Portobello

Portobello S.A.

Independent auditors' report on the financial statements
December 31, 2014

KPMG Auditores Independentes

Independent auditors' report on the financial statements

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

We have examined the individual and consolidated financial statements of Portobello S.A. ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2014 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the summary of the significant accounting practices and other explanatory notes.

Responsibility of management for the financial statements
Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with accounting practices adopted in Brazil, and consolidated financial statements in accordance with international financial reporting standards (IFRS) issued by *International Accounting Standards Board – IASB* and accounting practices adopted in Brazil and for designing, implementing and maintaining the internal control relevant to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Responsibility of the independent auditors
Our responsibility is to express an opinion on these financial statements based on our auditing, carried out in accordance with the Brazilian auditing and international accounting standards. These standards require the fulfillment of ethical requirements by the auditors and that the audit be planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free of significant distortions.

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of significant distortion in the financial statements, regardless of whether the latter are caused by fraud or error. In this risk assessment, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Company, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Company. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

Opinion on the individual financial statements
In our opinion, the individual aforementioned financial statements present fairly, in all material respects, the financial position of Portobello S.A. as of December 31, 2014, the performance of its operations and its cash flows, for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements
In our opinion, the individual aforementioned financial statements present fairly, in all material respects, the financial position of Portobello S.A. as of December 31, 2014, the performance of its operations and its cash flows, consolidated for the year then ended, in conformity with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Other issues

Statements of added value
We have also examined the individual and consolidated statements of value added (DVA) for the year ended December 31, 2014, prepared under responsibility of Company's management, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as supplementary information under IFRS that do not require the presentation of a statement of value added. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole.

Florianópolis, March 21, 2015.

KPMG Auditores Independentes
CRC SC-000071/F-8

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

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Company information / Capital composition

Number of Shares (Thousand)	**Last fiscal year 12/31/2014**
Paid-in capital	
Common	158,488
Preferred	0
Total	158,488
Treasury shares	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
1	Total assets	1,179,847	953,107	735,162
1.01	Current assets	493,268	427,954	363,766
1.01.01	Cash and cash equivalents	87,803	55,389	56,576
1.01.03	Accounts receivable	179,292	158,522	137,626
1.01.03.01	Trade accounts receivable	179,292	158,522	137,626
1.01.04	Inventories	191,600	177,666	119,932
1.01.06	Recoverable taxes	15,017	17,281	1,450
1.01.06.01	Current taxes recoverable	15,017	17,281	1,450
1.01.06.01.01	Income and social contribution tax recoverable	0	10,522	0
1.01.06.01.02	Other current taxes recoverable	15,017	6,759	1,450
1.01.07	Prepaid expenses	0	0	354
1.01.08	Other current assets	19,556	19,096	47,828
1.01.08.03	Other	19,556	19,096	47,828
1.01.08.03.01	Dividends receivable	9,472	2,934	2,073
1.01.08.03.02	Credit with subsidiary companies	0	0	41,839
1.01.08.03.03	Advances to suppliers	3,157	11,388	2,156
1.01.08.03.04	Other	6,927	4,774	1,760
1.02	Non-current assets	686,579	525,153	371,396
1.02.01	Long term assets	281,813	241,993	169,757
1.02.01.08	Related party credits	150,318	149,871	105,767
1.02.01.08.02	Receivables from subsidiaries	61,425	55,331	5,369
1.02.01.08.04	Other related party credits	88,893	94,540	100,398
1.02.01.09	Other non-current assets	131,495	92,122	63,990
1.02.01.09.03	Judicial deposits	46,564	20,721	8,457
1.02.01.09.04	Receivables - Eletrobrás	48,621	43,555	36,819
1.02.01.09.05	Recoverable taxes	15,330	3,884	1,682
1.02.01.09.06	Tax assets	15,386	13,896	12,872
1.02.01.09.07	Actuarial assets	5,075	9,547	3,641
1.02.01.09.08	Other	519	519	519

Individual financial statements / Balance sheet – Assets
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
1.02.02	Investments	678	678	678
1.02.02.01	Equity interest	678	678	678
1.02.02.01.02	Interest in subsidiaries	480	480	480
1.02.02.01.04	Other equity interest	198	198	198
1.02.03	Property, plant and equipment	387,451	264,424	185,841
1.02.04	Intangible assets	16,637	18,058	15,120

Individual financial statements/ Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
2	Total liabilities	1,179,847	953,107	735,162
2.01	Current liabilities	451,419	347,351	331,645
2.01.01	Social and labor obligations	22,266	19,398	17,581
2.01.02	Suppliers	149,582	152,441	120,122
2.01.03	Tax liabilities	24,209	24,415	32,062
2.01.03.01	Federal tax liabilities	24,209	24,415	32,062
2.01.03.01.01	Income and social contribution tax payable	7,451	0	3,488
2.01.03.01.02	Installment payment of tax liabilities	8,300	17,674	22,029
2.01.03.01.03	Taxes, duties and contributions	8,458	6,741	6,545
2.01.04	Loans and financing	172,722	91,068	75,584
2.01.04.01	Loans and financing	172,722	91,068	75,584
2.01.05	Other liabilities	58,739	39,458	38,292
2.01.05.02	Other	58,739	39,458	38,292
2.01.05.02.04	Advances from clients	12,275	18,047	20,636
2.01.05.02.06	Dividends payable	16,876	15,224	8,799
2.01.05.02.07	Accounts payable from investments	21,466	0	0
2.01.05.02.08	Other	8,122	6,187	8,857
2.01.06	Provisions	23,901	20,571	48,004
2.01.06.02	Other provisions	23,901	20,571	48,004
2.01.06.02.04	Provision for loss in investments	0	0	41,496
2.01.06.02.05	Provision for contingencies	17,925	14,600	1,288
2.01.06.02.06	Provision for profit sharing	5,976	5,971	5,220
2.02	Non-current liabilities	491,158	413,907	276,398
2.02.01	Loans and financing	273,645	201,100	90,016
2.02.01.01	Loans and financing	273,645	201,100	90,016
2.02.02	Other liabilities	109,467	116,667	112,479
2.02.02.02	Other	109,467	116,667	112,479
2.02.02.02.03	Suppliers	33,287	15,966	0
2.02.02.02.04	Related party debts	0	2,544	0

Individual financial statements/ Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
2.02.02.02.05	Private pension plan	0	0	2,918
2.02.02.02.06	Installment payment of tax liabilities	75,887	98,082	109,561
2.02.02.02.08	Other	293	75	0
2.02.03	Deferred taxes	30,184	29,154	16,309
2.02.03.01	Deferred income and social contribution taxes	30,184	29,154	16,309
2.02.04	Provisions	77,862	66,986	57,594
2.02.04.02	Other provisions	77,862	66,986	57,594
2.02.04.02.04	Provision for loss in investments	58,559	55,231	5,834
2.02.04.02.05	Provision for contingencies	9,738	5,887	49,584
2.02.04.02.06	Provision for long-term incentive	9,565	5,868	2,176
2.03	Shareholders' equity	237,270	191,849	127,119
2.03.01	Realized capital	76,565	46,065	40,798
2.03.02	Capital reserves	0	-2,545	267
2.03.02.05	Treasury shares	0	-2,545	0
2.03.04	Profit reserves	143,749	115,651	50,069
2.03.04.01	Legal reserve	12,481	7,808	3,283
2.03.04.05	Profit retention reserve	66,201	41,786	0
2.03.04.08	Additional dividend proposed	22,198	8,597	0
2.03.04.10	Profit reserves to be allocated	42,869	57,460	46,786
2.03.08	Other comprehensive income	16,956	32,678	35,985

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

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
3.01	Income from sales of goods and/or services	885,018	781,638	659,489
3.02	Cost of goods and/or services sold	-593,939	-531,382	-456,861
3.03	Gross income	291,079	250,256	202,628
3.04	Operating expenses/income	-141,329	-119,083	-91,826
3.04.01	Sales expenses	-134,887	-104,430	-87,264
3.04.02	General and administrative expenses	-24,796	-23,085	-18,331
3.04.04	Other operating income	17,554	10,218	15,024
3.04.04.01	Other operating income	10,621	9,097	11,682
3.04.04.02	Other gains (losses), net	6,933	1,121	3,342
3.04.05	Other operating expenses	-20,596	-15,097	-11,641
3.04.05.01	Other operating expenses	-20,596	-15,097	-11,641
3.04.06	Equity income (loss)	21,396	13,311	10,386
3.05	Income (loss) before financial income and taxes	149,750	131,173	110,802
3.06	Financial income (loss)	-28,061	-19,875	-21,431
3.06.01	Financial income	25,228	18,680	15,924
3.06.01.01	Financial income	25,228	18,680	15,924
3.06.02	Financial expenses	-53,289	-38,555	-37,355
3.06.02.01	Financial expenses	-49,855	-32,561	-33,720
3.06.02.02	Net exchange variation	-3,434	-5,994	-3,635
3.07	Income (loss) before income tax	121,689	111,298	89,371
3.08	Income and social contribution taxes	-28,225	-20,802	-23,707
3.08.01	Current	-30,660	-8,855	-23,091
3.08.02	Deferred assets	2,435	-11,947	-616
3.09	Net income (loss) of continued operations	93,464	90,496	65,664
3.11	Income/loss for the period	93,464	90,496	65,664
3.99	Earnings per share - (reais / Shares)			
3.99.01	Basic earnings per share			
3.99.01.01	ON	0.59000	0.57000	0.41000
3.99.02	Diluted earnings per share			

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

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
3.99.02.01	ON	0.59000	0.57000	0.41000

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
4.01	Net income for the period	93,464	90,496	65,664
4.02	Other comprehensive income	-13,046	-1,727	-6,319
4.02.01	Realization of revaluation reserve	0	0	-1,579
4.02.02	Actuarial liability	-6,655	4,351	-1,299
4.02.04	Exchange variation of foreign subsidiary	-6,391	-6,078	-3,441
4.03	Comprehensive income for the period	80,418	88,769	59,345

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
6.01	Net cash from operational activities	47,675	-2,720	34,235
6.01.01	Cash generated in operations	167,327	138,793	119,561
6.01.01.01	Profit or loss for the year before taxes	121,689	111,298	89,371
6.01.01.02	Depreciation and amortization	24,954	18,438	15,689
6.01.01.03	Equity in net income of subsidiaries	-21,396	-13,311	-10,386
6.01.01.04	Unrealized exchange variation	3,779	11,925	920
6.01.01.05	Provision for inventory at market value	-1,273	-103	-2,390
6.01.01.06	Allowance for doubtful accounts	-506	-362	-1,846
6.01.01.07	Provision for contingencies	3,955	1,464	6,558
6.01.01.08	Provision for labor obligations	-1,578	584	1,008
6.01.01.09	Profit sharing	3,702	4,443	9,233
6.01.01.10	Other provisions	45	-2,585	3,850
6.01.01.11	Restatement of Eletrobrás compulsory loans	-5,066	-6,736	-5,760
6.01.01.12	Restatement of tax assets	-1,490	-1,024	-1,049
6.01.01.13	Restatement of receivables with other related parties	5,647	-5,397	-6,604
6.01.01.14	Restatements of financial charges on tax installments	7,821	7,129	9,371
6.01.01.15	Restatements of decomposition of discount of provisions for contingencies	3,221	-2,048	4,309
6.01.01.16	Accrued interest on loans	27,169	18,935	7,824
6.01.01.17	Negative goodwill on receivables received from related parties	2,032	1,431	0
6.01.01.18	Actuarial assets	-2,184	-1,555	0
6.01.01.19	Treasury shares	0	-2,546	0
6.01.01.20	Other	-3,194	-1,187	-537
6.01.02	Changes in assets and liabilities	-72,335	-112,359	-58,663
6.01.02.01	(Increase)/Decrease in accounts receivable	-20,242	-20,559	-29,897
6.01.02.02	Increase (Decrease) in advances from clients	-5,772	-2,589	4,231
6.01.02.04	(Increase)/Decrease in inventories	-12,661	-57,631	-26,989
6.01.02.05	(Increase)/Decrease in legal deposits	-25,843	-12,264	-604
6.01.02.06	(Increase) Decrease in receivables from related parties	-2,032	9,824	0
6.01.02.07	(Increase)/Decrease in recoverable taxes	-19,704	-7,511	12

Individual financial statements / Statement of cash flows - Indirect method
(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
6.01.02.08	Increase/(Decrease) in provisions for contingency	0	-28,912	0
6.01.02.09	(Increase)/Decrease in other assets	-2,153	-2,852	-1,847
6.01.02.10	Increase/(Decrease) in accounts payable	14,385	47,946	22,347
6.01.02.11	(Increase) Decrease advance to suppliers	8,231	-9,232	738
6.01.02.12	Increase/(Decrease) in installment payments	-39,390	-22,963	-21,748
6.01.02.13	Increase /(Decrease) in Tax and labor liabilities	11,816	-5,232	2,475
6.01.02.14	Increase/(Decrease) in other accounts payable	21,030	-384	-7,381
6.01.03	Other	-47,317	-29,154	-26,663
6.01.03.01	Interest paid	-28,977	-12,951	-8,794
6.01.03.02	Income and social contribution taxes paid	-18,340	-16,203	-17,869
6.02	Net cash used in investment activities	-134,437	-99,768	-28,739
6.02.01	Acquisition of property, plant and equipment	-143,757	-95,291	-19,142
6.02.02	Acquisition of intangible assets	-2,803	-4,666	-10,814
6.02.03	Dividends received	11,844	14,273	2,680
6.02.04	Paid-up capital in subsidiaries	-48	0	0
6.02.05	Receipt from the sale of permanent assets	0	192	68
6.02.06	Loans (granted to) repaid by related parties	327	-14,276	-1,531
6.03	Net cash from financing activities	119,176	101,301	42,989
6.03.01	Funding loans and financing	248,188	252,063	153,060
6.03.02	Payment of loans and financing	-99,132	-135,695	-110,067
6.03.03	Dividends paid	-29,880	-15,067	0
6.03.04	Funding (Payment) of related companies	0	0	-4
6.05	Increase (decrease) in cash and cash equivalents	32,414	-1,187	48,485
6.05.01	Opening balance of cash and cash equivalents	55,389	56,576	8,091
6.05.02	Closing balance of cash and cash equivalents	87,803	55,389	56,576

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2014 to 12/31/2014

(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
5.04	Capital transactions with partners	0	2,545	19,653	-45,133	0	-22,935
5.04.07	Interest on own capital	0	0	0	-6,447	0	-6,447
5.04.08	Compulsory minimum dividends	0	0	0	-16,488	0	-16,488
5.04.09	Proposal for allocation of additional dividends	0	0	22,198	-22,198	0	0
5.04.10	Treasury shares	0	2,545	-2,545	0	0	0
5.05	Total comprehensive income	0	0	0	92,675	-15,722	76,953
5.05.01	Net income for the period	0	0	0	93,464	0	93,464
5.05.02	Other comprehensive income	0	0	0	-789	-15,722	-16,511
5.05.02.06	Realization of revaluation reserve	0	0	0	-789	-2,676	-3,465
5.05.02.07	Actuarial gain (loss)	0	0	0	0	-6,656	-6,656
5.05.02.08	Exchange variation of foreign subsidiary	0	0	0	0	-6,390	-6,390
5.06	Internal changes in shareholders' equity	30,500	0	8,445	-47,542	0	-8,597
5.06.04	Allocations after ASM 2014 – Capital increase	30,500	0	-30,500	0	0	0
5.06.06	Allocations after ASM 201 – Approval of additional dividends	0	0	-8,597	0	0	-8,597
5.06.07	Formation of legal reserve (5%)	0	0	4,673	-4,673	0	0
5.06.08	Formation of unallocated earnings reserve	0	0	42,869	-42,869	0	0
5.07	Closing balances	76,565	0	143,749	0	16,956	237,270

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2013 to 12/31/2013
(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
5.04	Capital transactions with partners	0	-2,545	8,597	-30,091	0	-24,039
5.04.08	Compulsory minimum dividends	0	0	0	-17,836	0	-17,836
5.04.09	Interest on own capital	0	0	0	-3,658	0	-3,658
5.04.10	Proposal for allocation of additional dividends	0	0	8,597	-8,597	0	0
5.04.11	Treasury shares	0	-2,545	0	0	0	-2,545
5.05	Total comprehensive income	0	0	0	92,076	-3,307	88,769
5.05.01	Net income for the period	0	0	0	90,496	0	90,496
5.05.02	Other comprehensive income	0	0	0	1,580	-3,307	-1,727
5.05.02.06	Actuarial gain (loss)	0	0	0	0	4,351	4,351
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-6,078	-6,078
5.05.02.08	Realization of revaluation reserve	0	0	0	1,580	-1,580	0
5.06	Internal changes in shareholders' equity	5,267	-267	56,985	-61,985	0	0
5.06.04	Allocations after ASM 2012 - Capital increase	5,000	0	-5,000	0	0	0
5.06.05	Allocations after ASM 2012 - Capital increase	267	-267	0	0	0	0
5.06.06	Formation of legal reserve (5%)	0	0	4,525	-4,525	0	0
5.06.07	Formation of profit reserves to be allocated	0	0	57,460	-57,460	0	0
5.07	Closing balances	46,065	-2,545	115,651	0	32,678	191,849

Individual financial statements / Statement of changes in shareholders' equity–DMPL – 01/01/2012 to 12/31/2012 (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	112,957	267	0	-73,738	42,304	81,790
5.03	Adjusted opening balances	112,957	267	0	-73,738	42,304	81,790
5.04	Capital transactions with partners	0	0	0	-15,595	0	-15,595
5.04.06	Dividends	0	0	0	-13,742	0	-13,742
5.04.07	Interest on own capital	0	0	0	-1,853	0	-1,853
5.05	Total comprehensive income	0	0	0	67,243	-6,319	60,924
5.05.01	Net income for the period	0	0	0	65,664	0	65,664
5.05.02	Other comprehensive income	0	0	0	1,579	-6,319	-4,740
5.05.02.06	Actuarial gain (loss)	0	0	0	0	-1,299	-1,299
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,441	-3,441
5.05.02.08	Realization of revaluation reserve	0	0	0	1,579	-1,579	0
5.06	Internal changes in shareholders' equity	-72,159	0	50,069	22,090	0	0
5.06.01	Formation of reserves	0	0	50,069	-50,069	0	0
5.06.04	Capital decrease	-72,159	0	0	72,159	0	0
5.07	Closing balances	40,798	267	50,069	0	35,985	127,119

Individual financial statements or Statement of added value
(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
7.01	Income	1,166,840	993,249	833,711
7.01.01	Sale of merchandise, products and services	1,098,069	971,514	816,052
7.01.02	Other income	16,281	13,918	15,813
7.01.03	Income from construction of own assets	52,996	7,455	0
7.01.04	Allowance for /reversal of allowance for doubtful accounts	-506	362	1,846
7.02	Inputs acquired from third parties	-615,435	-503,198	-425,950
7.02.01	Cost of goods, merchandise and services sold	-445,460	-407,112	-340,430
7.02.02	Materials, Energy, Third-party services and other	-170,101	-97,857	-86,227
7.02.03	Loss/recovery of asset values	126	1,771	707
7.03	Gross added value	551,405	490,051	407,761
7.04	Retentions	-24,952	-18,438	-15,689
7.04.01	Depreciation, amortization and depletion	-24,952	-18,438	-15,689
7.05	Net added value produced	526,453	471,613	392,072
7.06	Added value received as transfer	100,903	71,388	45,265
7.06.01	Equity income (loss)	21,396	13,311	10,386
7.06.02	Financial income	79,507	58,077	34,879
7.07	Total added value payable	627,356	543,001	437,337
7.08	Distribution of added value	627,356	543,001	437,337
7.08.01	Personnel	163,932	139,108	107,682
7.08.01.01	Direct remuneration	140,839	121,520	92,182
7.08.01.02	Benefits	14,196	10,225	8,618
7.08.01.03	Severance Pay Fund (FGTS)	8,897	7,363	6,882
7.08.02	Taxes, duties and contributions	259,228	227,786	203,188
7.08.02.01	Federal	144,217	123,277	115,903
7.08.02.02	State	114,722	104,057	87,089
7.08.02.03	Municipal	289	452	196
7.08.03	Third-party capital remuneration	110,732	85,611	60,803
7.08.03.01	Interest	100,633	76,830	52,969
7.08.03.02	Rents	10,099	8,781	7,834

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
7.08.04	Remuneration of own capital	93,464	90,496	65,664
7.08.04.01	Interest on own capital	6,447	3,658	1,853
7.08.04.02	Dividends	38,686	26,433	13,742
7.08.04.03	Retained earnings / Loss for the period	48,331	60,405	50,069

Consolidated financial statements or Balance sheet – Assets
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
1	Total assets	1,132,348	904,908	695,321
1.01	Current assets	497,839	433,732	328,230
1.01.01	Cash and cash equivalents	92,383	57,677	58,870
1.01.03	Accounts receivable	187,918	163,801	142,678
1.01.03.01	Trade accounts receivable	187,918	163,801	142,678
1.01.04	Inventories	192,292	177,847	120,045
1.01.06	Recoverable taxes	15,648	17,883	2,064
1.01.06.01	Current taxes recoverable	15,648	17,883	2,064
1.01.06.01.01	Income and social contribution tax recoverable	452	10,978	459
1.01.06.01.02	Other current taxes recoverable	15,196	6,905	1,605
1.01.07	Prepaid expenses	0	0	815
1.01.08	Other current assets	9,598	16,524	3,758
1.01.08.03	Other	9,598	16,524	3,758
1.01.08.03.03	Advances to suppliers	1,788	9,975	954
1.01.08.03.04	Other	7,810	6,549	2,804
1.02	Non-current assets	634,509	471,176	367,091
1.02.01	Long term assets	220,405	186,662	164,501
1.02.01.08	Related party credits	88,893	94,540	100,398
1.02.01.08.04	Other related party credits	88,893	94,540	100,398
1.02.01.09	Other non-current assets	131,512	92,122	64,103
1.02.01.09.03	Judicial deposits	46,581	20,721	8,494
1.02.01.09.04	Receivables - Eletrobrás	48,621	43,555	36,819
1.02.01.09.05	Recoverable taxes	15,330	3,884	1,682
1.02.01.09.06	Tax assets	15,386	13,896	12,872
1.02.01.09.07	Actuarial assets	5,075	9,547	3,641
1.02.01.09.08	Other	519	519	595
1.02.02	Investments	198	198	215
1.02.02.01	Equity interest	198	198	215
1.02.02.01.04	Other equity interest	198	198	215

Consolidated financial statements or Balance sheet – Assets
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
1.02.03	Property, plant and equipment	392,585	265,572	187,056
1.02.04	Intangible assets	21,321	18,744	15,319

Consolidated financial statements or Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
2	Total liabilities	1,132,348	904,908	695,321
2.01	Current liabilities	460,243	352,485	295,375
2.01.01	Social and labor obligations	24,501	20,483	18,459
2.01.02	Suppliers	150,373	153,842	121,113
2.01.03	Tax liabilities	26,067	25,853	34,348
2.01.03.01	Federal tax liabilities	26,067	25,853	34,348
2.01.03.01.01	Income and social contribution tax payable	8,272	461	4,142
2.01.03.01.02	Installment payment of tax liabilities	8,358	18,080	22,961
2.01.03.01.03	Taxes, duties and contributions	9,437	7,312	7,245
2.01.04	Loans and financing	172,722	91,068	75,584
2.01.04.01	Loans and financing	172,722	91,068	75,584
2.01.05	Other liabilities	62,302	40,003	38,707
2.01.05.02	Other	62,302	40,003	38,707
2.01.05.02.04	Advances from clients	15,608	18,440	20,813
2.01.05.02.06	Dividends payable	16,895	15,239	8,810
2.01.05.02.07	Dividends payable from investments	21,466	0	0
2.01.05.02.08	Other	8,333	6,324	9,084
2.01.06	Provisions	24,278	21,236	7,164
2.01.06.02	Other provisions	24,278	21,236	7,164
2.01.06.02.05	Provision for contingencies	17,966	14,635	1,322
2.01.06.02.06	Provision for profit sharing	6,312	6,601	5,842
2.02	Non-current liabilities	434,825	360,566	272,819
2.02.01	Loans and financing	274,646	202,066	90,931
2.02.01.01	Loans and financing	274,646	202,066	90,931
2.02.02	Other liabilities	109,982	117,200	113,364
2.02.02.02	Other	109,982	117,200	113,364
2.02.02.02.03	Suppliers	33,287	15,966	0
2.02.02.02.05	Private pension plan	0	2,544	2,918
2.02.02.02.06	Installment payment of tax liabilities	76,402	98,616	110,446

Consolidated financial statements or Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Last year 12/31/2014	Penultimate year 12/31/2013	Antepenultimate year 12/31/2012
2.02.02.02.08	Other	293	74	0
2.02.03	Deferred taxes	30,184	29,154	16,309
2.02.03.01	Deferred income and social contribution taxes	30,184	29,154	16,309
2.02.04	Provisions	20,013	12,146	52,215
2.02.04.02	Other provisions	20,013	12,146	52,215
2.02.04.02.05	Provision for contingencies	9,764	5,908	49,592
2.02.04.02.06	Provision for long-term incentive	10,249	6,238	2,623
2.03	Consolidated shareholders' equity	237,280	191,857	127,127
2.03.01	Realized capital	76,565	46,065	40,798
2.03.02	Capital reserves	0	-2,545	267
2.03.02.05	Treasury shares	0	-2,545	0
2.03.04	Profit reserves	143,749	115,651	50,069
2.03.04.01	Legal reserve	12,481	7,808	3,283
2.03.04.05	Profit retention reserve	66,201	41,786	0
2.03.04.08	Additional dividend proposed	22,198	8,597	0
2.03.04.10	Profit reserves to be allocated	42,869	57,460	46,786
2.03.08	Other comprehensive income	16,956	32,678	35,985
2.03.09	Interest of non-controlling shareholders	10	8	8

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

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
3.01	Income from sales of goods and/or services	949,147	834,032	706,471
3.02	Cost of goods and/or services sold	-591,929	-530,279	-456,052
3.03	Gross income	357,218	303,753	250,419
3.04	Operating expenses/income	-199,461	-165,040	-133,557
3.04.01	Sales expenses	-163,452	-126,984	-103,996
3.04.02	General and administrative expenses	-30,461	-28,410	-23,495
3.04.04	Other operating income	16,337	8,132	12,349
3.04.04.01	Other operating income	9,404	7,011	9,007
3.04.04.02	Other gains (losses), net	6,933	1,121	3,342
3.04.05	Other operating expenses	-21,885	-17,778	-18,415
3.04.05.01	Other operating expenses	-21,885	-17,778	-18,415
3.05	Income (loss) before financial income and taxes	157,757	138,713	116,862
3.06	Financial income (loss)	-28,139	-19,589	-21,690
3.06.01	Financial income	26,082	19,774	16,140
3.06.01.01	Financial income	26,082	19,774	16,140
3.06.02	Financial expenses	-54,221	-39,363	-37,830
3.06.02.01	Financial expenses	-50,787	-33,369	-34,195
3.06.02.02	Net exchange variation	-3,434	-5,994	-3,635
3.07	Income (loss) before income tax	129,618	119,124	95,172
3.08	Income and social contribution taxes	-36,044	-28,538	-30,024
3.08.01	Current	-40,562	-16,591	-29,408
3.08.02	Deferred assets	4,518	-11,947	-616
3.09	Net income (loss) of continued operations	93,574	90,586	65,148
3.10	Net income (loss) of discontinued operations	-90	-75	527
3.11	Income/loss for the period	93,484	90,511	65,675
3.11.01	Attributed to the Parent company's partners	93,464	90,496	65,664
3.11.02	Attributed to non-controlling partners	20	15	11
3.99	Earnings per share - (reais / Shares)			
3.99.01	Basic earnings per share			

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

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
3.99.01.01	ON	0.59000	0.57000	0.41000
3.99.02	Diluted earnings per share			
3.99.02.01	ON	0.59000	0.57000	0.41000

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
4.01	Consolidated net income for the period	93,484	90,511	65,675
4.02	Other comprehensive income	-13,046	-1,727	-6,319
4.02.01	Realization of revaluation reserve	0	0	-1,579
4.02.02	Actuarial liability	-6,655	4,351	-1,299
4.02.04	Exchange variation of foreign subsidiary	-6,391	-6,078	-3,441
4.03	Consolidated comprehensive income for the period	80,438	88,784	59,356
4.03.01	Attributed to the Parent company's partners	80,418	88,769	59,345
4.03.02	Attributed to non-controlling partners	20	15	11

Consolidated financial statements / Statement of cash flows - Indirect method
(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
6.01	Net cash from operational activities	70,580	-2,210	36,803
6.01.01	Cash generated in operations	196,889	151,386	136,228
6.01.01.01	Profit or loss for the year before taxes	129,528	119,124	95,172
6.01.01.02	Depreciation and amortization	25,255	18,534	15,733
6.01.01.04	Unrealized exchange variation	3,845	4,045	1,036
6.01.01.05	Provision for inventory at market value	-1,273	-867	-3,522
6.01.01.06	Allowance for doubtful accounts	-506	-374	-2,928
6.01.01.07	Provision for contingencies	3,961	1,400	6,523
6.01.01.08	Provision for labor obligations	-1,837	584	950
6.01.01.09	Profit sharing	3,722	4,374	10,990
6.01.01.10	Other provisions	-8	-2,589	3,850
6.01.01.11	Restatement of Eletrobrás compulsory loans	-5,066	-6,736	-5,760
6.01.01.12	Restatements of tax assets	-1,490	-1,024	-1,049
6.01.01.13	Restatements of receivables with other related parties	5,647	-5,397	-6,604
6.01.01.14	Restatements of financial charges on tax installments	7,871	7,206	9,528
6.01.01.15	Restatements of decomposition of discount of provisions for contingencies	3,226	-1,970	4,315
6.01.01.16	Accrued interest on loans	27,169	18,935	8,057
6.01.01.17	Negative goodwill on receivables received from related parties	2,032	1,431	0
6.01.01.18	Actuarial assets	-2,184	-1,555	0
6.01.01.19	Treasury shares	0	-2,546	0
6.01.01.20	Other	-3,003	-1,189	-63
6.01.02	Changes in assets and liabilities	-70,102	-117,095	-68,413
6.01.02.01	(Increase)/Decrease in accounts receivable	-23,589	-20,774	-30,298
6.01.02.02	Increase (Decrease) in advances from clients	-2,832	-2,373	4,328
6.01.02.04	(Increase)/Decrease in inventories	-13,172	-56,935	-25,970
6.01.02.05	(Increase)/Decrease in legal deposits	-25,860	-12,227	-604
6.01.02.06	(Increase) Decrease in receivables from related parties	-2,032	9,824	0
6.01.02.07	(Increase)/Decrease in recoverable taxes	-19,737	-7,502	5
6.01.02.08	Increase/(Decrease) in provisions for contingencies	0	-28,912	0

Consolidated financial statements or Statement of cash flows – Indirect method

(In thousand of reais)

Code of account	Account description	Penultimate year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
6.01.02.09	(Increase)/Decrease in other assets	-1,261	-3,045	-2,111
6.01.02.10	Increase/(Decrease) in accounts payable	13,775	48,356	22,842
6.01.02.11	(Increase) Decrease advance to suppliers	8,187	-9,021	731
6.01.02.12	Increase/(Decrease) in installment payments	-39,807	-23,917	-22,832
6.01.02.13	Increase /(Decrease) in Tax and labor liabilities	15,068	-10,103	828
6.01.02.14	Increase/(Decrease) in other accounts payable	21,158	-466	-15,332
6.01.03	Other	-56,207	-36,501	-31,012
6.01.03.01	Interest paid	-28,977	-12,951	-8,812
6.01.03.02	Income and social contribution taxes paid	-27,230	-23,550	-22,200
6.02	Net cash used in investment activities	-155,036	-100,284	-31,037
6.02.01	Acquisition of property, plant and equipment	-148,103	-95,299	-20,081
6.02.02	Acquisition of intangible assets	-6,933	-5,177	-11,024
6.02.05	Receipt from the sale of permanent assets	0	192	68
6.03	Net cash from financing activities	119,162	101,301	42,993
6.03.01	Funding loans and financing	248,188	252,063	153,060
6.03.02	Payment of loans and financing	-99,132	-135,695	-110,067
6.03.03	Dividends paid	-29,894	-15,067	0
6.04	Exchange variation on cash and cash equivalents	0	0	46
6.05	Increase (decrease) in cash and cash equivalents	34,706	-1,193	48,805
6.05.01	Opening balance of cash and cash equivalents	57,677	58,870	10,065
6.05.02	Closing balance of cash and cash equivalents	92,383	57,677	58,870

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2014 to 12/31/2014
(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	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
5.04	Capital transactions with partners	0	2,545	19,653	-45,133	0	-22,935	-18	-22,953
5.04.07	Interest on own capital	0	0	0	-6,447	0	-6,447	0	-6,447
5.04.08	Compulsory minimum dividends	0	0	0	-16,488	0	-16,488	-18	-16,506
5.04.09	Proposal for allocation of additional dividends	0	0	22,198	-22,198	0	0	0	0
5.04.10	Treasury shares	0	2,545	-2,545	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	92,675	-15,722	76,953	20	76,973
5.05.01	Net income for the period	0	0	0	93,464	0	93,464	20	93,484
5.05.02	Other comprehensive income	0	0	0	-789	-15,722	-16,511	0	-16,511
5.05.02.06	Realization of revaluation reserve	0	0	0	-789	-2,676	-3,465	0	-3,465
5.05.02.07	Actuarial gain (loss)	0	0	0	0	-6,656	-6,656	0	-6,656
5.05.02.08	Exchange variation of foreign subsidiary	0	0	0	0	-6,390	-6,390	0	-6,390
5.06	Internal changes in shareholders' equity	30,500	0	8,445	-47,542	0	-8,597	0	-8,597
5.06.04	Allocations after ASM 2014 – Capital increase	30,500	0	-30,500	0	0	0	0	0
5.06.05	Allocations after ASM 2014 - Approval of additional dividends	0	0	-8,597	0	0	-8,597	0	-8,597
5.06.06	Formation of legal reserve - (5%)	0	0	4,673	-4,673	0	0	0	0
5.06.07	Formation of unallocated earnings reserve	0	0	42,869	-42,869	0	0	0	0
5.07	Closing balances	76,565	0	143,749	0	16,956	237,270	10	237,280

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2013 to 12/31/2013

(In thousands 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	Sharehoder s' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.04	Capital transactions with partners	0	-2,545	8,597	-30,091	0	-24,039	-15	-24,054
5.04.08	Compulsory minimum dividends	0	0	0	-17,836	0	-17,836	-15	-17,851
5.04.09	Interest on own capital	0	0	0	-3,658	0	-3,658	0	-3,658
5.04.10	Proposal for allocation of additional dividends	0	0	8,597	-8,597	0	0	0	0
5.04.11	Treasury shares	0	-2,545	0	0	0	-2,545	0	-2,545
5.05	Total comprehensive income	0	0	0	92,076	-3,307	88,769	15	88,784
5.05.01	Net income for the period	0	0	0	90,496	0	90,496	15	90,511
5.05.02	Other comprehensive income	0	0	0	1,580	-3,307	-1,727	0	-1,727
5.05.02.06	Actuarial gain (loss)	0	0	0	0	4,351	4,351	0	4,351
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-6,078	-6,078	0	-6,078
5.05.02.08	Realization of revaluation reserve	0	0	0	1,580	-1,580	0	0	0
5.06	Internal changes in shareholders' equity	5,267	-267	56,985	-61,985	0	0	0	0
5.06.04	Allocations after ASM 2012 - Capital increase	5,000	0	-5,000	0	0	0	0	0
5.06.05	Allocations after ASM 2012 - Capital increase	267	-267	0	0	0	0	0	0
5.06.06	Formation of legal reserve (5%)	0	0	4,525	-4,525	0	0	0	0
5.06.07	Formation of reversal of profit to be allocated	0	0	57,460	-57,460	0	0	0	0
5.07	Closing balances	46,065	-2,545	115,651	0	32,678	191,849	8	191,857

Consolidated financial statements / Statement of changes in shareholders' equity - DMPL – 01/01/2012 to 12/31/2012

(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	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.03	Adjusted opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.04	Capital transactions with partners	0	0	0	-15,595	0	-15,595	-11	-15,606
5.04.06	Dividends	0	0	0	-13,742	0	-13,742	-11	-13,753
5.04.07	Interest on own capital	0	0	0	-1,853	0	-1,853	0	-1,853
5.05	Total comprehensive income	0	0	0	67,243	-6,319	60,924	11	60,935
5.05.01	Net income for the period	0	0	0	65,664	0	65,664	11	65,675
5.05.02	Other comprehensive income	0	0	0	1,579	-6,319	-4,740	0	-4,740
5.05.02.06	Actuarial gain (loss)	0	0	0	0	-1,299	0	0	-1,299
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,441	0	0	-3,441
5.05.02.08	Realization of revaluation reserve	0	0	0	1,579	-1,579	0	0	0
5.06	Internal changes in shareholders' equity	-72,159	0	50,069	22,090	0	0	0	0
5.06.01	Formation of reserves	0	0	50,069	-50,069	0	0	0	0
5.06.04	Capital decrease	-72,159	0	0	72,159	0	0	0	0
5.07	Closing balances	40,798	267	50,069	0	35,985	127,119	8	127,127

Consolidated financial statements or Statement of added value
(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
7.01	Income	1,232,297	1,045,234	881,013
7.01.01	Sale of merchandise, products and services	1,173,378	1,032,311	870,089
7.01.02	Other income	6,429	5,093	7,996
7.01.03	Income from construction of own assets	52,996	7,455	0
7.01.04	Formation/reversal of allowance for doubtful accounts	-506	375	2,928
7.02	Inputs acquired from third parties	-629,397	-519,052	-443,307
7.02.01	Cost of products, goods and services sold	-443,308	-405,912	-339,743
7.02.02	Materials, Energy, Third-party services and other	-186,125	-114,831	-104,319
7.02.03	Loss/recovery of asset values	126	1,766	228
7.02.04	Other	-90	-75	527
7.02.04.01	Income from discontinued operations	-90	-75	527
7.03	Gross added value	602,900	526,182	437,706
7.04	Retentions	-25,254	-18,534	-15,733
7.04.01	Depreciation, amortization and depletion	-25,254	-18,534	-15,733
7.05	Net added value produced	577,646	507,648	421,973
7.06	Added value received as transfer	80,360	59,172	35,096
7.06.02	Financial income	80,360	59,172	35,096
7.07	Total added value payable	658,006	566,820	457,069
7.08	Distribution of added value	658,006	566,820	457,069
7.08.01	Personnel	175,355	146,791	113,982
7.08.01.01	Direct remuneration	150,772	128,222	97,628
7.08.01.02	Benefits	14,811	10,681	9,163
7.08.01.03	Severance Pay Fund (FGTS)	9,772	7,888	7,191
7.08.02	Taxes, duties and contributions	276,383	242,611	215,707
7.08.02.01	Federal	161,098	138,035	128,372
7.08.02.02	State	114,885	104,077	87,102
7.08.02.03	Municipal	400	499	233
7.08.03	Third-party capital remuneration	112,784	86,907	61,705
7.08.03.01	Interest	101,578	77,644	53,455

Consolidated financial statements or Statement of added value
(In thousand of reais)

Code of account	Account description	Last year 01/01/2014 to 12/31/2014	Penultimate year 01/01/2013 to 12/31/2013	Antepenultimate year 01/01/2012 to 12/31/2012
7.08.03.02	Rents	11,206	9,263	8,250
7.08.04	Remuneration of own capital	93,484	90,511	65,675
7.08.04.01	Interest on own capital	6,447	3,658	1,853
7.08.04.02	Dividends	38,686	26,433	13,742
7.08.04.03	Retained earnings / Loss for the period	48,331	60,405	50,069
7.08.04.04	Interest of non-controlling shareholders in retained earnings	20	15	11

Management report

In thousands of reais, unless otherwise indicated

COMMENTS ON THE CONSOLIDATED PERFORMANCE OF 2014

Portobello S.A. (BM&FBovespa: PTBL3 NM) presents different result for the year ended December 31, 2014. Financial information presented in this document derives from consolidated financial statements 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 ceramic tiles' company, with gross income exceeding R$ 1 billion and 200 million. Its sales, which is close to 34 million square meters, caters for the domestic market, through Portobello Shop channels and the sales channel for engineers, besides clients from countries on the five continents.

HIGHLIGHTS

- Net income totaling R$949 million, 14% higher than in 2013;
- Gross income reaches R$ 357 million, up 18% on the same period in 2013, with margin of 38%;
- EBITDA of R$ 176 million, up 13% on the year 2013 and margin of 19%;
- Portobello Shop franchise network with 135 stores;
- Plant in the Northeast region with start-up of operations scheduled for the first semester of 2015.

MANAGEMENT COMMENTS

The year 2014 was challenging for the economic scenario of the country, where some factors like the presidential elections, the World Soccer Cup, the inflation high, and the low growth of the Brazilian GDP negatively influenced the development of businesses in general, causing the end consumer to cut expenditures and investments in the civil construction market.

According to the Brazilian Association of the Construction Materials Industry (ABRAMAT), which monitors the performance of the construction materials industry, the industry showed a decline in 2014 as compared to the year 2013, ending the year with a drop of 6.6% in the domestic market. The finishing materials segment on the other hand sustained a small growth of 2.1%. For the year 2015, the industry's estimate is a growth of 1.0% in relation to 2014. Even in this context, Portobello has kept a superior performance, with growth in net income of 14% in relation to the same period in 2013 and sustaining margins at the same level of the previous year.

The Company obtained an EBITDA of R$ 176 million with margin of 19%. This result is achieved not only because of the positioning and the strategies adopted over the past years, but also the actions of adequacy taken by Management to the extent the market context was worsening. Business and streamlining actions were taken internally, both in terms of costs and operating expenses, as well as the careful analysis of its investment plan.

The company experienced gains in volume of production in the order of 17.2% arising from investments in 8.2% and productivity gains of 8.7% in 2014.

It is worth emphasizing that the Company's net indebtedness of R$ 351 million corresponds to 1.99 time the EBITDA of the last 12 months. This increase of R$ 93 million in relation to 2013 occurred mainly due to investments in the Northeast plant.

Management report

In thousands of reais, unless otherwise indicated

ECONOMIC AND FINANCIAL PERFORMANCE

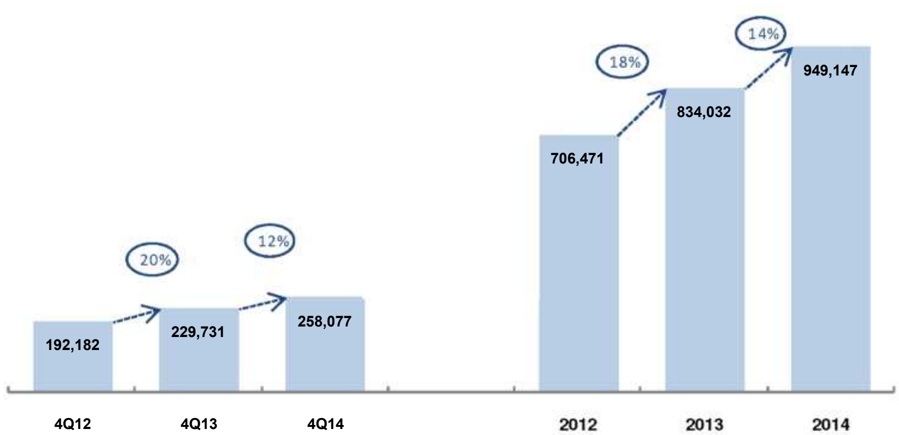
Consolidated income (loss)	4Q12	4Q13	4Q14	▲%	2012	2013	2014	▲%
Gross income	238,853	288,373	318,894	11%	882,769	1,053,849	1,200,814	14%
Net income	192,182	229,731	258,077	12.30%	706,471	834,032	949,147	14%
Gross income	69,056	89,870	102,659	14.20%	250,419	303,753	357,218	18%
Gross margin	35.90%	39.10%	39.80%	0.7 p.p.	35.40%	36.40%	37.60%	1.2 p.p.
Operating expenses	-37,220	-42,821	-46,104	7.70%	-136,899	-166,161	-206,394	24%
Sales	-28,894	-34,966	-42,704	22%	-103,996	-126,984	-163,452	29%
General and administrative expenses	-5,424	-7,013	-6,527	-6.90%	-23,495	-28,410	-30,461	7.20%
Other income (expenses)	-2,902	-842	3,127	-	-9,408	-10,767	-12,481	15.90%
EBIT	31,836	47,049	56,555	20.20%	113,520	137,592	150,824	9.60%
EBIT margin	16.60%	20.50%	21.90%	1.4 p.p.	16.10%	16.50%	15.90%	-0.6 p.p.
Financial income (loss)	-3,997	-634	2,872	-553%	-18,348	-18,468	-21,206	15%
Taxes on income	-7,739	-7,060	-13,123	86%	-30,024	-28,538	-36,044	26.30%
Net income	20,177	39,322	46,273	18%	65,675	90,511	93,484	3%
Net Margin	10.50%	17.10%	17.90%	0.8 p.p.	9.30%	10.90%	9.80%	-1 p.p.
EBITDA	35,343	53,342	62,946	18.00%	129,253	156,125	176,081	12.80%
EBITDA margin	18.40%	23.2%,	24.4%,	1.2 p.p.	18.30%	18.70%	18.60%	-0.2 p.p.

Net income

The consolidated net income of Portobello totaled R$ 949 million in 2014, up 14% on the R$ 834 million earned in the same period in 2013. The main factors that contributed to a better performance were the growth in the physical volume of sales, combined with an improvement in the mix of products. In addition, the Company adopted a differentiated business strategy, by means of sales campaigns that contributed to boost sales in 2014. Of total accumulated net income, 21% refer to products acquired from third parties.

Domestic market's net income, which represented 89% of total, increased 12% in relation to 2013 and had an important participation in Portobello Shop and Engineering channels. While external market presented growth of 34% compared to 2013, influenced by sales volume and appreciation of US dollar in relation to Brazilian Real mostly in months of 2014, compared to 2013.

Net income



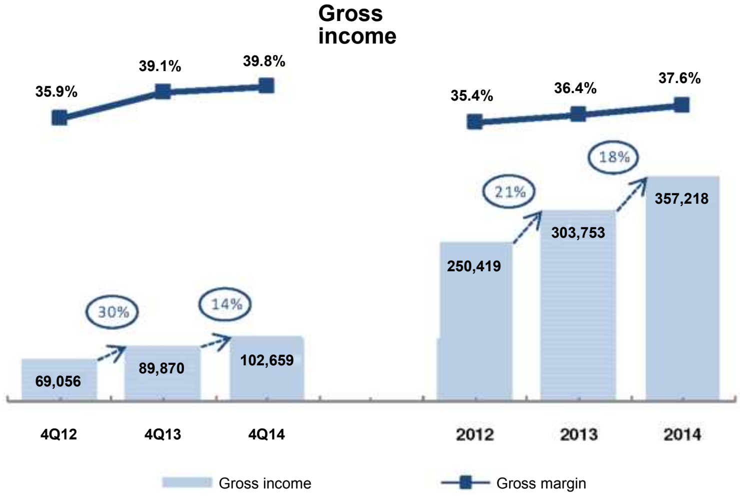
Management report

In thousands of reais, unless otherwise indicated

Net income	4Q12	4Q13	4Q14	▲%	2012	2013	2014	▲%
Domestic market	176,798	206,552	223,272	8.10%	653,091	757,156	845,782	12%
Foreign market	15,384	23,179	34,805	50%	53,380	76,876	103,365	34%
Total	192,182	229,731	258,077	12.30%	706,471	834,032	949,147	14%

Gross income

Gross profit totaled R$ 357 million in the year ended December 31, 2014, showing a 18% growth in relation to 0 the same period in the previous year. The gross margin showed a gain of 1.2 p.p., despite of the restrictive market. This result is also a reflection of the action related to productivity gains and efforts to cut expenses – cutting costs, but maintaining quality.



Operating income

Sales expenses totaled R$ 163 million in the year 2014, up 29% on the same period of the previous year, resulting from greater investments in sales forces, distribution and logistics projects, with opening of distribution centers and expansion of its chain of franchises - Portobello Shop. The CIF (Cost, Insurance and Freight) sales, which represent 1% of the consolidated net income, incurred commercial expenses with freight of nearly R$ 8 million, 5% of total sales expenses.

Administrative expenses that totaled R$ 30 million, up 7% on 2013. Increases mainly derive from expenses with contracting of advisors to maintain the Company's growth and structuring of new areas, such as management and meritocracy and projects.

Operating expenses	4Q12	4Q13	4Q14	▲%	%NR	2012	2013	2014	▲%	%NR
Sales	(28,894)	(34,966)	(42,704)	22%	17%	(103,996)	(126,984)	(163,452)	29%	17%
General and administrative expenses	(5,424)	(7,013)	(6,527)	-6.9%	2.5%	(23,495)	(28,410)	(30,461)	7.2%	3.2%
Other income (expenses)	(2,902)	(842)	3,127	-	-1.2%	(9,408)	(10,767)	(12,481)	15.9%	1.3%
Total	(37,220)	(42,821)	(46,104)	7.7%	18%	(136,899)	(166,161)	(206,394)	24%	22%

Other operating expenses, net, of R$ 12 million refer specially to a reserve for profit sharing to be paid after the end of the year, to the long-term incentive program (with full settlement five years after initial recognition), and a provision for judicial contingency and pre-operating expenses in the plant of the Northeast region.

In view of a limited economic scenario, Management also adopted measures to cut operating expenses, based on the decision of neutralizing as much as possible the events that have negative influence on the targets estimated for the planning phase, but without compromising the growth of the Company.

Management report

In thousands of reais, unless otherwise indicated

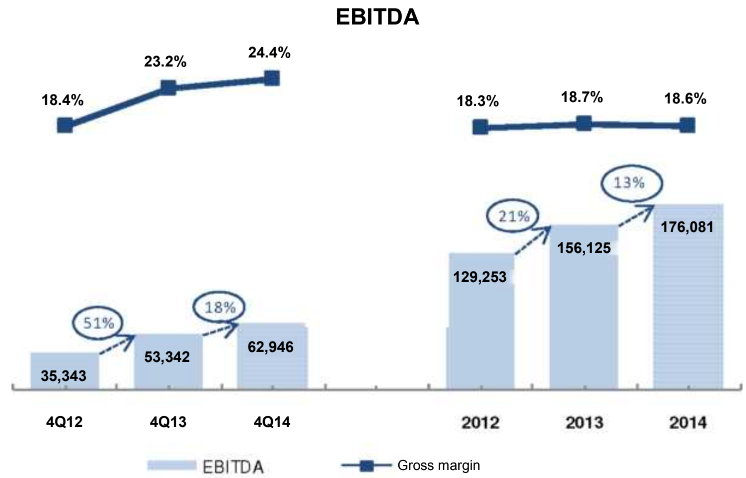
These measures produced gradual effect over the second half of 2014.

EBITDA

The Company ends the year 2014 with cash generation, measured by the EBITDA, with a total of R$ 176 million, with growth of 13% on the same period of 2013 and margin of 19%. If the expenditures with the new plant in the northeast were not considered, the EBITDA would amount to R$ 182 million in 2014.

EBITDA	4Q12	4Q13	4Q14	▲%	%NR	2012	2013	2014	▲%	%NR
Net income	20,174	39,318	46,268	17.70%	18%	65,664	90,496	93,464	3.30%	9.80%
(+) Financial income	3,997	634	-2,872	-553%	-1.10%	18,348	18,468	21,206	15%	2.20%
(+) Depreciation and amortization	3,507	6,293	6,391	1.60%	2.50%	15,733	18,533	25,257	36%	2.70%
(+) Income and social contribution taxes	7,739	7,060	13,123	86%	5.10%	30,024	28,538	36,044	26%	3.80%
(+) Others*	-74	37	36	-2.70%	0.00%	-516	90	110	22%	0.00%
EBITDA	35,343	53,342	62,946	18.00%	24%	129,253	156,125	176,081	12.80%	19%
(+) Pre-Operational phase of Alagoas Plant	-	305	2,185	-	-	-	2,803	5,717	-	-
Adjusted EBITDA	35,343	53,647	65,131	21.40%	25%	129,253	158,928	181,798	14%	19%

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



Net income

The net income for the year was R$ 93 million, up 3% on 2013. This increase was generated by the sales efficiency and tax planning of the direct sales taxes.

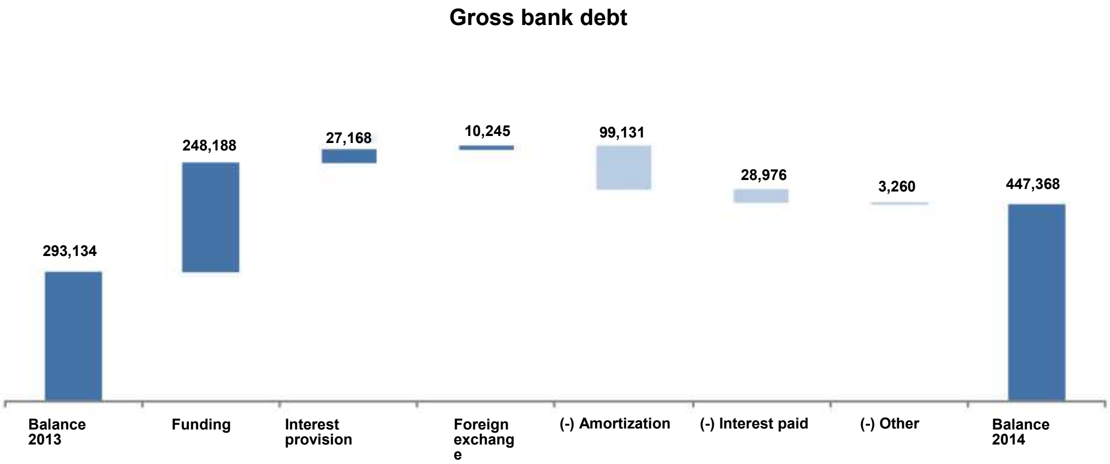
INDEBTEDNESS/CAPITAL STRUCTURE

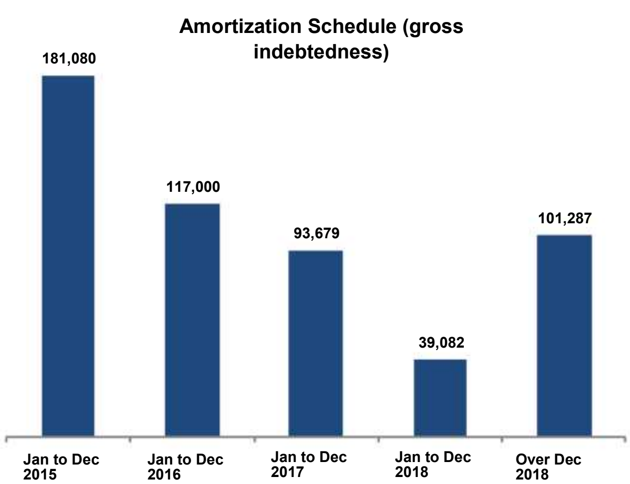
In nominal terms, the Company's net indebtedness was R$ 351 million at the end of December 2014, which is equivalent to 1.99 time EBITDA for the last 12 months and 1.48 of shareholders' equity. This growth totals R$ 93 million of indebtedness when compared to 2013, which increased financial expenses, is related to expanding investments, mainly in the Northeast plant. Gross indebtedness totaled R$532 million; about 34% matures in the short term and 66% in the long term period.

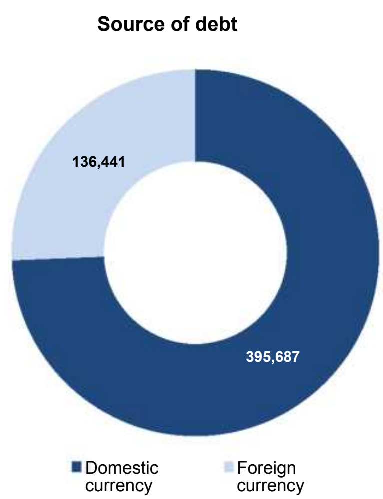
Management report

Indebtedness	Dec 2012	Dec 2013	Dec 2014	▲R$
Bank	166,515	293,134	447,368	154,234
Tax	133,407	116,696	84,760	(31,936)
(=) Total indebtedness	299,922	409,830	532,128	122,298
(+) Cash and cash equivalents and securities	(58,870)	(57,677)	(92,383)	(34,706)
(+) Credits with Refinadora Catarinense	(100,398)	(94,540)	(88,893)	5,647
(=) Total net indebtedness	140,654	257,613	350,852	93,239
EBITDA (last 12 months)	129,253	156,125	176,081	19,956
(=) Current liquidity	1.11	1.23	1.08	-
(=) ROE (Net income / Shareholders' equity)	0.52	0.47	0.39	-
(=) Net debt/ EBITDA	1.09	1.65	1.99	-
(=) Net debt / Income (loss)	1.11	1.34	1.48	-

The balance of gross banking debt as of December 31, 2014 totals R$ 447 million, as compared to R$ 293 million as of December 31, 2013. The balance is detailed below:







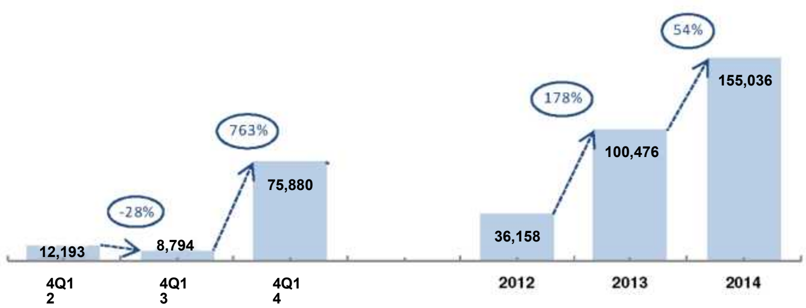
Management report

Financial income (loss)	4Q12	4Q13	4Q14	▲%	%NR	2012	2013	2014	▲%	%NR
Financial income	3,780	4,006	10,935	173%	4.2%	12,505	13,780	22,648	64%	2.4%
Financial expenses	(7,842)	(4,685)	(8,943)	91%	3.5%	(34,195)	(33,369)	(50,787)	52%	5.4%
Other gains (losses)	65	45	880	-	-0.3%	3,342	1,121	6,933	-	-0.7%
Total	(3,997)	(634)	2,872	-553%	-1.1%	(18,348)	(18,468)	(21,206)	15%	2.2%

INVESTMENTS

In 2014, the investments in fixed assets aimed at projects on growth, totaled R$ 155 million and mainly refer to the expansion program with the building a plant in the northeast, which completion is scheduled for the first half of 2015 already.

Investments



The plant in Northeast region 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 end of the 1st semester, when its production should start. Capex shall reach R$ 149 million, and, in 2015, a production of nearly 16 million m2, followed by a gross income of approximately R$ 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 joint venture will be the leverage of a new brand - Pointer.

Besides, aiming at sustaining projects on growth, the Company has invested in a new logistics model, by creating distribution centers in strategic locations, taking into account that it already relies on one in the state of Pernambuco and three in the state of São Paulo (Rio Claro, Itapecerica and Jundiaí).

REMUNERATION TO SHAREHOLDERS

Shareholders are assured under the by-laws a minimum mandatory dividend equal to 25% of adjusted net profits. In addition, the Shareholders' Meeting entered into on December 9, 2014, estimates the minimum distribution of 50% of net income (as adjusted under the terms of the law) of the fiscal year in question, observing the existence of cash available in the Company to pay dividends in excess to the minimum mandatory dividend (i.e., 25% (twenty five percent) of net income).

On August 7, 2014, the Board of Directors approved and adopted interim dividends in the amount of R$ 6,446 thousand in the form of interest on own capital, the payment started on September 26, 2014, corresponding to the value of R$ 0.040674 per common share. Distributed total represents yield (dividend per share divided by final share quotation) of 0.74%.

Management shall propose the distribution of additional dividends at 25%, as provided in the Shareholders' Agreement. If approved, the amount payable shall be R$ 38,686 thousand, which payment date shall be resolved after the Meeting

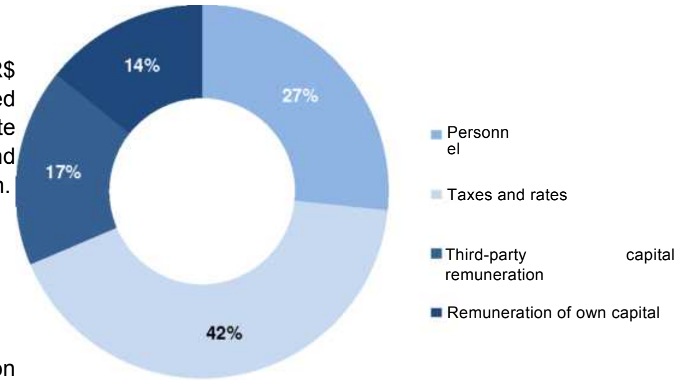
Management report

In thousands of reais, unless otherwise indicated

General Meeting. Therefore, the total remuneration to be distributed to shareholders for the year 2014 shall be R$ 44,396 thousand, which represents 50% of the profit of the Company.

Added value

The value added in 2014 totaled R$ 658; in 2013, R$ 567. Of this amount, 42% of total added value was used to pay taxes, tariffs and contributions to Federal, State and Municipal governments, 27% to pay personnel, and 31% to pay shareholders and third parties remuneration.



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 December 2014 quoted at R$ 4.80, an appreciation of 3,6% in the last twelve months, whereas the Ibovespa index decreased by 2,9%.

Average financial volume traded in the last 12 months was R$11.9 million, a decrease of 15% in face of the R$13.9 million for the same period of 2013.

In the end of 2014, Portobello presented a market value equivalent to R$ 761 million (R$ 792 million as of December 31, 2013).

PTBL3 x Ibovespa (Base 100) 12/31/2013–12/31/2014

Management report

In thousands of reais, unless otherwise indicated

PROSPECTS

- With lower economic growth, Company's sales are below Management's expectations, provoking expenses and costs proportionately higher than levels adequate to current billing. The Company believes that the low-growth economic outlook will continue in 2015, and thus the Management is implementing plans to cut expenses and optimize costs, aiming at readjusting its structure to meet the planned results;
- The Company still estimates challenges in the maintenance on costs in 2015 due to high foreign exchange and inflation rate;
- The real estate sector expects slowdown, as several indices have been signaling the downturn, whose impact will be mainly on our engineering channel demand. Management has been implementing actions by means of commercial policies and product mix management in order to mitigate such effects;
- Portobello Shop maintains its expansion plan and believes that it will exceed 150 stores at the end of 2015.
- The estimate for the start of operations of Northeast plant is 1H15 and Management maintains its confidence regarding new operation's potential.

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 2014, the Company did not hire independent auditors for services other than those related to external auditing.

COMPOSITION OF MANAGEMENT

Board of Directors

Name	Position
Cesar Bastos Gomes	President
Cesar Gomes Júnior	Vice-President (CEO)
Cláudio Ávila da Silva	Board Member (CEO)
Nilton Torres de Bastos Filho	Board Member
Maurício Lev	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)

Executive Board

Name	Position
Cesar Gomes Júnior	CEO
Cláudio Ávila da Silva	CEO
John Shojiro Suzuki	Financial and Investor Relations Director
Mauro do Valle Pereira	Director

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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 amended on December 9, 2014, and holds on December 31, 2014 53.99% of the Company’s shares. Remaining 46.01% 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 37; (ii) Mineração Portobello, which is responsible for providing part of raw material used for ceramic coating production; (iii) PBTech, which is responsible for managing own Portobello Shop stores and, currently, manages seven stores; (iv) Portobello Shop, administrator of Portobello Shop and Empório Portobello store franchise chain, with a network of 135 franchised stores specialized in ceramic coating; and (v) Companhia Brasileira de Cerâmica responsible for the operations in Northeast region.

2 Presentation of financial statements

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

These financial statements include:

- The consolidated financial statements are prepared according to the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP); and

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

There is no difference between the shareholders' equity and consolidated result presented by the Group and the shareholders' equity and result of the Parent company in the individual financial statements. Accordingly, the consolidated financial statements of the Group and the Parent company's individual financial statements are being presented side by side in a single set of financial statements.

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

The issue of individual and consolidated financial statements was authorized by the Board of Directors on March 19, 2015.

b) Measuring basis

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

- derivative financial instruments measured at fair value.

c) Functional currency and presentation currency

These individual and consolidated interim financial statements are presented in Brazilian Real, which is the Company and its subsidiaries' functional currency, except the functional currency of subsidiary Portobello América, Inc., which is the US dollar, translated into Brazilian Real on presentation date, as explained in Note 3.3 b). All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

d) Use of estimates and judgments

The preparation of individual and consolidated financial statements according to IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

e) 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.

3 Significant accounting policies

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

3.1 Consolidation

3.1.1 Consolidated financial statements

a) Subsidiaries

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

The Company’s ownership interest in the subsidiaries Portobello América, Inc., PBTech Com. Serv. Revest. Cer. Ltda, Portobello Shop S/A; Mineração Portobello Ltda and Companhia Brasileira de Cerâmica are 100 – 99.9 – 99.9 – 99.7 and 98, respectively as of December 31, 2014.

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

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

b) Transactions and non-controlling interests

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

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

3.1.2 Individual financial statements

In the individual financial statements, subsidiaries are accounted for under the equity method. According to this method, the investment is initially recognized at cost and then adjusted by the recognition of interest attributed to the Company in changes in net assets of the investee. Adjustments to the book value of investment are also required by the recognition of proportional interest of the Company in changes in balance of the components of adjustments of the investee’s equity evaluation, directly recognized in its shareholders’ equity. These variations are recognized on a reflexive basis, that is, in adjustment of equity evaluation directly in shareholders’ equity.

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

3.2 Presentation of information per business segment

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

3.3 Foreign currency translation

a) Transactions and balances

Transactions with foreign currencies are converted into reais by using exchange rates prevailing on the transaction or valuation dates, when the items are remeasured. Exchange gains and losses resulting from the settlement of those transactions and from the conversion at year-end exchange rates referring to monetary assets and liabilities in foreign currencies, are recognized in the statement of income as other net gains and losses, except for the financing operations which are recognized in the financial income as described in Notes 35 and 36.

b) Subsidiaries

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

3.4 Financial assets

3.4.1 Classification

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

a) Loans and receivables

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

b) Cash and cash equivalents

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

c) Trade accounts receivable

Trade accounts receivable correspond to the amounts receivable from clients for sales of products and goods and provision of services in the normal course of the activities of the Company and its subsidiaries the accounts payable to suppliers are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts "PDD" (impairment).In practice, they are usually recognized at the billed amount, adjusted by provision for impairment, if necessary. If the payment term is equivalent to one year or less (or any other term that is in conformity with the normal cycle of the Company and its subsidiaries), accounts receivable are classified as current assets. Otherwise, they are presented under "non-current assets".

Notes to the financial statements

In thousands of reais, unless otherwise indicated

The allowance for doubtful accounts (impairment) is formed when there is objective evidence that the Company and its subsidiaries will not be able to receive all amounts due according original terms of accounts receivable and the calculation of the allowance is based on an estimate sufficient to cover losses in the realization of accounts receivable, considering the situation of each client and respective guarantees provided.

3.4.2 Recognition and measurement

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

3.4.3 Offsetting of financial instruments

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

3.5 Impairment of financial assets

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

The criteria used by the Company to determine whether there is objective evidence of an impairment include:

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

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

3.6 Inventories

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

3.7 Judicial deposits

The balances of judicial deposits are monetarily restated at the savings rate and presented as non-current assets, long-term assets.

3.8 Receivables - Eletrobrás

The receivables from Eletrobrás result from noncontroversial value and are recognized based on the calculation of the Federal Justice expert and are restated at inflation index, plus 12% p.a. as described Note 14.

3.9 Investments

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

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

3.10 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method, with the costs of other assets being allocated to their residual values over the estimated useful life as depreciation rated detailed in Note 19.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

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

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

3.11 Intangible assets

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

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

The recovery of an intangible asset with indefinite useful life is tested by comparing its recoverable value to its respective book value. The procedure is adopted every year or whenever there is indication that the intangible asset may be losing economic substance, in conformity with CPC 01 – Impairment, and when it is believed that the balances on December 31, 2014 approximate fair value.

3.12 Leases

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

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

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

Assets subject to depreciation and amortization are reviewed to confirm their impairment annually and whenever events or changes in circumstances indicate that the book value may not be recoverable. Impairment is recognized in the amount by which the book value of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use. For purposes of evaluating *impairment,* the assets

Notes to the financial statements

In thousands of reais, unless otherwise indicated

are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGU). Non-financial assets are subsequently reviewed for possible reversal of the impairment at each reporting date.

3.14 Suppliers

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

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

3.15 Loans and financing

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

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

3.16 Provisions for contingencies, contingent liabilities and contingent assets

Provisions for contingencies are recognized when the Company has a present, legal or unformalized obligation, as a result of past events, and it is likely that an outlay of funds will be necessary to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at present value of expenditure necessary to settle the obligation and are individually evaluated by the Company’s legal counselors who classify them according to the expectation of success of the lawsuits. The increase in the obligation over time due to monetary restatement is recognized as a financial expense.

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

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

3.17 Current and deferred income tax and social contribution

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

Deferred income and social contribution tax credits derive from accumulated balances of tax losses, social contribution tax loss carryforwards and asset temporary differences,

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

3.18 Employee benefits

a) Private pension plan

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

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

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

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

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

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

Notes to the financial statements

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b) Profit sharing plan

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

c) Long-term incentive

The Company operates a long-term incentive plan according to which the Company receives services from employees and offers cash payments as compensation. Fair value of employee services received in exchange for cash is recognized as expenses. The total amount to be recognized as obligation is determined every year considering the principal aspects: the EBITDA growth and a ratio of EBITDA with the Company’s net debt (Note 30). Total expenses are recognized during the period in which the right is acquired; period during which the specific conditions of acquisition of rights should be met. On the balance sheet date, the entity reviews its estimates based on the conditions of acquisition of rights and recognizes the impact of the review of the initial estimates, if any, in the income statement, with a corresponding adjustment in the liabilities.

3.19 Capital

The Company’s capital is represented solely by common shares and is classified in shareholders’ equity in conformity with Note 31.

3.20 Issuance costs

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

3.21 Total Dividends and Interest on Own Capital of the period

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

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

3.22 Income recognition

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

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

a) Sale of goods - Wholesale

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

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

b) Income from royalties

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

c) Financial income

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

3.23 Income from discontinued operations

The result of discontinued operation is presented in a single amount in the income statement, including the total result after income tax on these operations less any impairment and is presented in Note 37.

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

3.24 Statement of added value

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

3.25 Financial expenses

Financial expenses comprise interest expenses on loans and financing, monetary variation in trade accounts payable, exchange variation of loans and financing, update of taxes payable in installments and discounts granted to clients. Borrowing

Notes to the financial statements

In thousands of reais, unless otherwise indicated

costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in the income using the effective interest rate method.

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

Several new standards, amendments to standards and interpretations will be effective for the years started after January 1, 2015, and have not been adopted to the preparation of these financial statements. Those that may be relevant to the Group are listed below. The Group does not plan to adopt these standards in advance.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces guidelines of IAS 39 Financial Instruments: Recognition and Measurement (Financial Instruments: Recognition and measurement). IFRS 9 presents reviewed guidelines on classification and measurement of financial instruments, including a new model for expected credit loss to calculate impairment of financial assets, and new requirements on hedge accounting. This rule maintains IAS 39 guidelines on financial instruments' recognition and de-recognition.
IFRS 9 is effective for periods beginning on or after January 1, 2018, with early adoption allowed.

IFRS 15 Income from Contracts with Clients

The IFRS 15 requires an entity to recognize the amount of income reflecting the consideration that it expects to receive in exchange for control of these goods or services. The new standard will replace most of the detailed guidance on income recognition that currently exists in IFRS when the new standard is adopted. The new standard is applicable beginning on or after January 1, 2017, with early adoption permitted by the IFRS. The standard may be adopted retrospectively, adopting a cumulative effects approach. The Company is evaluating the effects IFRS 15 will have on its financial statements and disclosures. The Company has not yet chosen the transition method to the new standard or determined the effects of the new standard in today's financial reports.

4 Estimates and critical accounting judgments

4.1 Estimates

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

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

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

Notes to the financial statements

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b) Provisions for contingencies

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

c) Allowance for inventory losses

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

d) Deferred income and social contribution taxes

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

e) Private pension plan

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

The appropriate discount rate is determined at the end of each year. That is the interest rate that should be used to determine the present value of estimated future cash outlays that should be necessary to settle pension plan obligations. When determining the appropriate discount rate, management considers the interest rates of prime private securities, maintained them in the currency in which the benefits will be paid and having terms similar to the related pension plan obligations.
Other major assumptions for pension plan obligations are partly based on current market conditions. Additional information is disclosed in Note 29.

4.2 Critical judgments in applying the Entity’s accounting polices

a) Receivables - Eletrobrás

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

b) Receivables from related companies with guarantees

The receivable from Refinadora Catarinense is recognized with basis on the value of the contract entered into with that party and the amounts of the provided guarantees. The receivables that have been pledged have already been converted into bonds covering court-ordered payments (called "precatory bonds"). The related payments are already included in the federal government's budget. Refinadora Catarinense S/A has already made the payment of three installments (out of ten installments, according to contractual provisions), one in August 2011, one in March 2013 and one in April 2014, in the amounts of R$ 8.505, R$ 9,824 and R$ 9,995, respectively.

c) Installment MP 470

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

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

d) ICMS Tax benefits

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

e) Tax assessment notice

On December 8, 2014, Portobello S/A was received a Tax Assessment Notice about tax credits of IRPJ and CSLL (as well as monetary penalties and interests), related to calendar years from 2009 to 2013. The Company presented its defense and is awaiting the judgment of such refutation, as detailed in Note (27a).

5 Financial risk management

5.1 Financial risk factors

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

The management of risk is conducted by the Treasury and Financial Executive Board, under the policies approved by the Board of Directors. The Treasury and the Finance Division identify, evaluate and protect the Company and its subsidiaries against possible financial risks, in cooperation with the operating units. The Board of Directors establishes principles,

Notes to the financial statements

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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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Accounts receivable	34,118	24,254	34,118	24,254
Checking account	19,475	-	19,475	-
Receivables from subsidiaries	54,383	47,962	-	-
Exposed assets	107,976	72,216	53,593	24,254
Provision for loss in investments	(54,128)	(47,649)	-	-
Accounts payable, net of advances	(46,721)	(41,989)	(46,721)	(41,989)
Loans and financing	(136,441)	(17,551)	(136,441)	(17,551)
(-) Swap transactions 109% CDI	39,160	-	39,160	-
Exposed liabilities	(198,130)	(107,189)	(144,002)	(59,540)
Net exposure	(90,154)	(34,973)	(90,409)	(35,286)

	In Euro				In Dollar			
	Parent company		Consolidated		Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Accounts receivable	293	341	293	341	9,387	8,082	9,387	8,082
Checking account	-	-	-	-	7,332	-	7,332	-
Receivables from subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for loss in investments	-	-	-	-	(20,378)	(20,340)	-	-
Accounts payable, net of advances	(6,193)	(2,111)	(6,193)	(2,111)	(1,010)	(15,016)	(1,010)	(15,016)
Loans and financing	-	(88)	-	(88)	(51,659)	(7,3710	(51,659)	(7,371)
(-) Swap transactions 109% CDI	-	-	-	-	15,026	-	(5,026	-
	(5,900)	(1,858)	(5,900)	(1,858)	(20,828)	(14,171)	(20,924)	(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 approximate amounts up to 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.

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

b) Credit risk

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

c) Liquidity risk

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

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

The 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.

	Parent company							
	December 31, 2014				December 31, 2013			
	Loans and financing	Financial lease	Supplier and accounts payable investment	Installment payment of tax liabilities	Loans and financing	Financial lease	Supplier	Installment payment of tax liabilities
Less than 1 year	172,586	476	157,715	8,300	90,277	1,007	152,521	17,674
Between one and two years	199,094	-	33,287	17,182	156,043	476	15,966	19,947
Between two and five years	58,704	-	-	25,773	46,996	-	-	29,922
Over 5 years	23,931	-	-	32,932	2,545	-	-	48,213
	454,315	476	191,002	84,187	295,861	1,483	168,487	115,756

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	Consolidated							
	December 31, 2014				December 31, 2013			
	Loans and financing	Financial lease	Supplier and accounts payable investment	Installment payment of tax liabilities	Loans and financing	Financial lease	Supplier	Installment payment of tax liabilities
Less than 1 year	172,586	476	158,506	8,358	90,277	1,007	153,922	18,080
Between one and two years	199,094	-	33,287	17,298	156,043	737	15,966	20,055
Between two and five years	59,705	-	-	25,947	47,962		-	30,084
Over 5 years	23,931	-	-	33,157	2,545		-	48,477
	455,316	476	191,793	84,760	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 December 31, 2014, the Management considered CDI rate at 11.57% 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							
	December 31, 2014	Risk	Probable		Possible (25%)		Remote (50%)	
Operation			%	R$	%	R$	%	R$
Investments (remunerated at 101.42% CDI)	68,283	Low CDI	11.57%	8,013	8.68%	6,009	5.79%	4,006
	68,283			8,013		6,009		4,006
Operation								
Loans – Working capital	(3,447)	High CDI	11.57%	(399)	14.46%	(499)	17.36%	(598)
Loans – Export credit note	(137,414)	High CDI	11.57%	(15,899)	14.46%	(19,873)	17.36%	(23,848)
Loans - Trade 4131 Swap	(43,160)	High CDI	11.57%	(4,994)	14.46%	(6,242)	17.36%	(7,490)
Loans - BNDES	(17,665)	High TJLP	5.00%	(883)	6.25%	(1,104)	7.50%	(1,325)
	(201,686)			(22,175)		(27,718)		(33,261)

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 December 31, 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):

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Consolidated in reais						
	December 31, 2014		Probable	Possible (25%)		Remote (50%)	
		Rate - US$	Gain (loss)	Rate - US$	Gain (loss)	Rate - US$	Gain (loss)
Accounts receivable	34,118	2.6562	-	3.3203	8,530	3.9843	17,059
Checking account	19,475	2.6562	-	3.3203	4,869	3.9843	9,738
Accounts payable, net of advances	(46,721)	2.6562	-	3.3203	(13,503)	3.9843	(27,007)
Loans and financing	(136,441)	2.6562	-	3.3203	(34,110)	3.9843	(68,221)
(-) Swap transactions 109% CDI	39,160	2.6562	-	3.3203	9,790	3.9843	19,580
Net exposure	(90,409)	2.6562	-	3.3203	(24,424)	3.9843	(48,851)

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 December 31, 2014 can be summarized as follows:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Loans and financing	446,367	292,168	447,368	293,134
Installment payment of tax obligations	84,187	115,756	84,760	116,696
Less: Cash and cash equivalents	(87,803)	(55,389)	(92,383)	(57,677)
Credits with other related parties	(88,893)	(94,540)	(88,893)	(94,540)
Net debt	353,858	257,995	350,852	257,613
Total shareholders' equity	237,270	191,849	237,280	191,857
Total capital	591,128	449,844	588,132	449,470
Financial leverage index (%)	60	57	60	57

On December 31, 2014, the Company has available credit facilities, however unused, amounting to R$ 44,822.

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 August 2014, there was the first release, when the Company raised funds amounting to R$ 29,221, reaching an available balance of R$ 118,563.

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5.3 Financial instruments by category

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

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Assets, loans and receivables				
Cash and cash equivalents	87,803	55,389	92,383	57,677
Trade accounts receivable	179,292	158,522	187,918	163,801
	267,095	213,911	280,301	221,478
Liabilities, other financial liabilities				
Suppliers	149,582	152,441	150,373	153,842
Accounts payable from investments	21,466	-	21,466	-
Loans and financing	446,367	292,168	447,368	293,134
Installment payment of tax liabilities	84,187	115,756	84,760	116,696
	701,602	560,365	703,967	563,672

6 Cash and cash equivalents

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Checking account	22,329	6,410	24,097	6,979
Interest earnings bank deposits	65,474	48,979	68,286	50,698
	87,803	55,389	92,383	57,677

Financial investments designated as cash equivalents are shares of investment funds. These funds' average yield in December 2014 was equivalent to 101.42% of the interbank deposit certificate (CDI) rate. The investment can be redeemed at any time without penalties.
On December 31, 2014, out of the amount of R$22,329 available in current account, the amount of R$19,475 corresponds to international current account in Citibank of New York, funds used to pay investments.

7 Derivative financial instruments

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

The Company has two Swap transactions, aimed at hedging the future payments of loans and financing in the following categories, against fluctuations in US dollars and interest rates. These transactions are classified into noncurrent liabilities, as follows:

• In December 2012, the Company entered into a transaction following the rules established by the Law No. 4,131 (Trade Exporter) in the amount of R$ 50,000 at the cost of 9.8% to the fixed year, but

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with *Swap* for CDI+1.60% per year, and payment term of 60 months with grace period of 24 months. Amortizations are semi-annual, beginning in December 2014.

Swap transaction adjusted value of R$ 103 for interest income was recorded net in current liabilities and the amount recognized in income for the year ended December 31, 2014 totals losses of R$ 366 (R$27 as of December 31, 2013).

• In November 2014, the Company entered into a Exports Facility transaction (NCE) in the amount of US$ 15,000, equivalent to R$ 37,650 at the cost of 1.65% p.a + LIBOR-03 + exchange variation, per year, but with Swap to CDI at the rate of 109% per year, and payment term of 36 months with grace period of 12 months. The amortizations are quarterly beginning in November 2015.

The adjusted amount of this interest rate *Swap* transaction was recorded net in current assets in the amount of R$ 1,110 and the recognized installment in profit or loss for the year ended December 31, 2014 totals a gain of R$ 1,110.

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

8 Trade accounts receivable

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Accounts receivable from third parties:				
Domestic market	144,640	133,795	153,266	139,074
Foreign market	34,118	24,254	34,118	24,254
	178,758	158,049	187,384	163,328
Accounts receivable from related parties Entities related to the Management	1,634	1,045	1,634	1,045
	1,634	1,045	1,634	1,045
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(1,026)	(520)	(1,026)	(520)
Recomposition of the nominal value to present value	(74)	(52)	(74)	(52)
	(1,100)	(572)	(1,100)	(572)
	179,292	158,522	187,918	163,801

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

	Parent company	Consolidated
December 31, 2013	520	520
Provision (reversal) of impairment of accounts receivable	506	506
December 31, 2014	1,026	1,026

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.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

	Parent company							
	December 31, 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	169,411	169,411	-	-	150,724	150,724	-	-
Overdue up to 30 days	7,796	-	7,785	11	6,027	-	6,027	-
Overdue, 31–90 days	1,899	-	1,777	122	1,286	-	1,276	10
Overdue from 91 to 360 days	761	-	348	413	978	-	652	326
Overdue for more than 360 days	525	-	45	480	79	-	-105	184
	180,392	169,411	9,955	1,026	159,094	150,724	7,850	520

	Consolidated							
	December 31, 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	177,675	177,675	-	-	155,936	155,936	-	-
Overdue up to 30 days	7,979	-	7,968	11	6,047	-	6,047	-
Overdue, 31–90 days	2,145	-	2,023	122	1,319	-	1,309	10
Overdue from 91 to 360 days	692	-	279	413	992	-	666	326
Overdue for more than 360 days	527	-	47	480	79	-	-105	184
	189,018	177,675	10,317	1,026	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 22. Its sum is calculated based on a percentage of the residual balance of the debt. On December 31, 2014, the total amount of accounts receivable pledged as collateral was R$ 79,126 (R$ 57,065 on December 31, 2013).

9 Inventories

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Finished goods	158,259	135,728	158,951	135,909
Work in process	5,407	6,808	5,407	6,808
Raw materials and consumption materials	16,150	14,851	16,150	14,851
Provision for inventory appraisal at realizable value	(6,675)	(5,402)	(6,675)	(5,402)
Imports in transit	18,459	25,681	18,459	25,681
	191,600	177,666	192,292	177,847

10 Advances to suppliers

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Domestic market Foreign market	3,136	11,170	1,767	9,757
	21	218	21	218
	3,157	11,388	1,788	9,975

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11. Recoverable taxes

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current				
ICMS (a)	13,828	5,006	13,828	5,006
IPI	1,023	1,313	1,023	1,313
IRPJ/CSLL	-	10,522	452	10,978
Other	166	440	345	586
	15,017	17,281	15,648	17,883
Non-current *				
ICMS	4,070	3,400	4,070	3,400
PIS/COFINS	11,260	484	11,260	484
	15,330	3,884	15,330	3,884

* Recoverable taxes arising from acquisitions in property, plant and equipment.

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.

a) Presumed credit on imported products

Since 2012 the Company has used the post-employment benefit (TTD) which reduces the ICMS (presumed credit) in the sale of imported products through the Santa Catarina ports.

Adopting a conservative approach, Portobello had the understanding that no presumed ICMS credit would arise from the resale of imported products when the client was not an ICMS taxpayer, particularly construction and development companies.

In 2014, the Company commissioned a consulting company to carry out the review of the ICMS, and it found the possibility of benefiting from this credit, including on extemporaneous basis. Therefore, as of December 31, 2014, out of the amount of R$13,828 recorded in current assets, R$ 8,743 refers to the recognition of ICMS tax credits referred to above.

12 Credits with other related parties

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

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

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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 December 31, 2014, these credits that also originate in proceeding 87.00.00967-9, represent R$ 88,893 (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.

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

13 Judicial deposits

The Company and its subsidiaries are parties involved in labor, civil and labor lawsuits (see Note 26) and are discussing these issues in both the administrative and judicial scopes and, when applicable, said lawsuits are backed by judicial deposits. These are recorded at the original value restated by the indices relating to the basic remuneration of the savings account, TR (reference rate) + 0.5%.

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

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Civil	33,289	16,030	33,307	16,030
Labor	9,347	2,657	9,347	2,657
Tax	3,928	2,034	3,927	2,034
	46,564	20,721	46,581	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$ 33 million.

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14 Receivables - Eletrobrás

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

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

The Federal Courts determined that the accounting unit should determine the remaining amount due to the Company. The accounting unit then determined the amount of R$ 12,064 on February 1, 2006. The Company recognized the amount calculated by the court expert investigation and keeps these amounts updated by the INPC (National Consumer Price Index) plus 12% p.a. As of September 30, 2010, the remaining balance 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 August 1, 2014, the accounting department of the Federal Court sentenced Eletrobrás to pay the amount determined by the expert examination, in the total of R$ 35,395, but with base date of August 2013. From this settlement by arbitration, Portobello filed an interlocutory appeal against the decision awarded in these records, requiring that the calculations be rectified and criteria are established to be adopted in the quantification of sentence amount, in view of the divergence between the parties. Based on this situation, the Company took a conservative decision to temporarily interrupt the asset adjustment, until a new decision on the amount and criteria adopted in this process is reached.

The restated amount of the assets by the Company up to July 30, 2014 is R$ 48,621 (R$ 43,555 on December 31, 2013). It is worth noting that the amount determined by the expert examination considers as base date August 2013, while the amount adjusted by the Company, as previously mentioned, is adjusted through July 2014.

15 Income and social contribution taxes

a) Income and social contribution taxes on income

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

	Current assets				Current liabilities			
	Parent company		Consolidated		Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Income tax	-	7,156	406	7,565	(5,490)	-	(6,103)	(339)
Social contribution	-	3,366	46	3,413	(1,961)	-	(2,169)	(122)
	-	10,522	452	10,978	(7,451)	-	(8,272)	(461)

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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:

	December 31, 2014	December 31, 2013
Assets	17,133	12,198
Negative basis of CSLL	-	160
Temporary differences	17,133	12,038
Portobello Private Pension	(1,725)	(2,381)
Provision for adjustment to market value	2,209	1,553
Provision for contingencies	8,470	6,966
Provision for PIS and COFINS with a reduced bases for ICMS	494	-
Provision for profit sharing and long-term incentives	5,284	4,025
Other temporary difference - assets	2,401	1,875
Liabilities	(47,317)	(41,352)
Temporary differences	(7,317)	(41,352)
Realization of revaluation reserve	(20,326)	(17,396)
Receivables - Eletrobrás	(16,531)	(14,809)
Contingent assets - IPI premium credit - Phase II	(5,231)	(4,725)
Adjustment to present value	(2,803)	(1,713)
Adjustment of depreciation (for the useful life of assets)	(4,742)	(4,464)
Foreign exchange variation at cash basis	2,316	1,755
Deferred income and social contribution taxes, net	(30,184)	(29,154)

The net changes in income tax and social contribution at December 31, 2014 were as follows:

	Parent company and Consolidated
December 31, 2013	(29,154)
Negative basis of CSLL	(160)
Temporary credit differences	5,095
Temporary liability differences	(3,035)
Revaluation reserve	(2,930)
December 31, 2014	(30,184)

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

	December 31, 2014	December 31, 2013
Deferred tax asset charged to (recognized in) income Negative basis of social contribution on net income	(160)	160
Portobello Private Pension	656	(2,135)
Provision for adjustment to market value	656	(824)
Provision for contingencies	1,504	840
Provision for PIS and COFINS with a reduced bases for ICMS	494	(11,171)
Provision for profit sharing and long-term incentives	1,259	1,510
Other temporary difference - assets	526	(1,049)
	4,935	(12,669)
Realization of revaluation reserve	(2,930)	537
Receivables - Eletrobrás	(1,722)	(2,291)
Contingent assets - IPI premium credit - Phase II	(506)	(349)
Adjustment to present value	(1,090)	(340)
Adjustment of depreciation (for the useful life of assets)	(278)	175
Foreign exchange variation at cash basis	561	2,092
	(5,965)	(176)
	(1,030)	(12,845)

The Company does not have any deferred income tax and social contribution credits resulting from unrecognized tax loss. In 2014 the Company acquired credits from its subsidiary to settle a portion of a tax installment payment, in the amount of R$ 2,083, as detailed in Note 23a). The difference found between the change in the balance of deferred taxes in the Balance Sheet of the aforementioned year and the balances recorded as deferred taxes in profit or loss refers to such payment.

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

Income and social contribution tax expenses are as follow:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Income (loss) before tax	121,689	111,298	129,618	119,124
Tax calculated based on rates of local taxes	(41,374)	(37,843)	(44,070)	(41,512)
Income (loss) of subsidiaries by the equity method	7,275	4,528	-	-
Nondeductible expenses for tax purposes	5,255	3,786	5,222	3,753
Depreciation of revalued assets	(534)	(537)	(534)	(537)
Tax credits on tax losses and temporary differences	(1,282)	21,211	(1,180)	21,705
Current tax on income for the year	(30,660)	(8,855)	(40,562)	(16,591)
Formation of deferred income and social contribution taxes	2,435	(11,947)	4,518	(11,947)
Income and social contribution tax expense	(28,225)	(20,802)	(36,044)	(28,538)
Effective rate	23.2%	18.7%	27.8%	24.0%

Notes to the financial statements

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16 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled 'IPI premium credit', in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to December 31, 2014 is R$ 15,386 (R$ 13,896 on December 31, 2013).

17 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.

18 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".

	Shareholders' equity	Income (loss) for the year	Ownership interest	December 31, 2013	Exchange variation	Paid-up capital	Equity income (loss)	Dividends proposed	December 31, 2014
Provision for loss in investments									
Portobello América Inc. (a)	(54,128)	(90)	100%	(47,649)	(6,391)	-	(90)	-	(54,130)
PBTech Ltda.	(4,077)	2,662	99.94%	(6,736)	-	-	2,660	-	(4,076)
Mineração Portobello Ltda.	(286)	560	99.76%	(846)	-	-	559	-	(287)
Companhia Brasileira de Cerâmica S/A	(68)	(117)	98.00%	-	-	49	(115)	-	(66)
				(55,231)	(6,391)	49	3,014	-	(58,559)
Investments - Interest in subsidiaries									
Portobello Shop S.A.	480	18,401	99.90%	480	-	-	18,382	(18,382)	480
				480	-	-	18,382	(18,382)	480
Total investments in subsidiaries				(54,751)	(6,391)	49	21,396	(18,382)	(58,079)

(a) On December 31, 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.

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Organization Country	Ownership interest	Asse ts	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
December 31, 2014						
Portobello América Inc.	United States	100.00%	281	54,409	-	(90)
PBTech Ltda.	Brazil	99.94%	6,147	10,224	12,381	2,661
Portobello Shop S/A	Brazil	99.90%	17,300	16,820	65,004	18,382
Mineração Portobello Ltda.	Brazil	99.76%	1,408	1,694	3,856	560
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	162	230	-	(117)

19 Property, plant and equipment

a) Breakdown

		Parent company				Consolidated	
		December 31, 2014			December 31, 2013	December 31, 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	13,062	12,518
Buildings, civil works and improvements	3%	123,906	(22,962)	100,944	99,961	100,844	100,075
Machinery and equipment	7%	374,572	(239,564)	135,008	139,409	135,008	139,409
Furniture and fixtures	10%	8,823	(7,805)	1,018	960	1,041	1,045
Computers	20%	14,841	(12,980)	1,861	1,702	1,891	1,747
Other fixed assets	20%	208	(167)	41	15	1,973	540
Construction in process (a)		136,438	-	136,438	10,236	138,766	10,238
		670,929	(283,478)	387,451	264,424	392,585	265,572

(a) The balance of property, plant and equipment in progress is substantially composed of the construction of the manufacturing plant in Alagoas, which represents 97% of total property, plant and equipment 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.

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then performs the reviews of rates and the last restatement was performed in 2013.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

b) Changes in property, plant and equipment

	Parent company									
	December 31, 2012	Additions	Transfers	Depreciation	December 31, 2013	Additions	Transfers	Depreciation	Write-offs	December 31, 2014
Land	11,111	1,030	-	-	12,141	-	-	-	-	12,141
Buildings and improvements	82,836	-	20,307	(3,182)	99,961	-	4,815	(3,832)	-	100,944
Machinery and equipment	78,986	939	72,250	(12,766)	139,409	971	10,656	(16,028)	-	135,008
Furniture and fixtures	951	229	-	(220)	960	298	-	(240)	-	1,018
Computers	1,616	611	-	(525)	1,702	779	-	(620)	-	1,861
Other fixed assets	30	-	-	(15)	15	36	-	(10)	-	41
Construction in process	10,311	92,482	(92,557)	-	10,236	141,673	(15,471)	-	-	136,438
	185,841	95,291	-	(16,708)	264,424	143,757	-	(20,730)	-	387,451

	Consolidated									
	December 31, 2012	Additions	Transfers	Depreciation	December 31, 2013	Additions	Transfers	Depreciation	Write-offs	December 31, 2014
Land	11,488	1,030	-	-	12,518	544	-	-	-	13,062
Buildings and improvements	82,985	-	20,307	(3,217)	100,075	-	4,815	(4,046)	-	100,844
Machinery and equipment	78,986	939	72,250	(12,766)	139,409	971	10,656	(16,028)	-	135,008
Furniture and fixtures	1,061	231	-	(247)	1,045	364	-	(262)	(106)	1,041
Computers	1,668	617	-	(538)	1,747	782	-	(633)	(5)	1,891
Other fixed assets	89	-	466	(15)	540	270	1,173	(10)		1,973
Construction in process	10,779	92,482	(93,023)	-	10,238	145,172	(16,644)	-	-	138,766
	187,056	95,299	-	(16,783)	265,572	148,103	-	(20,979)	(111)	392,585

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

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cost of goods sold	18,348	14,987	18,348	14,987
Commercial expenses	1,685	1,167	1,914	1,220
Administrative expenses	697	554	717	576
	20,730	16,708	20,979	16,783

Notes to the financial statements

In thousands of reais, unless otherwise indicated

20 Intangible assets

a) Breakdown

	Parent company					Consolidated	
		December 31, 2014			December 31, 2013	December 31, 2014	December 31, 2013
	Annual average rate of amortization	Cost	Accumulated amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,219)	139	208	139	208
Right to exploration of outcrops	20%	1,000	(950)	50	250	494	746
Trademarks and patents	-	150	-	150	150	150	150
Goodwill	-	-	-	-	-	4,240	190
Software under development	-	2,803	-	2,803	-	2,803	-
Management system (a)	21%	18,887	(5,392)	13,495	17,450	13,495	17,450
		35,198	(18,561)	16,637	18,058	21,321	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.

b) Changes in intangible assets

	Parent company						
	December 31, 2012	Additions	Amortizations	December 31, 2013	Additions	Amortizations	December 31, 2014
Software	311	-	(103)	208	-	(69)	139
Right to exploration of outcrops	450	-	(200)	250	-	(200)	50
Trademarks and patents	150	-	-	150	-	-	150
Software under development	-	-	-	-	2,803	-	2,803
Management system	14,209	4,666	(1,425)	17,450	-	(3,955)	13,495
	15,120	4,666	(1,728)	18,058	2,803	(4,224)	16,637

	Consolidated								
	December 31, 2012	Additions	Amortizations	Write-offs	December 31, 2013	Additions	Amortizations	Write-offs	December 31, 2014
Software	311	-	(103)	-	208	-	(69)	-	139
Right to exploration of outcrops	457	511	(222)	-	746	-	(252)	-	494
Trademarks and patents	152	-	-	(2)	150	-	-	-	150
Goodwill	190	-	-	-	190	4,130	-	(80)	4,240
Software under development	-	-	-	-	-	2,803	-	-	2,803
Management system	14,209	4,666	(1,425)	-	17,450	-	(3,955)	-	13,495
	15,319	5,177	(1,750)	(2)	18,744	6,933	(4,276)	(80)	21,321

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

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In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cost of goods sold	438	420	490	440
Commercial expenses	2,816	781	2,816	781
Administrative expenses	970	527	970	529
	4,224	1,728	4,276	1,750

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

	2015	2016	2017	2018	Total
Software	50	40	39	10	139
Right to exploration of outcrops	161	111	111	111	494
Management system	3,954	3,949	3,673	1,919	13,495
	4,165	4,100	3,823	2,040	14,128

The brands and patents, goodwill and software items under development in the total amount of R$ 7,193 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

21 Suppliers

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Domestic market	104,210	111,606	105,001	113,007
Foreign market	45,529	40,915	45,529	40,915
Breakdown of the nominal value to present value	(157)	(80)	(157)	(80)
Current	149,582	152,441	150,373	153,842
Domestic market (a)	33,287	15,966	33,287	15,966
Non-current	33,287	15,966	33,287	15,966
	182,869	168,407	183,660	169,808

(a) Provision accrued for payment the gas supplier arising from the issue mentioned in note 13.

Notes to the financial statements

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22 Loans and financing

	Currency	Maturities	Charges		Parent company December 31, 2014	Parent company December 31, 2013	Consolidated December 31, 2014	Consolidated December 31, 2013
Current								
Working capital (a)	R$	Jun 2015	12.84%	p.a.[1]	3,447	9,872	3,447	9,872
Financial lease (b)	R$	Jul 2015	9.57%	p.a.[1]	476	1,007	476	1,007
Banco do Nordeste S.A (c)	R$	Jun 2025	3.00%	p.a.	1,468	-	1,468	-
Exim Pre-shipment TJ 462 (d)	R$	Aug 2015	8.00%	p.a.[1]	30,103	20,335	30,103	20,335
BNDES (e)	R$	Mar 2016	8.45%	p.a.[1]	15,582	15,168	15,582	15,168
Law no. 4,131 (f) - (note 7)	R$	Dec 2017	1.60%	p.a + CDI	14,589	7,497	14,589	7,497
NCE (g)	R$	Dec 2017	12.50%	p.a.[1]	47,237	20,584	47,237	20,584
Prepayment (h)	US$	May 2018	4.61%	p.a.[1]+EV+Libor	3,338	1,481	3,338	1,481
PRODEC (i)	R$	Sep 2018	4.00%	p.a.	7,486	5,632	7,486	5,632
FINEP (j)	R$	May 2021	5.55%	p.a.[1]	5,215	5,204	5,215	5,204
DEG (k)	US$	Oct 2021	4.80%	p.a.+EV+Libor	524	-	524	-
FINAME (l)	R$	Aug 2023	3.00%	p.a.[1]	174	11	174	11
ACC (m)	US$	Dec 2015	1.50%	p.a.+EV	37,306	-	37,306	-
NCE (n)	US$	Nov 2017	12.61%	p.a.[1]	5,777	-	5,777	-
FINIMP and “Suppliers credit”	US$				-	4,277	-	4,277
Total current			8.36% p.a.[1]		172,722	91,068	172,722	91,068
Total domestic currency					125,777	85,310	125,777	85,310
Total foreign currency					46,945	5,758	46,945	5,758
Non-current								
Working capital (a)	R$	Jun 2015	12.84%	p.a.[1]	-	-	1,001	966
Financial lease (b)	R$	Jul 2015	9.57%	p.a.[1]	-	476	-	476
Banco do Nordeste S.A (c)	R$	Jun 2025	3.00%	p.a.	27,760	-	27,760	-
Exim Pre-shipment TJ 462 (d)	R$	Aug 2015	8.00%	p.a.[1]	-	30,000	-	30,000
BNDES (e)	R$	Mar 2016	8.45%	p.a.[1]	2,083	17,083	2,083	17,083
Law no. 4,131 (f) - (note 7)	R$	Dec 2017	1.60%	p.a + CDI	28,571	42,857	28,571	42,857
NCE (g)	R$	Dec 2017	12.50%	p.a.[1]	61,017	48,000	61,017	48,000
Prepayment (h)	US$	May 2018	4.61%	p.a.[1]+EV+Libor	8,301	10,249	8,301	10,249
PRODEC (i)	R$	Sep 2018	4.00%	p.a.	34,738	26,128	34,738	26,128
FINEP (j)	R$	May 2021	5.55%	p.a.[1]	26,794	19,318	26,794	19,318
DEG (k)	US$	Oct 2021	4.80%	p.a.+EV+Libor	47,812	-	47,812	-
FINAME (l)	R$	Aug 2023	3.00%	p.a.[1]	3,186	5,445	3,186	5,445
NCE (n)	US$	Nov 2017	12.61%	p.a.[1]	33,383	-	33,383	-
Supplier credit	US$				-	1,544	-	1,544
Total non-current			8.12% p.a.[1]		273,645	201,100	274,646	202,066
Total domestic currency					184,149	189,307	185,150	190,273
Total foreign currency					89,496	11,793	89,496	11,793
Overall total			8.21% p.a.[1]		446,367	292,168	447,368	293,134
Total domestic currency					309,926	274,617	310,927	275,583
Total foreign currency					136,441	17,551	136,441	17,551

[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$2.5million, with 36-month term; 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.

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c) Banco Nordeste S.A. - contract entered into June 2013, in the amount of R$ 147.7 million. The first part of the financing was released by the Bank in August 2014 in the amount of R$ 29.2 million. The contract has maturity in eight years with two years of grace period, the first installment of principal to be paid in July 2015. For this contract, the guarantees are the mortgage of real estate and machinery and equipment.

d) 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.

e) 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 monthly and successive (without covenants, without 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).

f) 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.

g) NCE – Export credit note - contracts entered into on:
(i) January 2013, in the amount of R$20 million, to be paid in 7 half-annual installments, with first installment maturing in January 2015 (guarantees: receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract);
(ii) April 2013 - amount of R$30 million, maturing in five half-annual installments (April, October 2014 and 2015 and April 2016) (guaranteed by Portobello S.A. receivables in the amount equivalent to 20% of the contract's debt balance);
(iii) March 2014, in the amount of R$ 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);
(iv) 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
(v) 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).
(vi) September 2014, in the amount of R$ 10 million, with maturity of principal in September 2017 (without covenants, clean transaction in relation to guarantees).

h) Prepayment – contracts executed on:
(i) 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.

i) 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 (12.58% p.a.). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid

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in 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.

j) FINEP (Financing Agency for Studies and Projects) - contract executed in:
(i) 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.
(ii) July 2014 in the amount of up to R$57.3 million, bearing interest of 4% p.a. and to be paid in 82 months, being 21 months of grace period. First installment in the amount of R$12.6 million was fully released in July 2014.
Both contracts required the presentation of a bank guarantee letter at the cost of 0.95% p.a.

k) 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 December 31, 2014, all covenants have been met.
l) 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.

m) ACC (advance on foreign exchange contract) - contracts executed in December 2014 in the amounts of R$17.5 million maturing in 180 days, and R$19.9 million maturing in 360 days; both contracts present guarantees *clean*.

n) NCE (export credit note in USD with Swap to CDI) - contract executed in November 2014 in the amount of R$39.8 million and maturing in 36 monthly installments, with first principal installment in November 2015. Receivables from Portobello S/A, IN THE AMOUNT OF 15% OF THE DEBIT BALANCE OF THE CONTRACT WERE PLEDGED AS COLLATERAL FOR THIS CONTRACT.
For the other loans granted, real estate mortgages, equipment, receivables of the Parent company (Note 8) and of subsidiary (Note 43), and additionally, inventories of finished goods were pledged, in the amount of R$ 30,122.

The long-term loans have the following payment schedule:

	Parent company		Consolidated	
Maturities on January 1	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
2015	-	96,818	-	96,818
2016	108,351	55,933	109,352	55,933
2017	85,030	39,155	85,030	39,155
2018	29,432	6,032	29,432	6,998
2019–2025	50,833	3,162	50,833	3,162
	273,645	201,100	274,646	202,066

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Reais	309,926	274,617	310,927	275,583
Euros	-	285	-	285
US Dollars	136,441	17,266	136,441	17,266
	446,367	292,168	447,368	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:

Financial lease	December 31, 2014	December 31, 2013
Gross obligations (minimum payments)		
Less than 1 year	856	1,101
More than one year and less than 5 years	-	492
Total	856	1,593
Charges for future financing	(380)	(110)
Present value of the obligations	476	1,483
Present value of the obligations		
Less than 1 year	476	1,007
More than one year and less than 5 years	-	476
Total	476	1,483

23 Installment payment of tax liabilities

	Tax liabilities	Application for installment payments		December 31, 2014	December 31, 2013
		Date	Installments falling due		
Portobello S.A.	LAW 11.941/09 (a)	Nov 2009	118	84,187	109,974
	Other			-	5,782
Total Parent Company				84,187	115,756
Portobello Shop S.A.	LAW 11.941/09 (a)	Nov 2009	118	573	588
	Other			-	352
Total subsidiary				573	940
Total consolidated				84,760	116,696

Notes to the financial statements

In thousands of reais, unless otherwise indicated

The payment schedule is as follows:

Maturity	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
2014	-	17,674	-	18,080
2015 to 2023 (*)	77,028	89,765	77,550	90,251
2024	7,159	8,317	7,210	8,365
	84,187	115,756	84,760	116,696
Current	8,300	17,674	8,358	18,080
Non-current	75,887	98,082	76,402	98,616

(*) From 2015 to 2023, the annual installments will be R$ 8,559 and R$ 9,974 for the Parent Company and R$ 8,617 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 24).

After consolidation, the Company undertakes to pay the monthly installments of R$ 720 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 16 and 17.

b) Law no. 13,043/14 (REFIS – program for paying federal debts in installments)

On November 28, 2014, the Company adhered to Article 33 of Law 13,043/2014, which permits settlement of the Company's installments using subsidiary's tax losses. This option implies payment in kind equivalent to at least 30% of installments balance. Of total amount, R$1,299 was paid in kind and remaining amount, R$2,084, was settled with PBTech's tax loss credits.

In 2009, total tax debts included in payment in installments referred to social security debts, and balance to be paid in installments was R$3,383 at time of settlement. This was recorded in parent company's liabilities.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

Due to adhesion, tax debts were settled as follows:

	Parent company
Sum of debts included in REFIS	3,383
Cash payment	(1,299)
Tax losses used	(2,084)
Balance at December 31, 2014	-

Adhesion to REFIS had an effect of R$2,084 in consolidated' income referring to recognition of deferred tax assets previously unrecognized recorded in income tax and social contribution group.

24 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 16 and 17. 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$ 17,272 at December 31, 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 17.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

25 Taxes, duties and contributions

As of December 31, 2014, taxes and contributions recorded in current liabilities were classified as follows:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
IRRF	1,747	1,065	1,997	1,123
ICMS	6,176	3,885	6,166	3,889
PIS/COFINS	169	1,562	739	1,899
Other	366	229	535	401
	8,458	6,741	9,437	7,312

26 Provision for contingencies

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

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

Sum provisioned	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Civil	6,321	4,671	6,388	4,727
Labor	17,322	13,511	17,322	13,511
Tax	4,020	2,305	4,020	2,305
	27,663	20,487	27,730	20,543
Current	17,925	14,600	17,966	14,635
Non-current	9,738	5,887	9,764	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:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company			Total
	Civil	Labor	Tax	
December 31, 2013	4,671	13,511	2,305	20,487
Debited (credited) to the statement of income:	2,260	4,558	1,715	8,533
Additional provisions	1,559	2,512	1,715	5,786
Reversals for non-use	(91)	(383)	-	(474)
Monetary restatement (Note 35)	792	2,429	-	3,221
Reversals by realization	(610)	(747)	-	(1,357)
December 31, 2014	6,321	17,322	4,020	27,663

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2013	4,727	13,511	2,305	20,543
Debited (credited) to the statement of income:	2,275	4,558	1,715	8,548
Additional provisions	1,569	2,512	1,715	5,796
Reversals for non-use	(91)	(383)	-	(474)
Monetary restatement (Note 35)	797	2,429	-	3,226
Reversals by realization	(614)	(747)	-	(1,361)
December 31, 2014	6,388	17,322	4,020	27,730

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 185 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 13).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 378 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 13).

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

Tax - 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 no. 8,212/91 with wording given by Law no. 9,879/99.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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 December 31, 2014, the balance of provision totals R$ 2,567 (R$ 2,305 on December 31, 2013).

27 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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Civil	2,109	1,967	2,353	2,211
Labor	11,840	12,009	11,840	12,009
	13,949	13,976	14,193	14,220

a) Administrative Proceeding no. 10983.721445/2014-78

On December 8, 2014, Portobello S/A was received a Tax Assessment Notice about tax credits of IRPJ and CSLL (as well as monetary penalties and interests), related to calendar years from 2009 to 2013. As said by Tax Authorities, Portobello would have committed the following infractions: (a) in 2009, it would have: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to main tax debts (IPI, PIS and COFINS) which were charged to prior years' income; (a.3) also excluded non-deductible amounts related to IRPJ (corporate income tax) and CSLL (social contribution on net income) principal; (a.4) unduly excluded amounts referring to principal amounts in temporary additions that were charged in prior years' income; and (a.5) deducted non-deductible expenses related to automatic fine; (b) in 2010, 2011 and 2012, it allegedly: (b.1) offset tax losses at amounts higher than calculated; and (b.2) did not pay IRPJ and CSLL amounts calculated per monthly estimate, which resulted in fine isolatedly applied; and (c) in 2013, it would allegedly offset CSLL negative bases at amounts higher than calculated. On January 6, 2015, Portobello presented an Objection against entries under discussion, repelling all infractions that it was charged with, so that, from this date on (January 6, 2015), is awaiting the decision on said Objection, which, according to the Company's legal advisors, will most certainly be accepted, resulting in cancellation of Tax Assessment. Having said that, the Company understands that likelihood of loss is remote and opted not to record the amount of R$73 million as a potential liability.

28 Accounts payable from investments

The Company presents a balance of R$21,466 in current liabilities that refers to investments in construction of Alagoas' industrial plant. This balance was classified in caption trade accounts payable and, due to its materiality, was reclassified to a specific account.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

29 Employee's benefits

29.1 Private pension plan

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

As of December 31, 2014, past special contributions' balance to be deposited in individual accounts of those members that met conditions established in the plan's regulations was settled using the Reversal Fund for Portobello Social Security Benefit Plan. When deciding on these extraordinary contributions referring to past length of work (TSP), BB Previdência verified excess contributions corresponding to members that left the Plan. Accordingly, these amounts were used to offset installments of members that remained active in the plan (entitled to receive TSP), thus reducing the amount of liabilities to pay-up and that represented, as of December 31, 2013, R$2,544; a provision was recorded in non-current liabilities for this amount.

Actuarial evaluation, adjusted through December 31, 2014 in the parent company and consolidated, presented surplus of R$5,075 (surplus of R$9,547 as of December 31, 2013), which is recorded in non-current assets under caption "Actuarial assets". While under caption "valuation adjustments to equity" in shareholders' equity, the Company recorded actuarial losses of R$6,657 (gains of R$4,351 as of December 31, 2013) as other comprehensive income. Amounts recognized in the balance sheet are presented in the table below.

	December 31, 2014	December 31, 2013
Fair value of the plan assets	62,620	56,716
Present value of the obligations financed	(57,545)	(47,169)
Net actuarial assets (liabilities)	5,075	9,547

	December 31, 2014	December 31, 2013
(Gain) / loss in the actuarial obligations	(6,623)	12,574
(Gain) / loss in the plan assets	(33)	(8,223)
Actuarial gain (loss)	(6,656)	4,351

Changes in fair value of benefit plan assets and of defined benefit obligation during the year are as follows:

Parent company and Consolidated		
Fair value of the plan assets		
December 31, 2013	56,716	56,984
Benefits paid in the year	(2,940)	(1,173)
Participant contributions in the year	991	921
Sponsor contributions in the year	1,570	1,761
Expected return on assets in the year	6,316	6,446
Assets - gain or (loss)	(33)	(8,223)
December 31, 2014	62,620	56,716

Parent company and Consolidated		
Defined benefit liability		
December 31, 2013	47,169	53,343
Gross cost of current service (with interest)	1,440	1,539
Interest on actuarial obligation	5,253	6,033
Benefits paid in the year	(2,940)	(1,173)
Liabilities - (gain) or loss	6,623	(12,573)
December 31, 2014	57,545	47,169

Amounts recognized in statements of income under caption "Other operating income (expenses)", referring to income from asset management, are as follows:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company and Consolidated	
	December 31, 2014	December 31, 2014
Current service cost (with interest)	(1,440)	(1,539)
Interest on actuarial obligations	(5,253)	(6,033)
Expected return on plan assets	6,316	6,445
Participant contributions in the year	991	921
Actuarial gain (loss)	614	(206)

As of December 31, 2014, the Company also recognized revenues of R$1,570 (R$1,761 as of December 31, 2013) referring to payments made by the sponsor during the year, with effect of assets for the purpose of benefit plan to employees (see note 34).

The main actuarial assumptions used:

	Parent company and Consolidated	
Economic and financial	December 31, 2014	December 31, 2013
Annual interest rate	11.14% p.a. nominal (Inflation + 6.35% p.a. real)	11.31% p.a. nominal (inflation + 6.52% p.a. real)
Long-term return on assets	11.14%	11.31%
Long term inflation	4.50%	4.50%
Projected salary increases	4.50% p.a. (inflation +1% p.a. real)	5.55% p.a. (inflation +1% p.a. real)
Projected growth of the plan benefits	0.00% p.a.	0.00% p.a.
Factor for determining real value over time (salaries)	0.98	0.98
Factor for determining real value over time (benefits)	0.98	0.98

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company and Consolidated	
Biometric and demographic	December 31, 2014	December 31, 2013
Hypothesis about turnover	Null(1)	Null(1)
General mortality table	AT-2000	AT-2000
Mortality table of individuals with permanent disability	EXP. IAPC	EXP. IAPC
Table of new disability benefit vested	Hunter Conjugada Álvaro Vindas	Hunter Conjugada Álvaro Vindas
Retirement	Eligibility(2)	Eligibility(2)
Family composition before retirement		
Probability of married individuals	100 % (3)	100 % (3)
Age difference relating to active participants	Husband 5 years older than wife	Husband 5 years older than wife
Number of dependent children	-(4)	-(4)
Ages of children	-(4)	-(4)
Family composition after retirement:	Actual Family	Actual Family

(1) Hypothesis about turnover: The turnover varies according to the length of service (TS) and the salary bracket: 0-10 SM: 0.45 / (TS+1); 10-20 SM: 0.30 / (TS +1), over 20 SM: 0.15 / (TS+1), where SM corresponds to prevailing minimum salary.

(2) Probability of retirement: 50% on the first date of eligibility to Early Retirement, 10% per year up to the first eligibility date to Normal Retirement and 100% on the first eligibility date to Normal Retirement.

(3) Probability that, on the date of death, a pension will be generated for a lifetime dependent.

(4) In view of the regulatory provisions, considering 100% of the benefit as the family quota, children in the standard family were not utilized due to the utilization of lifetime dependents in 100% of the deaths.

29.2 Employee benefit expenses

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Remuneration	106,240	89,905	114,619	95,704
Benefits				
Pension plan	1,099	996	1,166	1,167
FGTS	8,785	7,198	9,660	7,723
Other	12,917	9,055	13,465	9,340
Total	129,041	107,154	138,910	113,934

30 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.

Notes to the financial statements

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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 December 31, 2014 is R$ 9,565 at the parent company and R$ 10,249 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.

31 Shareholders’ equity

a) Capital

On December 31, 2013, 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, totally paid-up 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 31, 2014, the Company had a capital subscribed and paid in the amount of R$ 76,565 (R$ 46,065 on December 31, 2013) comprising 158,488,517 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 1,158,488,517 shares, and the issuance of preferred shares or certificates of participation.

On December 31, 2014 there were 72,819,371 outstanding shares, equivalent to 45.95% 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 Company Officers.

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.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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. For this reason, they were evaluated at market value, recorded in income for the year and quotations correspond to days of transferences made from October to December 2013 at average quotation of R$4.90, in the amount of R$2,545.

On August 7, 2014, in a meeting, the Board of Directors decided and approved cancellation of 520,407 treasury shares. Accordingly, the Company's total shares went from 159,008,924 to 158,488,517.

c) Legal reserve

The legal reserve is set up annually by means of the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses or increase capital. In 2014, legal reserve balance is R$12,481 (R$7,808 as of December 31, 2013) as provided for in Article 193 of the Brazilian Corporate Law.

d) Dividends

	December 31, 2014	December 31, 2013
Net income (loss) for the year	93,464	90,496
Formation of legal reserve (5%)	(4,673)	(4,525)
Net income for the year adjusted for dividends purposes	88,791	85,971
Proposed dividends / interest on capital		
Interest on capital, net of IRRF	5,710	3,658
Compulsory minimum dividends	16,488	17,836
Additional dividends proposed	22,198	8,597
Total annual dividends	44,396	30,091

In 2014, dividends are equivalent to 50% of net income for the year adjusted pursuant to the terms of the Brazilian Corporate Law and the Company's Bylaws.

e) Profit retention reserve

The amount of R$ 66,201 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.

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c) Profit reserves to be allocated

The amount of “Profit reserves to be allocated” as of December 31, 2014 is R$ 42,869 (57,460 as of December 31, 2013) refers to the retention of the remaining balance of retained earnings in 2014, after the allocation of 5% to the legal reserve, 25% to mandatory minimum dividends and additional dividends proposed in the amount of R$ 22,198.

In Shareholders' Meeting, the Company’s management will propose the allotment of reserves in accordance with Article 199 of Law no. 6,404/76 (Brazilian Corporate Law).

d) 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 income (loss) 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 15(b).

Considering the complement of the asset appraisal adjustment, approved by the Special Shareholders’ Meeting on December 29, 2006, the balance of the adjustment to company assets, net of deferred taxes, amounted to R$ 39,457 on December 31, 2014 (R$ 42,133 on December 31, 2013), the expense of depreciation of the re-appraisal, in the year ended December 31, 2014, was R$ 1,572 (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$ 20,326 (R$ 17,396 on December 31, 2013), see Note 15(b).

32 Revenues

The reconciliation of gross income to net income, presented in the statement of income for the year ended December 31, 2014, is as follows.

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In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Gross income from sales	1,128,455	995,212	1,200,814	1,053,849
Deductions from gross income	(243,437)	(213,574)	(251,667)	(219,817)
Sales tax	(213,052)	(189,877)	(221,055)	(195,999)
Returns	(30,385)	(23,697)	(30,612)	(23,818)
Net sales	885,018	781,638	949,147	834,032
Domestic market	790,116	712,427	845,782	756,677
Foreign market	94,902	69,211	103,365	77,355

33 Expenses per type

The cost of goods sold, selling expenses and administrative expenses for the year ended December 31, 2014 are as follow:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Changes in inventories of finished products and work in process (a)	(39,230)	(24,331)	(39,230)	(24,331)
Direct production costs (raw materials and inputs)	308,983	252,996	305,118	250,282
General production expenses (including maintenance)	38,680	32,422	38,680	32,422
Cost of goods resold	171,046	175,493	172,848	177,082
Transportation of goods sold	4,513	2,909	4,513	2,909
Salaries, charges and benefits to employees	145,652	122,630	157,432	130,763
Third-party labor and services	30,105	20,475	37,717	28,263
Amortization and depreciation	24,592	18,058	24,895	18,152
Rentals and operating leases	10,089	8,771	11,197	9,122
Sales commissions	21,115	18,380	21,467	18,558
Marketing and advertising expenses	8,887	8,546	16,912	14,763
Other commercial expenses	26,675	18,736	31,606	23,613
Other administrative expenses	2,515	3,812	2,687	4,075
Total	753,622	658,897	785,842	685,673

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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

34 Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the year ended December 31, 2014 are as follow:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Other operating income				
Income from services	1,901	2,408	670	367
Tax credits (a)	3,499	3,809	3,499	3,809
Pension Plan – settlement TSP (b)	2,261	-	2,261	-
Actuarial adjustment (note 29.1)	2,184	1,761	2,184	1,761
Other income	776	1,119	790	1,074
Total	10,621	9,097	9,404	7,011
Other operating expenses				
Provision for contingencies (note 26)	(3,775)	(2,071)	(3,794)	(3,949)
Provision for long-term incentive (Note 30)	(3,697)	(3,693)	(4,011)	(3,616)
Provision for profit sharing (c)	(8,457)	(8,895)	(9,054)	(9,704)
Pre-operating expenses – Alagoas Plant	(3,533)	-	(3,650)	-
Other expenses	(1,134)	(438)	(1,376)	(509)
Total	(20,596)	(15,097)	(21,885)	(17,778)
Net total	(9,975)	(6,000)	(12,481)	(10,767)

(a) Untimely presented credits (Intermediate Material Nov 2009 to Jun 2014 ; Rs and Cofins Property, plant and equipment Machinery and equipment ref 2010 to 2014);
(b) Settlement of TSP debt (past length of service) for the use of the Reversal Fund for Portobello Social Security Benefit Plan;
(c) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

35 Other gains (losses), net

Operating net foreign exchange variation recorded under caption “other net gains (losses) - parent company and consolidated for the year ended December 31, 2014 and 2013 corresponds, respectively, to gains of R$ 6,933 and R$1,121.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

36 Financial income (loss)

The individual and consolidated financial income for the year ended December 31, 2014 is as follows:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Financial income				
Interest	4,199	5,175	4,986	6,211
Restatement of assets	13,047	13,005	13,047	13,005
Gain from derivative transactions	1,285	-	1,285	-
Discount Payment Law no. 11,941 (a)	5,998	-	5,998	-
Other	699	500	766	558
Total	25,228	18,680	26,082	19,774
Financial expenses				
Interest	(25,565)	(19,221)	(25,974)	(19,538)
Finance charges on taxes	(8,134)	(7,276)	(8,204)	(7,358)
Decomposition of discount of provisions for contingencies (note 26)	(3,221)	(4,180)	(3,232)	(4,258)
Reduced Pis and Cofins BC – reduction, fine and interest (note 23b)	-	6,228	-	6,228
Commissions and service fees (b)	(6,404)	(2,623)	(6,541)	(2,679)
Negative goodwill/bank expenses (c)	(2,556)	(392)	(2,556)	(392)
Other	(3,975)	(5,097)	(4,280)	(5,372)
Total	(49,855)	(32,561)	(50,787)	(33,369)
Net exchange variation				
Loans and financing	(3,434)	(5,994)	(3,434)	(5,994)
Total	(3,434)	(5,994)	(3,434)	(5,994)
Net total	(28,061)	(19,875)	(28,139)	(19,589)

(a) Discount due to early settlement of Payment in installments balance – Law no. 13,043/2014.
(b) Cost of loan raising.
(c) Negative goodwill referring to receipt of court-ordered debt payment installment, as Note 10.

37 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 year ended December 31, 2014, are cash and cash equivalents of R$ 281 (R$326 as of December 31, 2013), debts with related parties of R$ 54,409 (R$47,975 in 2013), and negative shareholders' equity of R$ 54,128 (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 18), considers the portion of the Parent Company's operations in the discontinued operations. In the second year of 2014, result of discontinued operations was losses of R$ 90 (losses of R$ 75 on December 31, 2013), represented by some administrative expenses incurred during the year.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

38 Earnings per share

a) Basic

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

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Income attributable to shareholders of the Company	93,464	90,496	93,464	90,496
Weighted average number of common shares (a)	158,489	159,009	158,489	159,009
Basic earnings per share	0.59	0.57	0.59	0.57
Income from continued operations	93,464	90,496	93,554	90,571
Income from discontinued operation	-	-	-90	-75
Weighted average number of common shares	158,489	159,009	158,489	159,009
Result from discontinued operations per share	0.58972	0.56913	0.59029	0.5696
Result from discontinued operations per share	-	-	-0.00057	-0.00047

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.

39 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 balance paid in 2014 is R$23,635. Payments started on May 30, 2014.

On August 7, 2014, the Company’s Board of Directors decided and approved advanced payment, in 2014, of R$6,447 (R$5,710 net of income tax), as interest on capital. Payments started on September 26, 2014, corresponding to R$0.040674 per common share (R$0.036028 net of income tax).

As described in note 31.d, in 2014, Management will propose the distribution of additional dividends amounting to R$22,198. If approved, the amount yet to be paid to shareholders as profit sharing will be R$38,686, and payment date will be decided in the Annual Shareholders' Meeting. Total value distributed in 2014 corresponds to 50% of adjusted net income for 2014, in the amount of R$44,396.

Notes to the financial statements

In thousands of reais, unless otherwise indicated

40 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:

	December 31, 2014			December 31, 2013		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	845,782	103,365	949,147	756,677	77,355	834,032
Cost of goods sold	(532,736)	(59,193)	(591,929)	(461,924)	(68,355)	(530,279)
Gross operating income	313,046	44,172	357,218	294,753	9,000	303,753
Operating income (expenses), net	(179,515)	(19,946)	(199,461)	(145,074)	(19,966)	(165,040)
Sales, general and administrative	(174,522)	(19,391)	(193,913)	(136,444)	(18,950)	(155,394)
Other operating income (expenses), net	(11,233)	(1,248)	(12,481)	(9,652)	(1,115)	(10,767)
Other gains (losses), net	6,240	693	6,933	1,022	99	1,121
Operating income (loss) before financial income (loss)	133,531	24,226	157,757	149,679	(10,966)	138,713
% on ROL	16%	23%	17%	20%	-14%	17%

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

41 Commitments

a) Commitments for the acquisition ofassets

On December 31, 2014, expenditures referring to Property, Plant and Equipment contracted on balance sheet date but not yet incurred amount to R$ 28,774, of which 94% 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 December 31, 2014 and December 31, 2013, amount to R$ 1,168 and R$ 891, respectively, for less than one year. For more than one year and less than five years, R$ 367 and R$987, respectively.

42 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On December 31, 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

Notes to the financial statements

In thousands of reais, unless otherwise indicated

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 effectiveness from August 26, 2014 to August 26, 2015.

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.

43 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	December 31, 2014	December 31, 2013
Assets			
Dividends receivable	Portobello Shop S.A.	9,472	2,934
Accounts receivable	Portobello América, Inc.	54,383	47,962
Accounts receivable	PBTech Com Serv Cer Ltda.	5,947	4,461
Loans	PBTech Com Serv Cer Ltda.	1,092	2,886
Amounts receivable	Portobello Shop S.A.	3	22
Receivables from subsidiaries - Non-current		61,425	55,331
Credits with other related parties	Refinadora Catarinense S.A.	88,893	94,540
Liabilities			
Dividends paid in advance	Portobello Shop S.A.	6,461	-
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,451	1,426
Accounts receivable - net of advances	Solução Cerâmica Com. Ltda.	44	-1,305
Accounts receivable - net of advances	Flooring Revest Cer Ltda.	293	580
		1,788	701

Notes to the financial statements

In thousands of reais, unless otherwise indicated

Nature	Transactions with subsidiaries and associated companies	December 31, 2014	December 31, 2013
Income			
Rendering of services	Portobello Shop S.A.	5,988	6,120
Sale of products	Solução Cerâmica Com Ltda.	19,914	16,318
Sale of products	Flooring Revest Cer Ltda.	8,854	8,069
Sale of products	PBTech Com Serv Cer Ltda.	5,099	2,376
Expenses			
Cost of services rendered	Portobello Shop S.A.	-4,770	-4,025
Purchase of products	Mineração Portobello Ltda.	-3,866	-2,713
Rent	Gomes Participações Societárias Ltda.	-423	-320
		30,796	25,825

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 22).

Related party transactions

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

Transactions with subsidiaries and associated companies	Nature	December 31, 2014	December 31, 2013	Nature	December 31, 2014	December 31, 2013
	Assets			Income		
Solução Cerâmica Com Ltda.	Accounts receivable	353	363	Royalties	4,669	3,548
Flooring Revest Cer Ltda.	Accounts receivable	149	190	Royalties	2,334	1,692
		502	553		7,003	5,240

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 year ended December 31, 2014 and 2013 are:

Notes to the financial statements

In thousands of reais, unless otherwise indicated

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Fixed Compensation				
Salaries	10,158	8,391	12,090	9,720
Fees	4,245	3,490	4,245	3,861
Variable compensation	6,683	6,019	7,461	7,496
Direct and indirect short-term benefits	-	-	-	-
Pension plan	1,136	933	1,189	1,088
Other	1,356	1,213	1,612	1,464
Termination benefits	256	36	453	255
	23,834	20,082	27,050	23,884

Comments on the Behavior of the Business Projections

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) Projected period and growth projected to start in the second

semester of 2013.

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

The increase in the projected production volume for the second semester of 2013 is based on the installationof 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 generates 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 m^2/year
Net income of the new line estimated for 2014	R$ 141 million
Growth target 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.

Comments on the Behavior of the Business Projections

In thousands of reais, unless otherwise indicated

Monitoring 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.

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

The projections disclosed were fully achieved:

Projections	Estimated value	Amounts realized
Investment in the expansion and modernization of the manufacturing unit in Tijucas	R$ 86 million	R$ 87 million
Growth target in 2013	20%	20%
Productive capacity of the new line	4.6 million m^2/year	4.2 million m2/year
Net income of the new line estimated for 2014	R$ 141 million	R$ 115 million

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 maintained in 2014, averaging 20%, when we compare the net income for the last five years.

Production capacity of the new production line expected to be 4.6 million m^2/year remains as total capacity and, in 2014, we reached the amount of 4.2 million. While net income reached the amount of R$115 million and variation derives from prices practiced in relation to what was initially projected, which was based on market factors.

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.

Projection related to industrial unit in Alagoas State is in the construction stage, therefore, projection remains valid, as the project has not been concluded yet.

Capital budget proposal

In thousands of reais, unless otherwise indicated

CAPITAL BUDGET FOR ESTABLISHMENT OF PROFIT RESERVE FOR EXPANSION

Management will propose in the Extraordinary Shareholders' Meeting that part of 2014 net income be retained for expansion of activities, as provided for in Article 196 of Law no. 6,404/76.

Investment plan for 2015 and 2016 is presented below.

Investment plan	R$ thousand
Sources	**104,115**
Profit retention	88,431
Operating flows net of disbursements expected for operation	15,684
Investments	**104,115**
Investments 2015	44,912
Investments 2016	59,203

The Company intends to invest R$45 million in 2015 for the purpose of giving continuity to its strategy of expansion and improvement of processes.

Of the amount expected for 2015, approximately 49% is intended to the project for expansion and modernization of the industrial unit in Tijucas, Santa Catarina State (SC), in which approximately R$7.9 will be reserved to improve the plant and R$7 million to acquire new machinery and equipment.

Distribution of investments will be: (i) R$21.8 million for investments in the industrial area; (ii) R$14.3 million for the commercial area, with R$7.3 intended to own Portobello Shop stores and R$7 million to logistics (storage, separation, and loading, among others); (iii) R$5.8 million to industrial plant in Alagoas State; and (iv) R$3 million in administrative area for investment in systems and information technology infrastructure.

In 2016, already budgeted investments will be used to improve Tijucas industrial plant and logistics.

The source of financial disbursement flows for investment will be proposed earnings retention for 2014 and cash generation from operations.

Presented capital budget was approved by the Supervisory Board and the Board of Directors in March 2015.

Tijucas, March 23, 2015

Opinions and Statements / Independent auditors’ report – Unqualified

Independent auditors' report on the financial statements

To the Shareholders, Board Members and Directors of

Portobello S.A.

Tijucas – Santa Catarina

We have examined the individual and consolidated financial statements of Portobello S.A. ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2014 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the summary of the significant accounting practices and other explanatory notes.

Responsibility of management for the financial statements

The Company's management is responsible for the preparation and adequate presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB, and in accordance with the accounting practices adopted in Brazil as well as for the internal controls that it deemed necessary to enable the preparation of these financial statements free of significant distortions, regardless of whether the latter were caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our auditing, carried out in accordance with the Brazilian auditing and international accounting standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from significant distortions.

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of significant distortion in the financial statements, regardless of whether the latter are caused by fraud or error. In this risk assessment, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Company, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Company. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

Opinion on the individual financial statements

In our opinion, the individual aforementioned financial statements present fairly, in all material respects, the financial position of Portobello S.A. as of December 31, 2014, the performance of its operations and its cash flows, for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the individual aforementioned financial statements present fairly, in all material respects, the financial position of Portobello S.A. as of December 31, 2014, the performance of its operations and its cash flows, consolidated for the year then ended, in conformity with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Other issues

Statements of added value

We have also examined the individual and consolidated statements of value added (DVA) for the year ended December 31, 2014, prepared under responsibility of Company's management, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as supplementary information under IFRS that do not require the presentation of a statement of value added. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole.

Florianópolis, March 21, 2015.

KPMG Auditores Independentes

CRC SC-000071/F-8

Claudio Henrique Damasceno Reis

Accountant CRC SC-024494/0-1

Opinions and Statements / Fiscal Council opinion or equivalent body

FISCAL COUNCIL' OPINION

The Supervisory Board of Portobello S.A., in compliance with legal and bylaws provisions, reviewed Financial Statements for the year ended December 31, 2014, including: balance sheet, statements of income for the year, statements of changes in shareholders' equity, statements of comprehensive income, statements of cash flows, statements of value added, notes, and Management Report and Independent Auditors’ Opinion. Consolidated statements were also reviewed. After review and Management clarifications, the Supervisory Board, also taking into consideration the opinion of KPMG Auditores Independentes issued in 2015 without qualifications, and the opinion that said financial statements, in their main aspects, fairly reflect financial situation of Portobello S.A., income from its operations, and are ready to be submitted to Shareholders for appreciation and decision. In addition, Management proposals related to changes in capital, capital budgets, and payment of dividends and interest on capital were analyzed and are also ready to be submitted to Shareholders gathered in the Annual Shareholders' Meeting for appreciation and decision.

Tijucas, March 20, 2015.

Jorge Muller

Rodrigo Sancovsky

Maro Marcos Hadlich Filho

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

Statement of the Executive Officers on the Financial Statements and 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 financial statements for the year ended December 31, 2014; and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Financial Statements for the year ended December 31, 2014.

Members of the Executive Board

Cesar Gomes Júnior – Chief Executive Officer

Cláudio Ávila da Silva – Executive Vice President

John Shojiro Suzuki – CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, March 23, 2015.

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

Statement of the Executive Officers on the Financial Statements and 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 financial statements for the year ended December 31, 2014; and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors’ Report relating to the Company’s Financial Statements for the year ended December 31, 2014.

Members of the Executive Board

Cesar Gomes Júnior – Chief Executive Officer

Cláudio Ávila da Silva – Executive Vice President

John Shojiro Suzuki – CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, March 23, 2015.