion and optimization of the Company's industrial unit and the construction of manufacturing plant in Alagoas and it represents 74.5% of the total of construction in progress.

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 28g).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 1/1/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and the same rates were maintained from 2009 until the present date.

b) Changes in property, plant and equipment

	Parent company								
	December 31, 2012	Additions	Transfers	Depreciation	December 31, 2013	Additions	Transfers	Depreciation	June 30, 2014
Land	11,111	1,030	-	-	12,141	-	-	-	12,141
Buildings and improvements	82,836	-	20,307	(3,182)	99,961	-	1,938	(1,906)	99,993
Machinery and equipment	78,986	939	72,250	(12,766)	139,409	590	3,231	(8,073)	135,157
Furniture and fixtures	951	229	-	(220)	960	163	-	(116)	1,007
Computers	1,616	611	-	(525)	1,702	253	-	(312)	1,643
Other fixed assets	30	-	-	(15)	15	-	-	(7)	8
Construction in process	10,311	92,482	(92,557)	-	10,236	37,748	(5,169)	-	42,815
	185,841	95,291	-	(16,708)	264,424	38,754	-	(10,414)	292,764

In thousands of reais, unless otherwise indicated

	Consolidated								
	December 31, 2012	Additions	Transfers	Depreciation	December 31, 2013	Additions	Transfers	Depreciation	June 30,2014
Land	11,488	1,030	-	-	12,518	533	-	-	13,051
Buildings and improvements	82,985	-	20,307	(3,217)	100,075	-	1,937	(1,989)	100,023
Machinery and equipment	78,986	939	72,250	(12,766)	139,409	590	3,231	(8,073)	135,157
Furniture and fixtures	1,061	231	-	(247)	1,045	163	-	(128)	1,080
Computers	1,668	617	-	(538)	1,747	256	-	(320)	1,683
Other fixed assets	89	-	466	(15)	540	-	-	(7)	533
Construction in process	10,779	92,482	(93,023)	-	10,238	38,154	(5,168)	-	43,224
	187,056	95,299	-	(16,783)	265,572	39,696	-	(10,517)	294,751

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				Accumulated			
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Cost of goods sold	4,515	3,029	4,515	3,029	9,272	6,058	9,272	6,058
Commercial expenses	425	275	470	290	826	549	917	571
Administrative expenses	160	134	166	140	316	268	328	280
	5,100	3,438	5,151	3,459	10,414	6,875	10,517	6,909

18 Intangible assets

a) Breakdown

		Parent company				Consolidated	
		June 30, 2014			December 31, 2013	June 30, 2014	December 31, 2013
	Annual average rate of amortization	Cost	Accumulated amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,185)	173	208	173	208
Right to exploration of outcrops	20%	1,000	(850)	150	250	620	746
Trademarks and patents	-	150	-	150	150	150	150
Goodwill	-	-	-	-	-	110	190
Software under development	-	556	-	556	-	556	-
Management system (a)	21%	18,887	(3,415)	15,472	17,450	15,472	17,450
		32,951	(16,450)	16,501	18,058	17,081	18,744

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

In thousands of reais, unless otherwise indicated

b) Changes in intangible assets

	Parent company						
	December 31, 2012	Additions	Amortizations	December 31, 2013	Additions	Amortizations	June 30, 2014
Software	311	-	(103)	208	-	(35)	173
Right to exploration of outcrops	450	-	(200)	250	-	(100)	150
Trademarks and patents	150	-	-	150	-	-	150
Software under development	-	-	-	-	556	-	556
Management system	14,209	4,666	(1,425)	17,450	-	(1,978)	15,472
	15,120	4,666	(1,728)	18,058	556	(2,113)	16,501

	Consolidated								
	December 31, 2012	Additions	Amortizations	Write-offs	December 31, 2013	Additions	Amortizations	Write-offs	June 30,2014
Software	311	-	(103)	-	208	-	(35)	-	173
Right to exploration of outcrops	457	511	(222)	-	746	-	(126)	-	620
Trademarks and patents	152	-	-	(2)	150	-	-	-	150
Goodwill	190	-	-	-	190	-	-	(80)	110
Software under development	-	-	-	-	-	556	-	-	556
Management system	14,209	4,666	(1,425)	-	17,450	-	(1,978)	-	15,472
	15,319	5,177	(1,750)	(2)	18,744	556	(2,139)	(80)	17,081

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, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Cost of goods sold	138	86	165	86	277	144	304	146
Commercial expenses	704	33	704	33	1,408	39	1,408	39
Administrative expenses	213	86	213	87	428	103	427	103
	1,055	205	1,082	206	2,113	286	2,139	288

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

	2014	2015	2016	2017	2018	Total
Software	34	50	40	39	10	173
Right to exploration of outcrops	252	102	102	102	62	620
Management system	1,977	3,954	3,949	3,673	1,919	15,472
	2,263	4,106	4,091	3,814	1,991	16,265

The brands and patents, goodwill and software items under development in the total amount of R$ 816 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 2013.

In thousands of reais, unless otherwise indicated

19 Suppliers

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Domestic market	96,473	111,606	97,873	113,007
Foreign market	8,981	40,915	8,981	40,915
Breakdown of the nominal value to present value	(48)	(80)	(48)	(80)
Current	105,406	152,441	106,806	153,842
Domestic market (a)	24,116	15,966	24,116	15,966
Non-current	24,116	15,966	24,116	15,966
	129,522	168,407	130,922	169,808

(a) Provision for payment to gas supplier resulting from matter mentioned in note 11

20 Loans and financing

	Currency	Maturities	Charges	Parent company		Consolidated	
				June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Current							
Working capital (a)	R$	Jun 2015	11.99% p.a.[1]	4,040	9,872	4,040	9,872
Financial lease (b)	R$	Jul 2015	9.69% p.a.[1]	978	1,007	978	1,007
Exim Pre-shipment TJ 462 (c)	R$	Sep 2015	8.00% p.a.[1]	38,680	20,335	38,680	20,335
BNDES (d)	R$	Mar 2016	8.46% p.a.[1]	17,136	15,168	17,136	15,168
Law No. 4.131 (e) - (Note 7)	R$	Dec 2017	1.60% p.a. + CDI	14,621	7,497	14,621	7,497
NCE (f)	R$	Dec 2017	11.74% p.a.[1]	27,369	20,584	27,369	20,584
Prepayment (g)	US$	May 2018	EV+4.25% p.a.[1]	2,769	1,481	2,769	1,481
PRODEC (h)	R$	Jun 2018	4.00% p.a.	6,041	5,632	6,041	5,632
FINEP (i)	R$	Sep 2018	6.25% p.a.	5,196	5,204	5,196	5,204
DEG (j)	US$	Oct 2021	4.8% p.a. + Libor	175	-	175	-
FINAME (k)	R$	Aug 2023	3.00% p.a.[1]	13	11	13	11
FINIMP	US$			-	2,730	-	2,730
Supplier credit	US$			-	1,547	-	1,547
Total current			9.04% p.a.[1]	117,018	91,068	117,018	91,068
Non-current							
Financial lease (b)	R$	Jul 2015	9.69% p.a.[1]	14	476	14	476
Exim Pre-shipment TJ 462 (c)	R$	Sep 2015	8.00% p.a.[1]	8,333	30,000	8,333	30,000
BNDES (d)	R$	Mar 2016	8.46% p.a.[1]	9,583	17,083	9,583	17,083
Law No. 4.131 (e) - (Note 7)	R$	Dec 2017	1.60% p.a. + CDI	35,714	42,857	35,714	42,857
NCE (f)	R$	Dec 2017	11.74% p.a.[1]	86,916	48,000	86,916	48,000
Prepayment (g)	US$	May 2018	EV+4.58% p.a.[1]	8,259	10,249	8,259	10,249
PRODEC (h)	R$	Jun 2018	4.00% p.a.	30,392	26,128	30,392	26,128
FINEP (i)	R$	Sep 2018	6.25% p.a.[1]	16,742	19,318	16,742	19,318
DEG (j)	US$	Oct 2021	4.8% p.a. + Libor	39,645	-	39,645	-
FINAME (k)	R$	Aug 2023	3.00% p.a.[1]	6,020	5,445	6,020	5,445
Working capital (a)	R$			-	-	965	966
Supplier credit	US$			-	1,544	-	1,544
Total non-current			8.15% p.a.[1]	241,618	201,100	242,583	202,066
Total			8.44% p.a.[1]	358,636	292,168	359,601	293,134

[1] Weighted average rate
VC - Foreign exchange variation
CDI - Interbank Deposit Certificate
Libor - London Interbank Offer Rate

a) Working Capital - contract for working capital executed in May 2014, in the amount of R$ 4 million, to be paid in 13 monthly installments with first installment maturing in July 2014. Receivables from Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract.

b) Financial Lease - contracts executed in:
(i) May 2012 with SG Equipment Finance S.A., in the amount of R$2.5 million, to be paid in 36 months; and
(ii) July 2012, with HP Hewlett Packard, in the amount of R$450 thousand to be paid in 36 months. The financed assets were pledged as collateral for both contracts

c) Exim Pre-shipment - contracts executed in:
(i) August 2013 in the amount of R$30 million to be paid in 12 monthly installments, with first installment maturing in September 2014 and guaranteed by Portobello S.A. receivables in the amount equivalent to 20% of the contract's debt balance; and
(ii) September 2013, in the amount of R$20 million to be paid in 18 monthly installments, with first installment maturing in April 2014 and 100% guaranteed by pledged assets and real estate mortgage of Portobello S.A.

d) BNDES (Progeren) - contract executed in:
(i) January 2013, in the amount of R$20 million, with one year grace period and to be paid in 24 monthly successive installments (with no covenants or guarantees); and
(ii) March 2013, R$10 million, also with a grace period of one year and 24 monthly and consecutive installments (with no covenants, but receivables of Portobello S.A., corresponding to 40% of the contract's debt balance, were given in guarantee).

e) Law 4131 (Trade Exporter with Swap for CDI) - contract signed in December 2012, in the amount of R$50 million, to be paid in 60 months with grace period of 24 months. Amortizations are semi-annual and receivables of Portobello S.A in the amount of 50% of the debit balance of the contract were pledged as collateral.

f) NCE - Export credit note - contracts entered into on:
(i) January 2013 - R$ 20 million, maturing in seven half-annual installments, the first one on January 5, 2015 (guarantees: receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract);
(ii) February 2013- R$10 million, with principal maturing in February 2016 (with no covenants, a clean operation regarding guarantees);
(iii) April 2013 - R$30 million, maturing in five half-annual installments (April, October 2014 and 2015 and April 2016) (guarantees: receivables of Portobello S.A, in the amount of 20% of the debit balance of the contract);
(iv) March 2014, in the amount of R$ 28.3 million, to be paid in 36 monthly installments, with first installment maturing in April 2014 (guarantees: receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract);
(v) April 2014, in the amount of R$ 15 million, to be paid in 35 monthly installments, with first installment maturing in May 2014 (guarantees: receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract); and
(vi) May 2014, in the amount of R$ 15 million, to be paid in 35 monthly installments, with first installment maturing in June 2014 (guarantees: receivables of Portobello S.A, in the amount of 25% of the debit balance of the contract);

g) Prepayment - contracts executed on:
(i) 2010 and 2011 amounting to US$10,431, maturing in up to 30 months; receivables from Portobello Shop S.A. and Portobello S.A. were pledged in guarantee; and
(ii) June 2013 in the amount of U$5,000; principal will be paid in 16 installments and interest in 20 quarterly installments, with first installment maturing in September 2013, 100% guaranteed by pledged assets.

h) PRODEC (Programa de Desenvolvimento da Empresa Catarinense) - Santa Catarina State special regime obtained in July 2009. Balance is subject to adjustment to present value and rate used is current working capital average (11.08% p.a.). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with a grace period of 48 months, a term of 120 months and monetary restatement of 4% per annum and changes in the UFIR rate.

In thousands of reais, unless otherwise indicated

i) FINEP (Fund Provider to Studies and Projects) - a contract executed in May 2010 in the amount of up to R$30 million, bearing interest of 5% p.a. and to be paid in 80 months, being 20 months of grace period. The first portion, in the amount of R$13 million, was fully released in September 2010, and the second portion, in the amount of R$5,572, was released in December 2012. This contract required the presentation of a bank guarantee letter at the cost of 1.25% p.a. Subsequently, another loan was raised from FINEP, as explained in Note 3.2.

j) DEG - Deutsche Investitions - contract executed in May 2014, in the amount of R$40.3 million and maturing in 12 half-annual installments, with first maturity of principal installment in April 2016. Machinery, equipment and promissory notes were given in guarantee of this contract. This contract has covenants and, on June 30, 2014, all covenants have been met.

k) FINAME (industrial credit note) - **- contracts executed on:**
(i) May 2013 to September 2013, in the amount of R$5.5 million, to be paid in 96 monthly installments and with grace period of 24 months;
(ii) January 2014, in the amount of R$ 577 thousand, to be paid in 96 monthly installments and with grace period of 17 months. Financed equipment was given in guarantee.

For the other loans granted, real estate mortgages, equipment, receivables of the Parent company (Note 6) and of subsidiary (Note 40), and additionally, inventories of finished goods were pledged, in the amount of R$ 30,122.

The long-term loans have the following payment schedule:

	Parent company		Consolidated	
Maturities on July 1	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
2015	52,156	96,818	52,156	96,818
2016	95,197	55,933	95,197	55,933
2017	51,039	39,155	51,039	39,155
2018	19,916	6,032	20,881	6,998
2019-2021	23,310	3,162	23,310	3,162
	241,618	201,100	242,583	202,066

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

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Reais	307,788	274,617	308,753	275,583
Euros	-	285	-	285
US Dollars	50,848	17,266	50,848	17,266
	358,636	292,168	359,601	293,134

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:

In thousands of reais, unless otherwise indicated

	June 30, 2014	December 31, 2013
Gross financial lease obligations - Minimum payments		
Less than 1 year	1,105	1,101
More than one year and less than 5 years	27	492
Total	1,132	1,593
Future finance charges on financial leases	(140)	(110)
Present value of financial lease liabilities	992	1,483
Present value of financial lease liabilities is as follows:		
Less than 1 year	978	1,007
More than one year and less than 5 years	14	476
Total	992	1,483

21 Installment payment of tax liabilities

	Tax liabilities	Application for installment payments		June 30, 2014	December 31, 2013
		Date	Installments falling due		
Portobello S.A.	PIS, COFINS, IRPJ and CSLL	Mar 2009	-	-	420
	LAW 11941/09 (a)	Nov 2009	124	106,445	109,974
	INSS	Dec 2009	5	1,503	3,193
	IPI	Dec 2009	5	1,021	2,169
	ICMS	Dec 2013	6	97	-
	Tax assessment notice - NCM	Jun 2014	9	295	-
Total Parent Company				109,361	115,756
Portobello Shop S.A.	IRPJ, CSLL and COFINS	Mar 2009	-	-	107
	INSS	Nov 2009	4	101	245
	LAW 11941/09 (a)	Nov 2009	124	581	588
Total subsidiary				682	940
Total consolidated				110,043	116,696

The payment schedule is as follows:

	Parent company		Consolidated	
Maturity	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
2014	7,692	17,674	7,821	18,080
2015	10,427	9,974	10,483	10,028
2016-2023 (*)	82,632	79,791	83,080	80,223
2024	8,610	8,317	8,659	8,365
	109,361	115,756	110,043	116,696
Current	12,954	17,674	13,111	18,080
Non-current	96,407	98,082	96,932	98,616

(*) From 2016 to 2023, the annual installments will be R$ 10,329 and R$ 9,974 for the Parent Company and R$ 10,028 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 22).

After consolidation, the Company undertakes to pay the monthly installments of R$ 861 with no delays exceeding three months, as well as withdrew from lawsuits and waive any claim of rights upon which such suits are based, under penalty of immediate termination of the installment, and consequent loss of the benefits introduced by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in Note 14 and 14.15

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

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

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

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the “undue use” had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Notes 14 and 15. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of “undue use”, manifestly recognized by the Federal Revenue Service of Brazil in the reporting unit. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12.249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it’s practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit. As clarification, injunction filed to claim court homologation for payment in installments was rejected in the lower court. TRF of the 4th region partially approved the appeal. The Company maintains the proceeding of reversing remaining court dispute in the Higher Court of Justice.

In the remote event that PGFN's decision is maintained through the last legal level, the impact on the Company's results would be a loss of R$ 15,505 at June 30, 2014, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debits as contingent liabilities. This possible tax liability will be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in Note 15.

In thousands of reais, unless otherwise indicated

23 Taxes, rates and contributions

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
IRRF	847	1,065	888	1,123
ICMS	5,974	3,885	5,974	3,889
PIS/COFINS	3,091	1,562	3,526	1,899
Others	246	229	426	401
	10,158	6,741	10,814	7,312

24 Provisions for contingencies

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

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

	Parent company		Consolidated	
Sum provisioned	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Civil	5,519	4,671	5,579	4,727
Labor	15,209	13,511	15,209	13,511
Tax	2,420	2,305	2,420	2,305
	23,148	20,487	23,208	20,543
Current	15,864	14,600	15,902	14,635
Non-current	7,284	5,887	7,306	5,908

Contingencies classified in current assets derive from court analysis and their realization is expected in less than 12 months.

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

	Parent company			Total
	Civil	Labor	Tax	
December 31, 2013	4,671	13,511	2,305	20,487
Debited (credited) to the statement of income:	1,044	1,875	115	3,034
Additional provisions	660	835	115	1,610
Reversals for non-use	-	(106)	-	(106)
Monetary restatement (Note 35)	384	1,146	-	1,530
Reversals by realization	(196)	(177)	-	(373)
June 30, 2014	5,519	15,209	2,420	23,148

In thousands of reais, unless otherwise indicated

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2013	4,727	13,511	2,305	20,543
Debited (credited) to the statement of income:	1,055	1,875	115	3,045
Additional provisions	668	835	115	1,618
Reversals for non-use	-	(106)	-	(106)
Monetary restatement (Note 35)	387	1,146	-	1,533
Reversals by realization	(203)	(177)	-	(380)
June 30, 2014	5,579	15,209	2,420	23,208

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 182 lawsuits (188 lawsuits on December 31, 2013), 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 11).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 373 labor complaints (355 complaints on December 31, 2013), 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 11).

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.

Tax

a) INSS (social security national institute) on Cooperatives

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

The Company asserts that in the exercise of its activities, it engages cooperatives in various work areas, which provide specialized services, thus subjecting it to the payment of the contribution, but it is understood that there is no constitutional provision for such collection, since this goes against the principles of legality, equality and protection for cooperatives, based on this it seeks preliminary injunction in order that its right not to be subject to the payment of social security contributions be declared, as well as making compensation of amounts unduly paid for such purposes. On June 30, 2014, the balance of provision totals R$ 2,419 (R$ 2,305 on December 31, 2013).

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

In thousands of reais, unless otherwise indicated

25 Lawsuits with possible loss

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

	Parent company		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Civil	2,028	1,967	2,063	2,211
Labor	12,291	12,009	12,291	12,009
	14,319	13,976	14,354	14,220

26 Employee benefits

26.1 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 37 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

On June 30, 2014, the balance of the special contributions relating to past, to be deposited in individual accounts of those participants who meet the conditions established in the regulations of the plan, amounted to R$ 2,359 (R$ 2,544 on December 31, 2013) and is provisioned in non-current liabilities. At the time that each member participant in this condition becomes eligible, the Company will pay off the related special reserve attributable thereto.

The main actuarial assumptions used:

	Parent company
	June 30, 2014 and 2013
Economic assumptions	
Discount rate	6% p.a. (real)
Estimated rate of return for assets	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years
Growth of private pension	
benefits and limits	2% p.a. (real) as of 48 years
Inflation	Disregarded
Capacity factor	
Salaries	100%
Benefits	100%
Demographic assumptions	
Mortality Table	AT 83
Mortality table of individuals with permanent disability	Exp. IAPC
Table of new disability benefit vested	Hunter and Álvaro Vindas

In thousands of reais, unless otherwise indicated

26.2 Employee benefit expenses

a) Expenses incurred in 2Q14 and 2Q13:

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Remuneration	27,912	24,326	29,903	25,494
Benefits				
Pension plan	240	217	255	263
FGTS	2,402	1,857	2,600	1,948
Others	3,254	2,297	3,368	2,361
Total	33,808	28,697	36,126	30,066

b) Expenses incurred in 1H14 and 1H13:

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Remuneration	51,421	43,862	55,095	46,448
Benefits				
Pension plan	469	448	502	561
FGTS	4,323	3,433	4,731	3,614
Others	5,997	4,087	6,207	4,225
Total	62,210	51,830	66,535	54,848

27 Long-term incentive

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

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

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

Payment will be made in three annual installments (2015, 2016, 2017) 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 fiscal year 2012 and the present value of the obligation on June 30, 2014 is R$ 8,081 at the parent company and R$ 8,638 at the consolidated (R$ 5,868 at the parent company and R$ 6,238 at the consolidated on December 31, 2013).

[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.

28 Shareholders' equity

a) Capital

On March 31, 2014, the Company presented subscribed and paid-in capital of R$46,065. After decisions of the Annual Shareholders' Meeting held on April 30, 2014, the Company increased its capital by R$30,500, fully realized through capitalization of income, exclusively for the Company's capitalization, with no change in total number of shares, as provided for in Article 169, paragraph 1 of Law No. 6.404/76.
Thus, on June 30, 2014, the Company had a capital subscribed and paid in the amount of R$ 76,565 (R$ 46,065 on December 31, 2013) comprising 159,008,924 common shares, nominative and with no par value, as well as on December 31, 2013.

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

The Company is authorized to increase the share capital up to 1,000,000,000 (one billion) new common shares, nominative and without par value, totaling a capital stock represented by 1,159,008,924 shares, and the issuance of preferred shares or certificates of participation.

On June 30, 2014 there were 63,768,087 outstanding shares, equivalent to 40.10% of total shares issued (compared to 63,488,187 on December 31, 2013, equivalent to 39.92% 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 in treasury.

b) Treasury shares

In 1994, Portobello S/A entered into an agreement for financial cooperation with the International Finance Corporation (IFC) and assumed the accessory obligation of fostering participation of employees in its shareholding structure through a stock offer, and permitting these shares to be directly financed by the Company through payroll discount.

While in 1997, as some employees were no longer interested in continuing to amortize financing, they signed a term of waiver transferring ownership of shares to the Company, which exercised them in the fourth quarter of 2013 and recognized them as treasury shares, according to the Board of Directors' approval in October 2013.

The Company recorded treasury shares at market value, taking into consideration studies conducted at the time that verified that historic cost of the asset that originated shares was higher than market value on the date that was accounted.

c) Legal reserve

Legal reserve is recognized at an annual basis through allocation of 5% of net income for the year and may not exceed 20% of capital. The purpose of the legal reserve is to ensure integrity of capital and may only be used to offset accumulated losses or increase capital. On June 30, 2014, legal reserve balance amounts to R$7,808 (R$ 7,808 as of December 31, 2013) as provided for in Article 193 of the Brazilian Corporate Law.

In thousands of reais, unless otherwise indicated

d) Dividends

	Parent company	Consolidated
Dividends 2012	15,595	15,595
Payment referring to 2012	(15,462)	(15,462)
Mandatory minimum dividends for 2013	12,896	12,896
Additional dividends in 2013	8,597	8,597
Dividends paid in advance in 2013	(2,796)	(2,796)
Advanced interest on own capital 2013	(3,659)	(3,659)
Amount returned on advance due to incomplete records	51	51
Dividends payable of subsidiaries	-	15
Payment in 2013	(14,867)	(14,882)
Current balance	355	355

The Annual Shareholders' Meeting held on April 30, 2014 approved the distribution of additional dividends in the amount of R$8,597, and payment of proceeds started on May 30, 2014.

e) Profit retention reserve

The amount of R$ 68,746 refers to the business growth project established in the Company's investment plan, approved in the Annual Shareholders' Meeting on April 30, 2014, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

f) Profit reserves to be allocated

In General Shareholders' Meeting held on April 30, 2014, the Company's management proposed and approved the allotment of reserve in accordance with Article 199 of Law no. 6,404/76 (Brazilian Corporate Law).

g) 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.

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of income tax and social contribution on the re-appraised balance of land, since in 2006 when the re-appraisal was performed, the legislation did not allow incidence. ICPC 10 instructs Companies to constitute the provision of taxes on land re-appraisal when "it is likely that the economic benefits associated with the non-depreciable asset will revert to the entity itself, whether derived from current sale, the future sale or the very use of the asset." The deferred income tax and social contribution corresponding to the adjustments to appraisal of land, buildings and improvements are classified as non-current liabilities, as per Note 13(b).

In thousands of reais, unless otherwise indicated

Considering the complement of the asset appraisal adjustment, approved by the Special Shareholders' Meeting on December 29, 2006, the balance of the adjustment to company assets, net of deferred taxes, amounted to R$ 41,347 on June 30, 2014 (R$ 42,133 on December 31, 2013), the expense of depreciation of the re-appraisal, in the quarter ended March 30, 2014, was R$ 393 (R$ 1,580 on December 31, 2013), and the balance of deferred income tax and social contributions adjustments to equity evaluation recorded in non-current liabilities is R$ 17,129 (R$ 17,396 on December 31, 2013), see Note 13(b).

29 Income

The reconciliation of gross income to net income, presented in the statement of income for the period ended June 30, 2014, is as follows.

a) Income (loss) incurred in 2Q14 and 2Q13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Gross income from sales	280,499	250,408	298,173	265,597
Deductions from gross income	(63,209)	(56,408)	(65,129)	(57,996)
Sales tax	(55,241)	(48,099)	(57,143)	(49,643)
Returns	(7,968)	(8,309)	(7,986)	(8,353)
Net income from sales	217,290	194,000	233,044	207,601
Domestic market	197,252	179,087	210,556	190,869
Foreign market	20,038	14,913	22,488	16,732

b) Expenses incurred in the 1H14 and 1H13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Gross income from sales	526,120	458,811	560,253	486,043
Deductions from gross income	(116,925)	(99,832)	(120,669)	(102,687)
Sales tax	(102,275)	(87,107)	(105,962)	(89,894)
Returns	(14,650)	(12,725)	(14,707)	(12,793)
Net income from sales	409,195	358,979	439,584	383,356
Domestic market	369,155	331,075	395,503	351,788
Foreign market	40,040	27,904	44,081	31,568

30 Expenses per type

The cost of goods sold, selling expenses and administrative expenses for the period ended June 30, 2014 are as follow:

In thousands of reais, unless otherwise indicated

a) Expenses incurred in 2Q14 and 2Q13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Changes in inventories of finished products and work in process (a)	(13,672)	(1,105)	(13,672)	(1,105)
Direct production costs (raw materials and inputs)	77,818	58,522	76,893	57,955
General production expenses (including maintenance)	10,370	8,778	10,370	8,778
Cost of goods resold	42,864	44,721	43,248	45,081
Transportation of goods sold	999	677	999	677
Salaries, charges and benefits to employees	38,231	32,540	41,009	34,192
Third-party labor and services	8,805	5,957	10,892	8,214
Amortization and depreciation	6,019	3,568	6,097	3,589
Rentals and operating leases	2,550	2,499	2,701	2,614
Sales commissions	5,361	4,457	5,413	4,488
Marketing and advertising expenses	2,544	2,217	5,047	4,063
Other commercial expenses	7,006	3,954	8,267	5,300
Other administrative expenses	1,349	917	1,362	946
Total	190,244	167,702	198,626	174,792

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

b) Expenses incurred in 1H14 and 1H13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Changes in inventories of finished products and work in process (a)	(36,597)	(8,840)	(36,597)	(8,840)
Direct production costs (raw materials and inputs)	152,128	116,327	150,225	115,227
General production expenses (including maintenance)	19,565	15,828	19,565	15,828
Cost of goods resold	86,344	82,078	87,146	82,803
Transportation of goods sold	1,742	1,250	1,742	1,250
Salaries, charges and benefits to employees	70,487	61,099	75,694	64,737
Third-party labor and services	13,674	10,336	17,624	14,026
Amortization and depreciation	12,256	7,040	12,386	7,073
Rentals and operating leases	4,983	4,093	5,282	4,239
Sales commissions	10,534	8,222	10,638	8,280
Marketing and advertising expenses	4,342	3,442	8,617	6,442
Other commercial expenses	14,311	7,678	16,329	10,006
Other administrative expenses	2,299	1,664	2,363	1,804
Total	356,068	310,217	371,014	322,875

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

31 Other operating income and (expenses), net

Other individual and consolidated operating income and expenses for the period ended June 30, 2014 are as follow:

In thousands of reais, unless otherwise indicated

a) Expenses incurred in 2Q14 and 2Q13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Other operating income				
Income from services	263	343	157	-
Loans - accounts receivable	498	-	498	-
Sale of property, plant and equipment	-	210	-	210
Other income (a)	233	2,365	238	2,335
Total	994	2,918	893	2,545
Other operating expenses				
Provision for contingencies (Note 24)	(1,072)	(382)	(1,080)	(1,142)
Provision for long-term incentive (note 27)	(1,106)	(879)	(1,200)	(935)
Provision for profit sharing (b)	(1,721)	(1,871)	(1,822)	(1,934)
Pre-operating expenses - Alagoas Plant	(1,532)	-	(1,532)	-
Other expenses	(75)	(864)	(157)	(906)
Total	(5,506)	(3,996)	(5,791)	(4,917)
Net total	(4,512)	(1,078)	(4,898)	(2,372)

(a) Out of this amount, the amount of R$2,091 refers to credits for the offsetting of taxes - Reintegra Law No. 12.546/11.
(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

b) Expenses incurred in 1H14 and 1H13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Other operating income				
Income from services	795	887	314	-
Loans - accounts receivable	498	-	498	-
Sale of property, plant and equipment	-	210	-	210
Other income (a)	384	2,654	392	2,602
Total	1,677	3,751	1,204	2,812
Other operating expenses				
Provision for contingencies (Note 24)	(1,414)	(888)	(1,432)	(2,448)
Provision for long-term incentive (note 27)	(2,212)	(879)	(2,400)	(935)
Provision for profit sharing (b)	(4,747)	(2,942)	(5,136)	(3,180)
Pre-operating expenses - Alagoas Plant	(2,266)	-	(2,266)	-
Other expenses	(293)	(1,027)	(379)	(1,102)
Total	(10,932)	(5,736)	(11,613)	(7,665)
Net total	(9,255)	(1,985)	(10,409)	(4,853)

(a) Out of this amount, the amount of R$2,091 refers to credits for the offsetting of taxes - Reintegra Law No. 12.546/11.
(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

In thousands of reais, unless otherwise indicated

32 Other gains (losses), net

Operating net foreign exchange variation recorded under caption “other net gains (losses) - parent company and consolidated for the period ended June 30, 2014 and 2013 corresponds, respectively, to losses of R$ 2,909 and gains of R$1,797. Half-annual accumulated amount, presents losses of R$5,196 and gains of R$815, respectively.

33 Financial income (loss)

The individual and consolidated financial income for the period ended June 30, 2014 is as follows:

a) Expenses incurred in 2Q14 and 2Q13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Financial income				
Interest	1,140	638	1,210	884
Restatement of assets	4,205	3,161	4,205	3,161
Others	277	198	335	251
Total	5,622	3,997	5,750	4,296
Financial expenses				
Interest	(7,308)	(4,076)	(7,426)	(4,138)
Finance charges on taxes	(2,075)	(1,735)	(2,086)	(1,756)
Decomposition of discount of provisions for contingencies (note 24)	(795)	(1,095)	(798)	(1,131)
Commissions and service fees	(1,770)	(1,024)	(1,796)	(1,038)
Negative goodwill / bank expenses (a)	(2,109)	(100)	(2,109)	(100)
Others	(816)	(503)	(843)	(571)
Total	(14,873)	(8,533)	(15,058)	(8,734)
Net exchange variation				
Loans and financing	1,090	(4,259)	1,090	(4,259)
Total	1,090	(4,259)	1,090	(4,259)
Net total	(8,161)	(8,795)	(8,218)	(8,697)

(a) Negative goodwill referring to receipt of court-ordered debt payment installment, as Note 10.

In thousands of reais, unless otherwise indicated

b) Expenses incurred in 1H14 and 1H13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Financial income				
Interest	2,149	1,775	2,298	2,079
Restatement of assets	8,406	6,506	8,406	6,506
Others	422	375	487	430
Total	10,977	8,656	11,191	9,015
Financial expenses				
Interest	(13,561)	(8,069)	(13,781)	(8,192)
Finance charges on taxes	(4,203)	(3,399)	(4,232)	(3,442)
Decomposition of discount of provisions for contingencies (note 24)	(1,529)	(2,220)	(1,534)	(2,257)
Commissions and service fees	(1,770)	(1,024)	(1,796)	(1,038)
Negative goodwill / bank expenses (a)	(2,109)	(100)	(2,109)	(100)
Others	(1,972)	(3,265)	(2,031)	(3,349)
Total	(25,144)	(18,077)	(25,483)	(18,378)
Net exchange variation				
Loans and financing	1,523	(3,569)	1,523	(3,569)
Total	1,523	(3,569)	1,523	(3,569)
Net total	(12,644)	(12,990)	(12,769)	(12,932)

(a) Negative goodwill referring to receipt of court-ordered debt payment installment, as Note 10.

34 Income from discontinued operations

In August 2010, the Board approved the discontinuation of the operational activities of the subsidiary Portobello América, given that demand in the U.S. market will remain contained for the coming years. The asset demobilization and main assets and liabilities of this unit, for the period ended June 30, 2014, are cash and cash equivalents of R$ 268 (R$326 as of December 31, 2013), debts with related parties of R$ 45,106 (R$47,975 in 2013), and negative shareholders' equity of R$ 44,838 (R$47,649 in 2013).

The results of discontinued operations are presented on a consolidated basis, therefore, aside from the results of the subsidiary Portobello América, Inc., (Note 16), considers the portion of the Parent Company’s operations in the discontinued operations. In the second quarter of 2014, result of discontinued operations was losses of R$ 41 (losses of R$ 27 on June 30, 2013), represented by some administrative expenses incurred during the period.

35 Earnings per share

a) Basic

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

In thousands of reais, unless otherwise indicated

Income (loss) for 2Q14 and 2Q13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Profit attributable to shareholders of the Company	12,593	16,255	12,593	16,255
Weighted average number of common shares (a)	158,489	159,009	158,489	159,009
Basic earnings per share	0.08	0.10	0.08	0.10
Income from continued operations	12,593	16,255	12,614	16,259
Income from discontinued operation	-	-	(21)	(4)
Weighted average number of common shares	158,489	159,009	158,489	159,009
Result from discontinued operations per share	0.07946	0.10223	0.07959	0.10225
Result from discontinued operations per share	-	-	(0.00013)	(0.00003)

(a) Less treasury shares

Income (loss) for 1H14 and 1H13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Profit attributable to shareholders of the Company	27,143	29,317	27,143	29,317
Weighted average number of common shares (a)	158,489	159,009	158,489	159,009
Basic earnings per share	0.17	0.18	0.17	0.18
Income from continued operations	27,143	29,317	27,184	29,344
Income from discontinued operation	-	-	(41)	(27)
Weighted average number of common shares	158,489	159,009	158,489	159,009
Result from discontinued operations per share	0.17126	0.18437	0.17152	0.18454
Result from discontinued operations per share	-	-	(0.00026)	(0.00017)

(a) Less treasury shares

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

b) Diluted

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

36 Dividends

On April 30, 2014, the Annual Shareholders' Meeting approved the payment of additional dividends in the amount of R$8,597. Accordingly, distributed total referring to 2013 was R$ 30,090, and payment balance in 2014 is R$23,635, stated on May 30, 2014.

In thousands of reais, unless otherwise indicated

37 Information per business segment

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

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

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

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

Information per business segment, reviewed by the Executive Board:

a) Income (loss) for 2Q14 and 2Q13

	June 30, 2014			June 30, 2013		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	210,556	22,488	233,044	190,869	16,732	207,601
Cost of goods sold	(132,560)	(14,246)	(146,806)	(124,955)	(10,186)	(135,141)
Gross operating income	77,996	8,242	86,238	65,914	6,546	72,460
Operating income (expenses), net	(53,873)	(5,754)	(59,627)	(36,894)	(3,332)	(40,226)
Sales, general and administrative	(46,819)	(5,001)	(51,820)	(36,366)	(3,285)	(39,651)
Other operating income (expenses), net	(4,425)	(473)	(4,898)	(2,180)	(192)	(2,372)
Other gains (losses), net	(2,628)	(281)	(2,909)	1,652	145	1,797
Operating income (loss) before financial income (loss)	24,123	2,488	26,611	29,020	3,214	32,234
% on ROL	11%	11%	11%	15%	19%	16%

b) Income (loss) for 1H14 and 1H13

	June 30, 2014			June 30, 2013		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	395,503	44,081	439,584	351,788	31,568	383,356
Cost of goods sold	(248,713)	(27,800)	(276,513)	(231,125)	(19,727)	(250,852)
Gross operating income	146,790	16,281	163,071	120,663	11,841	132,504
Operating income (expenses), net	(99,077)	(11,029)	(110,106)	(70,761)	(5,300)	(76,061)
Sales, general and administrative	(85,040)	(9,461)	(94,501)	(67,063)	(4,960)	(72,023)
Other operating income (expenses), net	(9,360)	(1,049)	(10,409)	(4,451)	(402)	(4,853)
Other gains (losses), net	(4,676)	(520)	(5,196)	753	62	815
Operating income (loss) before financial income (loss)	47,713	5,252	52,965	49,902	6,541	56,443
% on ROL	12%	12%	12%	14%	21%	15%

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

In thousands of reais, unless otherwise indicated

38 Commitments

a) Commitments for the acquisition of assets

On June 30, 2014, expenditures referring to Property, Plant and Equipment contracted on balance sheet date but not yet incurred amount to R$ 54,343, of which 99% are expenditures incurred for Alagoas Plant that is under construction.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on June 30, 2014 and December 31, 2013, amount to R$ 1,277 and R$ 891, respectively, for less than one year. For more than one year and less than five years, R$ 559 and R$987, respectively.

39 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On June 30, 2014, coverage for fire, ray and explosion 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. Policy is valid from April 14, 2014 to April 13, 2015.

The Company also has Civil Liability Insurance for Management (D&O), contracted from AIG Seguros Brasil 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 postponed to July 27, 2014.

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

40 Related companies and parties

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

Nature	Transactions with subsidiaries and associated companies	June 30, 2014	December 31, 2013
Assets			
Dividends receivable	Portobello Shop S.A.	-	2,934
Accounts receivable	Portobello América, Inc.	45,094	47,962
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	3,794	4,461
Loans	PBTech Com. Serv. Cer. Ltda.	3,029	2,886
Amounts receivable	Portobello Shop S.A.	4	22
Receivables from subsidiaries - Non-current		51,921	55,331
Credits with other related parties	Refinadora Catarinense S.A.	85,671	94,540
Liabilities			
Dividends paid in advance	Portobello Shop S.A.	5,161	-
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,299	1,426
Accounts receivable - net of advances	Solução Cerâmica Com. Ltda.	128	(1,305)
Accounts receivable - net of advances	Flooring Revest Cer. Ltda.	609	580
		2,036	701

In thousands of reais, unless otherwise indicated

Nature	Transactions with subsidiaries and associated companies	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Income					
Rendering of services	Portobello Shop S.A.	1,497	1,530	2,994	3,060
Sale of products	Solução Cerâmica Com. Ltda.	5,073	3,894	9,427	7,143
Sale of products	Flooring Revest Cer. Ltda.	2,104	1,897	4,285	3,515
Sale of products	PBTech Com. Serv. Cer. Ltda.	907	524	1,593	1,007
Expenses					
Cost of services rendered	Portobello Shop S.A.	(1,395)	(1,158)	(2,519)	(2,115)
Purchase of products	Mineração Portobello Ltda.	(926)	(566)	(1,904)	(1,099)
Rent	Gomes Participações Societárias Ltda.	(101)	(125)	(206)	(195)
		7,159	5,996	13,670	11,316

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

The subsidiary is guarantor of the Company in certain financing operations (see Note 20).

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:

					2nd quarter		Accumulated	
Transactions with subsidiaries and associated companies	Nature	June 30, 2014	December 31, 2013	Nature	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	Assets			Income				
Solução Cerâmica Com. Ltda.	Accounts receivable	50	363	Royalties	896	1,007	2,035	1,848
Flooring Revest Cer Ltda.	Accounts receivable	19	190	Royalties	546	495	1,121	922
		69	553		1,442	1,502	3,156	2,770

Remuneration of key management personnel

The remuneration of the key management personnel, comprising members of the Executive Board, Board of Directors, Fiscal Council and Management for the quarter ended June 30, 2014 and 2013 are:

a) Expenses incurred in 2Q14 and 2Q13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Fixed Compensation				
Salaries	2,441	2,108	2,919	2,473
Fees	953	880	953	972
Variable compensation	359	2,974	446	4,105
Direct and indirect short-term benefits				
Pension plan	189	167	201	212
Others	346	336	413	406
Termination benefits	226	-	336	-
	4,514	6,465	5,268	8,168

In thousands of reais, unless otherwise indicated

b) Expenses incurred in 1H14 and 1H13

	Parent company		Consolidated	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Fixed Compensation				
Salaries	4,785	3,892	5,732	4,520
Fees	1,879	1,486	1,879	1,853
Variable compensation	4,509	3,306	4,851	4,487
Direct and indirect short-term benefits				
Pension plan	372	292	398	400
Others	658	596	787	726
Termination benefits	226	-	336	-
	12,429	9,572	13,983	11,986

In thousands of reais, unless otherwise indicated

CORPORATE PROJECTIONS

Disclosed projections and assumptions

a) Purpose of prospect

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

b) Period prospected and prospect term

Growth projected to start in the second half of 2013.

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

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

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

Projections	Estimated value
Investment in the expansion and modernization of the manufacturing unit in Tijucas	R$86 million
Productive capacity of the new line	4.6 million m²/year
Net income of the new line estimated for 2014	R$141 million
Goals of growth in 2013	20%

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

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

In thousands of reais, unless otherwise indicated

Monitoring of and changes in disclosed projections

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

There were no changes in the prospects previously disclosed.

However, the new production line, included in this projection, has been completely implemented and boasts fully automated, cutting-edge Italian technology equipment designed for high productivity and low energy consumption. That production line was completed in July 2013 and has been delivering an important share of the Company's income.

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

Although the disclosed projections have not yet been fully realized, the aforementioned and already completed new production line allows a comparison of the investment made and the growth target, as follows.

Projections	Estimated value	Amounts realized
Investment in the expansion and modernization of the manufacturing unit in Tijucas	R$86 million	R$87 million
Goals of growth in 2013	20%	20%

The investments in the Tijucas plant expansion and modernization did not exceed the Company's planning and the variation arises from market fluctuations.

The Company's performance in 2013 achieved a new level of gross income, and reached a historical mark of R$1 billion while sustaining consistent growth averaging 20%, when we compare the net income for the last five years.

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

The projection for production capacity after the maturation period is expected to reach 4.6 million m²/year, and the projection for the net income of the new production line remain valid as projections for 2014, until the financial statements are disclosed, when they will be updated.

Projections	Estimated value
Productive capacity of the new line	4.6 million m²/year
Net income of the new line estimated for 2014	R$141 million

In relation to the implementation study of the manufacturing unit in the State of Alagoas, the detailing of the executive project was under way and is in construction phase, but the projected value for investment is still maintained.