Portobello

KPMG

Portobello S.A.

Independent auditors' report on the financial statements
December 31, 2013

KPMG Auditores Independentes
Month of 2012
KPDS 41730

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, 2013 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, 2013, 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, 2013, 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.

Emphasis of matter

Differences between accounting practices adopted in Brazil and IFRS.

As described in note 2a, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Portobello S.A., these practices differ from IFRS, as far as the individual financial statements are concerned, only as regards the valuation of investments in subsidiaries under the equity method, as, for IFRS purposes, they would be valued at cost or fair value. Our opinion is not qualified in this respect.

Other issues

Audit of the amounts corresponding to the previous year

Amounts corresponding to the year ended December 31, 2012 presented for comparison purposes were previously audited by other independent auditors that issued a report dated March 26, 2013 which has not been changed.

Statements of added value

We have also examined the individual and consolidated statements of value added (DVA) for the year ended December 31, 2013, 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 20, 2014.

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

Quantity of shares (Units)	Last year
Paid-in capital	**12/31/2013**
Common	159,009
Preferred	0
Total	159,009
Treasury shares	
Common	520
Preferred	0
Total	520

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
1	Total assets	953,107	735,162	586,185
1.01	Current assets	427,954	363,766	249,105
1.01.01	Cash and cash equivalents	55,389	56,576	8,091
1.01.03	Accounts receivable	158,522	137,626	104,303
1.01.03.01	Trade accounts receivable	158,522	137,626	104,303
1.01.04	Inventories	177,666	119,932	90,553
1.01.06	Recoverable taxes	17,281	1,450	2,081
1.01.06.01	Current taxes recoverable	17,281	1,450	2,081
1.01.06.01.01	Income and social contribution tax recoverable	10,522	0	699
1.01.06.01.02	Other current taxes recoverable	6,759	1,450	1,382
1.01.07	Prepaid expenses	0	354	399
1.01.08	Others Current assets	19,096	47,828	43,678
1.01.08.03	Others	19,096	47,828	43,678
1.01.08.03.01	Dividends receivable	2,934	2,073	477
1.01.08.03.02	Credit with subsidiary companies	0	41,839	38,405
1.01.08.03.03	Advances to suppliers	11,388	2,156	2,894
1.01.08.03.04	Others	4,774	1,760	1,902
1.02	Non-current assets	525,153	371,396	337,080
1.02.01	Long term assets	241,993	169,757	154,432
1.02.01.08	Related party credits	149,871	105,767	97,508
1.02.01.08.02	Receivables with subsidiary companies	55,331	5,369	3,728
1.02.01.08.04	Other related party credits	94,540	100,398	93,780
1.02.01.09	Other non-current assets	92,122	63,990	56,924
1.02.01.09.03	Legal deposits	20,721	8,457	7,924
1.02.01.09.04	Receivables - Eletrobrás	43,555	36,819	31,059
1.02.01.09.05	Recoverable taxes	3,884	1,682	1,762
1.02.01.09.06	Tax assets	13,896	12,872	11,823
1.02.01.09.07	Actuarial assets	9,547	3,641	3,837
1.02.01.09.08	Others	519	519	519

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
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	264,424	185,841	177,312
1.02.04	Intangible assets	18,058	15,120	4,658

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
2	Total liabilities	953,107	735,162	586,185
2.01	Current liabilities	347,351	331,645	279,357
2.01.01	Social and labor obligations	19,398	17,581	15,868
2.01.02	Suppliers	152,441	120,122	97,488
2.01.03	Tax liabilities	24,415	32,062	24,555
2.01.03.01	Federal tax liabilities	24,415	32,062	24,555
2.01.03.01.01	Income and social contribution tax payable	0	3,488	63
2.01.03.01.02	Installment payment of tax liabilities	17,674	22,029	20,731
2.01.03.01.03	Taxes, duties and contributions	6,741	6,545	3,761
2.01.04	Loans and financing	91,068	75,584	79,600
2.01.04.01	Loans and financing	91,068	75,584	79,600
2.01.05	Other liabilities	39,458	38,292	22,276
2.01.05.02	Others	39,458	38,292	22,276
2.01.05.02.04	Advances from clients	18,047	20,636	17,245
2.01.05.02.06	Dividends payable	15,224	8,799	0
2.01.05.02.07	Others	6,187	8,857	5,031
2.01.06	Provisions	20,571	48,004	39,570
2.01.06.02	Other provisions	20,571	48,004	39,570
2.01.06.02.04	Provision for loss in investments	0	41,496	38,582
2.01.06.02.05	Provision for contingencies	14,600	1,288	988
2.01.06.02.06	Provision for profit sharing	5,971	5,220	0
2.02	Non-current liabilities	413,907	276,398	225,038
2.02.01	Loans and financing	201,100	90,016	39,354
2.02.01.01	Loans and financing	201,100	90,016	39,354
2.02.02	Other liabilities	116,667	112,479	126,354
2.02.02.02	Others	116,667	112,479	126,354
2.02.02.02.03	Suppliers	15,966	0	0
2.02.02.02.04	Related party debts	2,544	0	0
2.02.02.02.05	Private pension plan	0	2,918	3,118

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
2.02.02.02.06	Installment payment of tax liabilities	98,082	109,561	123,236
2.02.02.02.08	Others	75	0	0
2.02.03	Deferred taxes	29,154	16,309	15,693
2.02.03.01	Income tax and social contribution assets, deferred	29,154	16,309	15,693
2.02.04	Provisions	66,986	57,594	43,637
2.02.04.02	Other provisions	66,986	57,594	43,637
2.02.04.02.04	Provision for loss in investments	55,231	5,834	4,620
2.02.04.02.05	Provisions for contingencies	5,887	49,584	39,017
2.02.04.02.06	Provision for long-term incentive	5,868	2,176	0
2.03	Shareholders' equity	191,849	127,119	81,790
2.03.01	Realized capital	46,065	40,798	112,957
2.03.02	Capital reserves	-2,545	267	267
2.03.02.05	Treasury shares	-2,545	0	0
2.03.04	Profit reserves	115,651	50,069	0
2.03.04.01	Legal reserve	7,808	3,283	0
2.03.04.05	Profit retention reserve	41,786	0	0
2.03.04.08	Additional dividend proposed	8,597	0	0
2.03.04.10	Profit reserves to be allocated	57,460	46,786	0
2.03.05	Retained Earnings/Losses	0	0	-73,738
2.03.08	Other comprehensive income	32,678	35,985	42,304

Individual financial statements / Statement of income (reais thousand)

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
3.01	Income from sales of goods and/or services	781,638	659,489	547,960
3.02	Cost of goods and/or services sold	-531,382	-456,861	-401,156
3.03	Gross income	250,256	202,628	146,804
3.04	Operating expenses or income	-119,083	-91,826	-86,718
3.04.01	Sales expenses	-104,430	-87,264	-82,496
3.04.02	General and administrative expenses	-23,085	-18,331	-14,205
3.04.04	Other operating income	10,218	15,024	14,526
3.04.04.01	Other operating income	9,097	11,682	9,896
3.04.04.02	Other gains (losses), net	1,121	3,342	4,630
3.04.05	Other operating expenses	-15,097	-11,641	-14,571
3.04.05.01	Other operating expenses	-15,097	-11,641	-14,571
3.04.06	Equity income (loss)	13,311	10,386	10,028
3.05	Income (loss) before financial income (loss) and taxes	131,173	110,802	60,086
3.06	Financial income (loss)	-19,875	-21,431	-29,292
3.06.01	Financial income	18,680	15,924	17,760
3.06.01.01	Financial income	18,680	15,924	17,760
3.06.02	Financial expenses	-38,555	-37,355	-47,052
3.06.02.01	Financial expenses	-32,561	-33,720	-41,275
3.06.02.02	Net exchange variation	-5,994	-3,635	-5,777
3.07	Income (loss) before income tax	111,298	89,371	30,794
3.08	Income and social contribution taxes	-20,802	-23,707	-6,451
3.08.01	Current	-8,855	-23,091	-5,752
3.08.02	Deferred assets	-11,947	-616	-699
3.09	Net income (loss) of continued operations	90,496	65,664	24,343
3.11	Net Income (loss) for the period	90,496	65,664	24,343
3.99	Earning per share - (Reais / Shares)			
3.99.01	Basic earnings per share			
3.99.01.01	ON	0.57000	0.41000	0.15000
3.99.02	Diluted earning per share			

Individual financial statements / Statement of income (reais thousand)

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
3.99.02.01	ON	0.57000	0.41000	0.15000

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
4.01	Net income for the period	90,496	65,664	24,343
4.02	Other comprehensive income	-1,727	-6,319	-4,997
4.02.01	Realization of revaluation reserve	0	-1,579	-1,580
4.02.02	Actuarial liability	4,351	-1,299	0
4.02.03	Actuarial gain	0	0	879
4.02.04	Exchange variation of foreign subsidiary	-6,078	-3,441	-4,296
4.03	Comprehensive income for the period	88,769	59,345	19,346

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
6.01	Net cash from operational activities	-2,720	34,235	31,643
6.01.01	Cash generated in operations	138,793	119,561	49,172
6.01.01.01	Profit or loss for the year before taxes	111,298	89,371	30,794
6.01.01.02	Depreciation and amortization	18,438	15,689	15,855
6.01.01.03	Equity in net income	-13,311	-10,386	-10,028
6.01.01.04	Unrealized exchange variation	11,925	920	1,309
6.01.01.05	Provision for inventory at market value	-103	-2,390	-2,546
6.01.01.06	Allowance for doubtful accounts	-362	-1,846	351
6.01.01.07	Provision for contingencies	1,464	6,558	6,329
6.01.01.08	Provision for labor obligations	584	1,008	750
6.01.01.09	Profit sharing	4,443	9,233	-2,783
6.01.01.10	Other provisions	-2,585	3,850	361
6.01.01.11	Updates on the Eletrobrás Compulsory Loan	-6,736	-5,760	-4,928
6.01.01.12	Restatement of tax assets	-1,024	-1,049	-1,233
6.01.01.13	Restatement of receivables with other related parties	-5,397	-6,604	-9,189
6.01.01.14	Restatements of financial charges on tax installments	7,129	9,371	15,524
6.01.01.15	Restatements of decomposition of discount of provisions for contingencies	-2,048	4,309	1,861
6.01.01.16	Accrued interest on loans	18,935	7,824	12,539
6.01.01.17	Negative goodwill on receivables received from related parties	1,431	0	1,592
6.01.01.18	Actuarial assets	-1,555	0	0
6.01.01.19	Treasury shares	-2,546	0	0
6.01.01.20	Others	-1,187	-537	-7,386
6.01.02	Changes in assets and liabilities	-112,359	-58,663	1,852
6.01.02.01	(Increase) Decrease in accounts receivable	-20,559	-29,897	-7,441
6.01.02.02	Increase (Decrease) in advances from clients	-2,589	4,231	3,057
6.01.02.03	(Increase) Decrease in securities	0	0	1,120
6.01.02.04	(Increase) Decrease in inventories	-57,631	-26,989	5,269
6.01.02.05	(Increase) Decrease in legal deposits	-12,264	-604	-259
6.01.02.06	(Increase) Decrease in receivables from related parties	9,824	0	8,505

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
6.01.02.07	(Increase) Decrease in recoverable taxes	-7,511	12	0
6.01.02.08	Increase (Decrease) in provisions for contingency	-28,912	0	0
6.01.02.09	(Increase) Decrease in other assets	-2,852	-1,847	-1,028
6.01.02.10	Increase (Decrease) in accounts payable	47,946	22,347	10,968
6.01.02.11	(Increase) Decrease advance to suppliers	-9,232	738	-1,136
6.01.02.12	Increase (Decrease) in installment payments	-22,963	-21,748	-17,745
6.01.02.13	Increase (Decrease) in tax liabilities	-6,465	1,687	1,234
6.01.02.14	Increase (Decrease) in labor obligations	1,233	788	620
6.01.02.15	Increase (Decrease) in other accounts payable	-85	-2,128	333
6.01.02.16	Increase (Decrease) in other accounts payable, non-current	-299	-5,253	-1,645
6.01.03	Others	-29,154	-26,663	-19,381
6.01.03.01	Interest paid	-12,951	-8,794	-12,860
6.01.03.02	Income and social contribution taxes paid	-16,203	-17,869	-6,521
6.02	Net cash used in investment activities	-99,768	-28,739	3,083
6.02.01	Acquisition of property, plant and equipment	-95,291	-19,142	-14,030
6.02.02	Acquisition of intangible assets	-4,666	-10,814	-3,611
6.02.03	Dividends received	14,273	2,680	21,030
6.02.04	Receipt from the sale of permanent assets	192	68	0
6.02.05	Loans (granted to) repaid by related parties	-14,276	-1,531	-306
6.03	Net cash generated (consumed) in financing activities	101,301	42,989	-35,354
6.03.01	Funding loans and financing	252,063	153,060	114,878
6.03.02	Payment of loans and financing	-135,695	-110,067	-141,602
6.03.03	Dividends paid	-15,067	0	0
6.03.04	Funding (Payment) of related companies	0	-4	-8,630
6.05	Increase (decrease) in cash and cash equivalents	-1,187	48,485	-628
6.05.01	Opening balance of cash and cash equivalents	56,576	8,091	8,719
6.05.02	Closing balance of cash and cash equivalents	55,389	56,576	8,091

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2013–12/31/2013
(reais thousand)

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 AGM 2012 - Capital Increase	5,000	0	-5,000	0	0	0
5.06.05	Allocations after AGM 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 or Statement of changes in shareholders' equity–DMPL – 01/01/2012–12/31/2012
(reais thousand)

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	Constitution 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 changes in shareholders' equity–DMPL – 01/01/2011–12/31/2011
(reais thousand)

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	-99,661	47,301	60,864
5.03	Adjusted opening balances	112,957	267	0	-99,661	47,301	60,864
5.05	Total comprehensive income	0	0	0	25,923	-4,997	20,926
5.05.01	Net income for the period	0	0	0	24,343	0	24,343
5.05.02	Other comprehensive income	0	0	0	1,580	-4,997	-3,417
5.05.02.06	Realization of revaluation reserve	0	0	0	1,580	-1,580	0
5.05.02.07	Actuarial gain	0	0	0	0	879	879
5.05.02.08	Exchange variation of foreign subsidiary	0	0	0	0	-4,296	-4,296
5.07	Closing balances	112,957	267	0	-73,738	42,304	81,790

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
7.01	Income	993,249	833,711	693,437
7.01.01	Sale of merchandise, products and services	971,514	816,052	684,164
7.01.02	Other income	13,918	15,813	9,624
7.01.03	Income from construction of own assets	7,455	0	0
7.01.04	Allowance for /reversal of Doubtful accounts	362	1,846	-351
7.02	Inputs acquired from third parties	-503,198	-425,950	-370,502
7.02.01	Cost of goods, merchandise and services sold	-407,112	-340,430	-293,940
7.02.02	Materials, Energy, Third-party services and other	-97,857	-86,227	-76,607
7.02.03	Loss/recovery of asset values	1,771	707	45
7.03	Gross added value	490,051	407,761	322,935
7.04	Retentions	-18,438	-15,689	-15,855
7.04.01	Depreciation, amortization and depletion	-18,438	-15,689	-15,855
7.05	Net added value produced	471,613	392,072	307,080
7.06	Added value received as transfer	71,388	45,265	33,955
7.06.01	Equity income (loss)	13,311	10,386	10,028
7.06.02	Financial income	58,077	34,879	23,927
7.07	Total added value payable	543,001	437,337	341,035
7.08	Distribution of added value	543,001	437,337	341,035
7.08.01	Personnel	139,108	107,682	97,210
7.08.01.01	Direct remuneration	121,520	92,182	82,626
7.08.01.02	Benefits	10,225	8,618	8,312
7.08.01.03	F.G.T.S.	7,363	6,882	6,272
7.08.02	Taxes, duties and contributions	227,786	203,188	164,257
7.08.02.01	Federal	123,277	115,903	86,243
7.08.02.02	State	104,057	87,089	77,756
7.08.02.03	Municipal	452	196	258
7.08.03	Third-party capital remuneration	85,611	60,803	55,225
7.08.03.01	Interest	76,830	52,969	48,590
7.08.03.02	Rentals	8,781	7,834	6,635

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
7.08.04	Remuneration of own capital	90,496	65,664	24,343
7.08.04.01	Interest on own capital	3,658	1,853	0
7.08.04.02	Dividends	26,433	13,742	0
7.08.04.03	Retained earnings / Loss for the period	60,405	50,069	24,343

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
1	Total assets	904,908	695,321	550,222
1.01	Current assets	433,732	328,230	215,923
1.01.01	Cash and cash equivalents	57,677	58,870	10,065
1.01.03	Accounts receivable	163,801	142,678	107,867
1.01.03.01	Trade accounts receivable	163,801	142,678	107,867
1.01.04	Inventories	177,847	120,045	90,553
1.01.06	Recoverable taxes	17,883	2,064	2,682
1.01.06.01	Current taxes recoverable	17,883	2,064	2,682
1.01.06.01.01	Income and social contribution tax recoverable	10,978	459	1,152
1.01.06.01.02	Other current taxes recoverable	6,905	1,605	1,530
1.01.07	Prepaid expenses	0	815	491
1.01.08	Others Current assets	16,524	3,758	4,265
1.01.08.03	Others	16,524	3,758	4,265
1.01.08.03.03	Advances to suppliers	9,975	954	1,685
1.01.08.03.04	Others	6,549	2,804	2,580
1.02	Non-current assets	471,176	367,091	334,299
1.02.01	Long term assets	186,662	164,501	151,283
1.02.01.08	Related party credits	94,540	100,398	93,780
1.02.01.08.04	Other related party credits	94,540	100,398	93,780
1.02.01.09	Other non-current assets	92,122	64,103	57,503
1.02.01.09.03	Legal deposits	20,721	8,494	7,961
1.02.01.09.04	Receivables - Eletrobrás	43,555	36,819	31,059
1.02.01.09.05	Recoverable taxes	3,884	1,682	1,762
1.02.01.09.06	Tax assets	13,896	12,872	11,823
1.02.01.09.07	Actuarial assets	9,547	3,641	3,837
1.02.01.09.08	Others	519	595	1,061
1.02.02	Investments	198	215	215
1.02.02.01	Equity interest	198	215	215
1.02.02.01.04	Other equity interest	198	215	215

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
1.02.03	Property, plant and equipment	265,572	187,056	178,052
1.02.04	Intangible assets	18,744	15,319	4,749

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
2	Total liabilities	904,908	695,321	550,222
2.01	Current liabilities	352,485	295,375	245,403
2.01.01	Social and labor obligations	20,483	18,459	16,780
2.01.02	Suppliers	153,842	121,113	97,980
2.01.03	Tax liabilities	25,853	34,348	26,627
2.01.03.01	Federal tax liabilities	25,853	34,348	26,627
2.01.03.01.01	Income and social contribution tax payable	461	4,142	541
2.01.03.01.02	Installment payment of tax liabilities	18,080	22,961	21,773
2.01.03.01.03	Taxes, duties and contributions	7,312	7,245	4,313
2.01.04	Loans and financing	91,068	75,584	79,600
2.01.04.01	Loans and financing	91,068	75,584	79,600
2.01.05	Other liabilities	40,003	38,707	23,401
2.01.05.02	Others	40,003	38,707	23,401
2.01.05.02.04	Advances from clients	18,440	20,813	17,325
2.01.05.02.06	Dividends payable	15,239	8,810	11
2.01.05.02.07	Others	6,324	9,084	6,065
2.01.06	Provisions	21,236	7,164	1,015
2.01.06.02	Other provisions	21,236	7,164	1,015
2.01.06.02.05	Provision for contingencies	14,635	1,322	1,015
2.01.06.02.06	Provision for profit sharing	6,601	5,842	0
2.02	Non-current liabilities	360,566	272,819	223,021
2.02.01	Loans and financing	202,066	90,931	40,210
2.02.01.01	Loans and financing	202,066	90,931	40,210
2.02.02	Other liabilities	117,200	113,364	128,056
2.02.02.02	Others	117,200	113,364	128,056
2.02.02.02.03	Suppliers	15,966	0	0
2.02.02.02.05	Private pension plan	2,544	2,918	3,118
2.02.02.02.06	Installment payment of tax liabilities	98,616	110,446	124,938
2.02.02.02.08	Others	74	0	0

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

Code of account	Account description	Last year 12/31/2013	Penultimate year 12/31/2012	Antepenultimate year 12/31/2011
2.02.03	Deferred taxes	29,154	16,309	15,693
2.02.03.01	Income tax and social contribution assets, deferred	29,154	16,309	15,693
2.02.04	Provisions	12,146	52,215	39,062
2.02.04.02	Other provisions	12,146	52,215	39,062
2.02.04.02.05	Provision for contingencies	5,908	49,592	39,062
2.02.04.02.06	Provision for long-term incentive	6,238	2,623	0
2.03	Consolidated shareholders' equity	191,857	127,127	81,798
2.03.01	Realized capital	46,065	40,798	112,957
2.03.02	Capital reserves	-2,545	267	267
2.03.02.05	Treasury shares	-2,545	0	0
2.03.04	Profit reserves	115,651	50,069	0
2.03.04.01	Legal reserve	7,808	3,283	0
2.03.04.05	Profit retention reserve	41,786	0	0
2.03.04.08	Additional dividend proposed	8,597	0	0
2.03.04.10	Profit reserves to be allocated	57,460	46,786	0
2.03.05	Retained Earnings/Losses	0	0	-73,738
2.03.08	Other comprehensive income	32,678	35,985	42,304
2.03.09	Interest of non-controlling shareholders	8	8	8

Consolidated financial statements or Statement of income (reais thousand)

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
3.01	Income from sales of goods and/or services	834,032	706,471	586,806
3.02	Cost of goods and/or services sold	-530,279	-456,052	-400,653
3.03	Gross income	303,753	250,419	186,153
3.04	Operating expenses or income	-165,040	-133,557	-119,804
3.04.01	Sales expenses	-126,984	-103,996	-97,452
3.04.02	General and administrative expenses	-28,410	-23,495	-18,675
3.04.04	Other operating income	8,132	12,349	11,354
3.04.04.01	Other operating income	7,011	9,007	6,724
3.04.04.02	Other gains (losses), net	1,121	3,342	4,630
3.04.05	Other operating expenses	-17,778	-18,415	-15,031
3.04.05.01	Other operating expenses	-17,778	-18,415	-15,031
3.05	Income (loss) before financial income (loss) and taxes	138,713	116,862	66,349
3.06	Financial income (loss)	-19,589	-21,690	-29,247
3.06.01	Financial income	19,774	16,140	18,369
3.06.01.01	Financial income	19,774	16,140	18,369
3.06.02	Financial expenses	-39,363	-37,830	-47,616
3.06.02.01	Financial expenses	-33,369	-34,195	-41,839
3.06.02.02	Net exchange variation	-5,994	-3,635	-5,777
3.07	Income (loss) before income tax	119,124	95,172	37,102
3.08	Income and social contribution taxes	-28,538	-30,024	-12,164
3.08.01	Current	-16,591	-29,408	-11,465
3.08.02	Deferred assets	-11,947	-616	-699
3.09	Net income (loss) of continued operations	90,586	65,148	24,938
3.10	Net income (loss) of discontinued operations	-75	527	-548
3.11	Income/loss for the period	90,511	65,675	24,390
3.11.01	Attributed to the Parent company's partners	90,496	65,664	24,381
3.11.02	Attributed to non-controlling partners	15	11	9
3.99	Earning per share - (Reais / Shares)			
3.99.01	Basic earnings per share			

Consolidated financial statements or Statement of income (reais thousand)

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
3.99.01.01	ON	0.57000	0.41000	0.15000
3.99.02	Diluted earning per share			
3.99.02.01	ON	0.57000	0.41000	0.15000

Consolidated financial statements or Statement of comprehensive income (reais thousand)

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
4.01	Consolidated net income for the period	90,511	65,675	24,390
4.02	Other comprehensive income	-1,727	-6,319	-4,997
4.02.01	Realization of revaluation reserve	0	-1,579	-1,580
4.02.02	Actuarial liability	4,351	-1,299	0
4.02.03	Actuarial gain	0	0	879
4.02.04	Exchange variation of foreign subsidiary	-6,078	-3,441	-4,296
4.03	Consolidated comprehensive income for the period	88,784	59,356	19,393
4.03.01	Attributed to the Parent company's partners	88,769	59,345	19,384
4.03.02	Attributed to non-controlling partners	15	11	9

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
6.01	Net cash from operational activities	-2,210	36,803	41,503
6.01.01	Cash generated in operations	151,386	136,228	72,586
6.01.01.01	Profit or loss for the year before taxes	119,124	95,172	37,102
6.01.01.02	Depreciation and amortization	18,534	15,733	15,918
6.01.01.04	Unrealized exchange variation	4,045	1,036	7,641
6.01.01.05	Provision for inventory at market value	-867	-3,522	-2,381
6.01.01.06	Allowance for doubtful accounts	-374	-2,928	646
6.01.01.07	Provision for contingencies	1,400	6,523	6,372
6.01.01.08	Provision for labor obligations	584	950	871
6.01.01.09	Profit sharing	4,374	10,990	-3,155
6.01.01.10	Other provisions	-2,589	3,850	361
6.01.01.11	Updates on the Eletrobrás Compulsory Loan	-6,736	-5,760	-4,928
6.01.01.12	Restatements of tax assets	-1,024	-1,049	-1,233
6.01.01.13	Restatements of receivables with other related parties	-5,397	-6,604	-8,714
6.01.01.14	Restatements of financial charges on tax installments	7,206	9,528	15,224
6.01.01.15	Restatements of decomposition of discount of provisions for contingencies	-1,970	4,315	1,861
6.01.01.16	Accrued interest on loans	18,935	8,057	12,575
6.01.01.17	Negative goodwill on receivables received from related parties	1,431	0	1,592
6.01.01.18	Actuarial assets	-1,555	0	0
6.01.01.19	Treasury shares	-2,546	0	0
6.01.01.20	Others	-1,189	-63	-7,166
6.01.02	Changes in assets and liabilities	-117,095	-68,413	-5,975
6.01.02.01	(Increase) Decrease in accounts receivable	-20,774	-30,298	-5,839
6.01.02.02	Increase (Decrease) in advances from clients	-2,373	4,328	2,666
6.01.02.03	(Increase) Decrease in securities	0	0	1,120
6.01.02.04	(Increase) Decrease in inventories	-56,935	-25,970	5,577
6.01.02.05	(Increase) Decrease in legal deposits	-12,227	-604	-264
6.01.02.06	(Increase) Decrease in receivables from related parties	9,824	0	8,505
6.01.02.07	(Increase) Decrease in recoverable taxes	-7,502	5	0

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
6.01.02.08	Increase (Decrease) in provisions for contingencies	-28,912	0	0
6.01.02.09	(Increase) Decrease in other assets	-3,045	-2,111	-740
6.01.02.10	Increase (Decrease) in accounts payable	48,356	22,842	10,533
6.01.02.11	(Increase) Decrease advance to suppliers	-9,021	731	-938
6.01.02.12	Increase (Decrease) in installment payments	-23,917	-22,832	-18,708
6.01.02.13	Increase (Decrease) in tax liabilities	-11,543	19	951
6.01.02.14	Increase (Decrease) in labor obligations	1,440	809	473
6.01.02.15	Increase (Decrease) in other accounts payable	-166	-10,079	-1,270
6.01.02.16	Increase (Decrease) in other accounts payable, non-current	-300	-5,253	-8,041
6.01.03	Others	-36,501	-31,012	-25,108
6.01.03.01	Interest paid	-12,951	-8,812	-12,878
6.01.03.02	Income and social contribution taxes paid	-23,550	-22,200	-12,230
6.02	Net cash used in investment activities	-100,284	-31,037	-17,700
6.02.01	Acquisition of property, plant and equipment	-95,299	-20,081	-14,089
6.02.02	Acquisition of intangible assets	-5,177	-11,024	-3,611
6.02.04	Receipt from the sale of permanent assets	192	68	0
6.03	Net cash generated (consumed) in financing activities	101,301	42,993	-26,711
6.03.01	Funding loans and financing	252,063	153,060	114,891
6.03.02	Payment of loans and financing	-135,695	-110,067	-141,602
6.03.03	Dividends paid	-15,067	0	0
6.04	Exchange variation on cash and cash equivalents	0	46	171
6.05	Increase (decrease) in cash and cash equivalents	-1,193	48,805	-2,737
6.05.01	Opening balance of cash and cash equivalents	58,870	10,065	12,802
6.05.02	Closing balance of cash and cash equivalents	57,677	58,870	10,065

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - From 01/01/2013–12/31/2013 (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	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.04	Capital transactions with partners	0	-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 Dividend	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 AGM 2012 - Capital Increase	5,000	0	-5,000	0	0	0	0	0
5.06.05	Allocations after AGM 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 or Statement of changes in shareholders’ equity–DMPL – 01/01/2012–12/31/2012
(reais thousand)

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	Constitution 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 changes in shareholders’ equity–DMPL – 01/01/2011–12/31/2011
(reais thousand)

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	-99,699	47,301	60,826	10	60,836
5.03	Adjusted opening balances	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.04	Capital transactions with partners	0	0	0	0	0	0	-11	-11
5.04.06	Dividends	0	0	0	0	0	0	-11	-11
5.05	Total comprehensive income	0	0	0	25,961	-4,997	20,964	9	20,973
5.05.01	Net income for the period	0	0	0	24,381	0	24,381	9	24,390
5.05.02	Other comprehensive income	0	0	0	1,580	-4,997	-3,417	0	-3,417
5.05.02.06	Realization of revaluation reserve	0	0	0	1,580	-1,580	0	0	0
5.05.02.07	Actuarial gain	0	0	0	0	879	879	0	879
5.05.02.08	Exchange variation of foreign subsidiary	0	0	0	0	-4,296	-4,296	0	-4,296
5.07	Closing balances	112,957	267	0	-73,738	42,304	81,790	8	81,798

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
7.01	Income	1,045,234	881,013	729,881
7.01.01	Sale of merchandise, products and services	1,032,311	870,089	728,884
7.01.02	Other income	5,093	7,996	1,643
7.01.03	Income from construction of own assets	7,455	0	0
7.01.04	Allowance for /reversal of Doubtful accounts	375	2,928	-646
7.02	Inputs acquired from third parties	-519,052	-443,307	-379,729
7.02.01	Cost of goods, merchandise and services sold	-405,912	-339,743	-292,832
7.02.02	Materials, Energy, Third-party services and other	-114,831	-104,319	-86,185
7.02.03	Loss/recovery of asset values	1,766	228	-164
7.02.04	Others	-75	527	-548
7.02.04.01	Income from discontinued operations	-75	527	-548
7.03	Gross added value	526,182	437,706	350,152
7.04	Retentions	-18,534	-15,733	-15,918
7.04.01	Depreciation, amortization and depletion	-18,534	-15,733	-15,918
7.05	Net added value produced	507,648	421,973	334,234
7.06	Added value received as transfer	59,172	35,096	24,537
7.06.02	Financial income	59,172	35,096	24,537
7.07	Total added value payable	566,820	457,069	358,771
7.08	Distribution of added value	566,820	457,069	358,771
7.08.01	Personnel	146,791	113,982	103,421
7.08.01.01	Direct remuneration	128,222	97,628	87,966
7.08.01.02	Benefits	10,681	9,163	8,812
7.08.01.03	F.G.T.S.	7,888	7,191	6,643
7.08.02	Taxes, duties and contributions	242,611	215,707	175,230
7.08.02.01	Federal	138,035	128,372	97,187
7.08.02.02	State	104,077	87,102	77,756
7.08.02.03	Municipal	499	233	287
7.08.03	Third-party capital remuneration	86,907	61,705	55,730
7.08.03.01	Interest	77,644	53,455	49,198

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

Code of account	Account description	Last year 01/01/2013–12/31/2013	Penultimate year 01/01/2012–12/31/2012	Antepenultimate year 01/01/2011–12/31/2011
7.08.03.02	Rentals	9,263	8,250	6,532
7.08.04	Remuneration of own capital	90,511	65,675	24,390
7.08.04.01	Interest on own capital	3,658	1,853	0
7.08.04.02	Dividends	26,433	13,742	0
7.08.04.03	Retained earnings / Loss for the period	60,405	50,069	24,381
7.08.04.04	Interest of non-controlling shareholders in retained earnings	15	11	9

COMMENTS ON THE CONSOLIDATED PERFORMANCE OF 2013

Portobello S.A., a corporation listed on the New Market of Bovespa, presents its results for the year ended December 31, 2013. The Company's operating and financial information, except as indicated otherwise, are presented with basis on consolidated numbers and in BRL, in conformity with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncement Committee, and International Financial Reporting Standards (IFRS). The comparisons made in this communication take into account the years 2012 and 2011.

About Portobello

Portobello is currently Brazil's largest ceramics company, with gross revenues exceeding R$1 billion. Its production, which is close to 30 million square meters, caters for countries on the five continents, as well as for the domestic market, through multi-brand sales points, Portobello Shop and the sales channel for engineers. The Company employs more than 2600 employees, responsible for the design and innovation of items that launch trends in the Brazilian architecture and decoration sectors. Headquartered in Tijucas, State of Santa Catarina, the Company has disclosed its advances in terms of social and environmental responsibility since 1997.

HIGHLIGHTS

- Gross revenues exceed R$1 billion in 2013, 19% growth over 2012;
- Net revenues reached R$834 million in 2013, 18% higher than in 2012;
- The EBITDA amounted to R$156 million, recording growth of 21% in relation to 2012, with margin of 18.7%;
- Net income reached R$90 million in 2013, 38% higher than in 2012, with a net margin of 10.9%.

MANAGEMENT COMMENTS

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

That performance is partly due to the good moment in the construction material market, together with the Company's capacity to capture and make the most of that opportunity through its product, distribution and production strategies and its management model.

In the domestic scenario, the demand for construction and finishing materials continued showing a 9% growth in 2013, according to the Brazilian Association of the Construction Material Industry (“ABRAMAT”). However, Portobello maintained a performance that was 7 percentage points higher, when compared with the ABRAMAT index, and consolidated its market share gains. When compared with the Civil Construction Gross Domestic Product (GDP), which increased 1.6%, the Company grew 16% in net revenues, which is 10 times more.

In the foreign markets, since 2012, the risks to global economic stability remained high. However, the Company will continue advancing in those markets through its commercial actions, focused on higher profitability products, as confirmed by its results and its progress in striving for international competitiveness.

As a strategy, management keeps the production focus on higher added-value products, and on a production model combining own production and outsourcing, which allows meeting, with flexibility and speed, the demand for commercial products. In addition, management upheld its austerity in managing costs and expenses, with internal rationalization actions, seeking gains in productivity and quality, and industrial cost reduction.

The distribution model through four separate channels, all achieving similar growth in 2013, also contributed for the success of sales, by working with more agility and quality, in accordance with the specific features of the product portfolio, with specialized professional teams as well as services, logistics and commercial policies.

The investments made in 2013, which influenced the increase in indebtedness, are allied to the Company's growth strategy and will increase the income, profitability and uphold the continuing market share gains, together with the investments for consolidating a higher level of service.

The outlook for the coming years is that sales will be leveraged by the investments currently in progress and by the maturation of the new Pointer trademark. An additional ingredient for that success is the Company's meritocracy process based on targets, evaluations and variable compensation, which have already been significantly contributing to growth.

While obtaining excellent results for the past several years, the Company has also achieved the consolidation of the Portobello trademark, which leads the ceramic tile segment in South America. This fact has repeatedly been evidenced by the several awards the Company has been bestowed over the years, and shows that the Company is seriously engaged in benefitting all its stakeholders.

ECONOMIC AND FINANCIAL PERFORMANCE

Consolidated income (loss)	4Q11	4Q12	4Q13	Var. % 4Q13 x 4Q12	2011	2012	2013	Var. % 2013 x 2012
Gross income	193,644	238,853	288,373	21%	745,384	882,769	1,053,849	19%
Net income	150,635	192,182	229,731	20%	586,806	706,471	834,032	18%
Gross income	47,859	69,056	89,870	30%	186,153	250,419	303,753	21%
Gross margin	31.8%	35.9%	39.1%	3.2 p.p.	31.7%	35.4%	36.4%	1.0 p.p.
Operating expenses	(30,205)	(37,220)	(42,821)	15%	(124,434)	(136,899)	(166,161)	21%
Sales	(25,445)	(28,894)	(34,966)	21%	(97,452)	(103,996)	(126,984)	22%
General and administrative	(5,061)	(5,424)	(7,013)	29%	(18,675)	(23,495)	(28,410)	21%
Other income (expenses)	301	(2,902)	(842)	-71%	(8,307)	(9,408)	(10,767)	14%
EBIT	17,654	31,836	47,049	48%	61,719	113,520	137,592	21%
EBIT margin	11.7%	16.6%	20.5%	*3.9 p.p.*	10.5%	16.1%	16.5%	*0.4 p.p.*
Financial income (loss)	(4,934)	(3,997)	(634)	-84%	(24,617)	(18,348)	(18,468)	1%
Taxes on profits	(4,455)	(7,739)	(7,060)	-9%	(12,164)	(30,024)	(28,538)	-5%
Net income	8,108	20,177	39,322	95%	24,390	65,675	90,511	38%
Net Margin	5.4%	10.5%	17.1%	*6.6 p.p.*	4.2%	9.3%	10.9%	*1.6 p.p.*
EBITDA	21,661	35,896	53,341	49%	77,637	129,253	156,125	21%
EBITDA margin	*14.4%*	*18.7%*	*23.2%*	*4.5 p.p.*	*13.2%*	*18.3%*	*18.7%*	*0.4 p.p.*

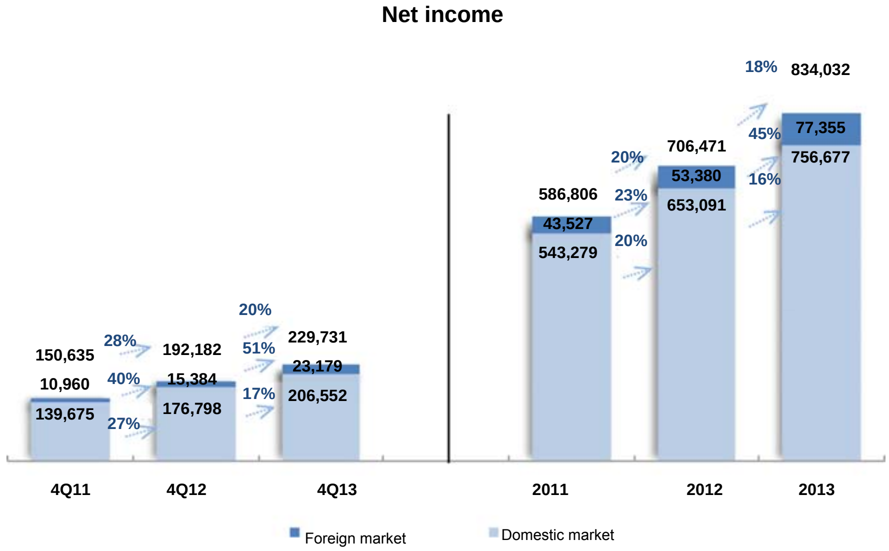
Net income

In 2013 consolidated net income amounted to R$834 million, 18% higher than the R$706 million posted in 2012. That amount was able to uphold the growth level observed in the past five years, as previously mentioned, which averaged 20%.

The growing performance was influenced by the increase in physical volume of sales and a sales mix of nobler products, whose profitability per unit sold is higher. In this last half of year, the emphasis has been in the proportional share of large-format enameled porcelain products, and this is the result of the investment made from May 2012 to July 2013 in the currently working plants.

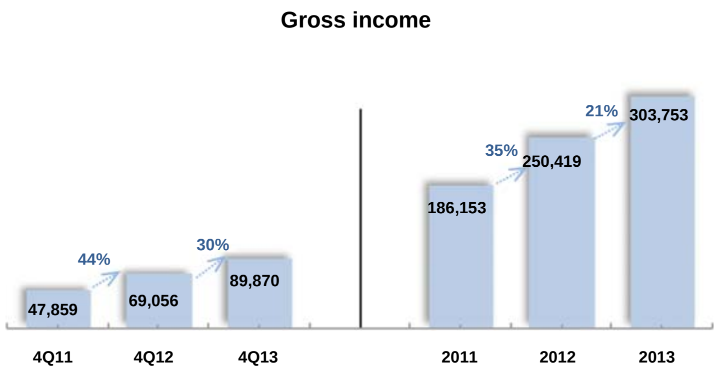
Net revenues from the domestic market accounted for 91% of the total. The 16% growth in this market was a consequence of the response to the growing demand for more innovating products with differentiated design and technological solutions. In the sales channels of Engineering, Multi Brand Retailing and Portobello Shop a similar level of growth was achieved.

The performance in foreign markets was 45% higher than in 2012. That growth was due to the valuation of the US dollar against the Brazilian real, of about 15% in the past 12 months, and a sophisticated mix of products sold, similar to than in the domestic market.



Gross income

Gross profit amounted to R$304 million in the year ended December 31, 2013, which represents growth of 21% over the same period in the previous year.
In addition to the factors that allowed the increase in revenue, the gross profit growth is the result of actions with focus on operating efficiency gains, among which the measures for increasing the quality, the continuous improvement in industrial processes and the stimulus to managers and leaders by the internal meritocracy program. Also significant was the gain generated by the start-up of the large-format enameled porcelain plant. The cost reduction allowed the absorption of the increase in energy costs in this year.



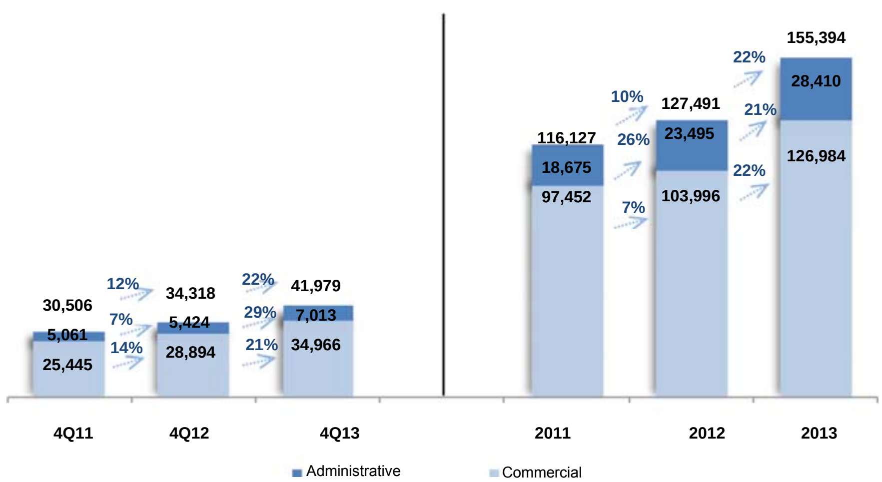
The gross margin of 36.4% was 1 percentage point higher than in the previous year. Since 2009, the growing performance of gross margin shows a gradual development based on the product strategy, optimization in the use of internal resources and the tax incentives in the period. Also easy to perceive is the positive influence of the tax benefit of payroll unburdening in this year and the zero tax rate for IPI (federal VAT) for ceramic products since December 2009.

Operating income

Administrative and selling expenses represent a margin of net revenue equivalent to that of 2012.
Selling expenses, arising from the higher investments in the sales force, marketing campaigns and investments in a new logistic model that included opening a new distribution center in the state of Pernambuco, amounted to R$127 million in 2013, corresponding to 15% of net revenue, thus keeping within the level expected by the Company in its efforts to gain growth and higher operating efficiency.

Administrative expenses, amounting to R$28 million in 2013, 21% higher than in the same period in the previous year, arise mostly from expenditures with consulting firms and expenses with expansion plan studies, especially for the plant in the initial construction stage in the state of Alagoas. In terms of net revenue, administrative expenses represent 3%, the same percentage observed in the previous year.

Commercial and administrative expenses



Other operating expenses, net, of R$11 million in 2013, refer mostly to the long-term incentive program (with full settlement five years after initial recognition), and a reserve for employee profit sharing, for payment after the end of the year, and a reserve for contingencies.

The operating income before financial items (EBIT) amounted to R$138 million in the year ended December 31, 2013, presenting growth of 21% when compared to 2012. The EBIT to net revenue ratio presented a margin equivalent to the year of 2012.

EBITDA

The Company closed 2013 with an EBITDA-measured cash generation of R$156 million, 21% higher than what was recorded in 2012 and an EBITDA margin of 18.7%. That was the second year when EBITDA exceeded the mark of R$100 million. If we exclude the expenses with the new plant in the state of Alagoas, the EBITDA would be R$159 million in 2013.

EBITDA	4Q11	4Q12	4Q13	Var. % 4Q13 x 4Q12	2011	2012	2013	Var. % 2013 x 2012
Net income	8,105	20,174	39,318	95%	24,381	65,664	90,496	38%
Financial income (loss)	4,934	3,997	634	-84%	24,617	18,348	18,468	1%
Depreciation and amortization	4,007	4,060	6,293	55%	15,918	15,733	18,533	18%
Income and social contribution taxes	4,455	7,739	7,060	-9%	12,164	30,024	28,538	-5%
Others	160	(74)	37	-150%	557	(516)	90	-117%
(=) EBITDA	21,661	35,896	53,342	49%	77,637	129,253	156,125	21%
Pre-Operational phase of Alagoas Plant	-	-	305	-	-	-	2,803	-
(=) Adjusted EBITDA	21,661	35,896	53,647	49%	77,637	129,253	158,928	23%
Net income %	14.4%	18.7%	23.2%	4.5 p.p.	13.2%	18.3%	18.7%	0.4 p.p.

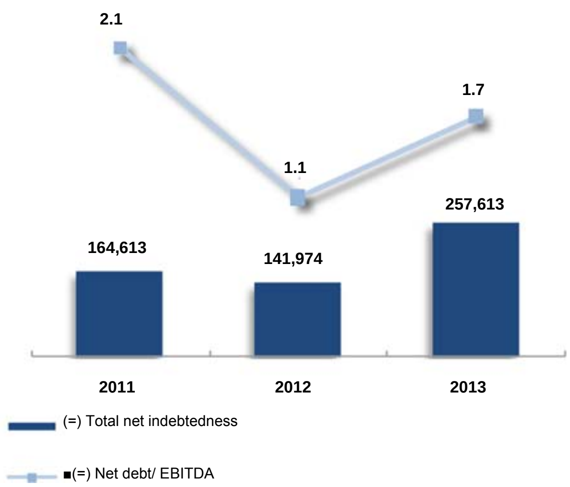
Financial income (loss)

Financial result amounted to a net expense of R$19 million, equivalent to the year 2012, of which R$5 million refer to the foreign exchange rate, as a result of the appreciation of the US dollar closing at 15% in 2013, higher than the valuation of 9% in 2012, on the Company's total indebtedness related to the US dollar.

INDEBTEDNESS/CAPITAL STRUCTURE

The Company ended the year of 2013 with a net debt R$258 million against R$142 million in 2012 and represented 1.7 times EBITDA. The 81% increase is related to expansion investments that will sustain the Company's growth.

Total indebtedness (R$ thousand)

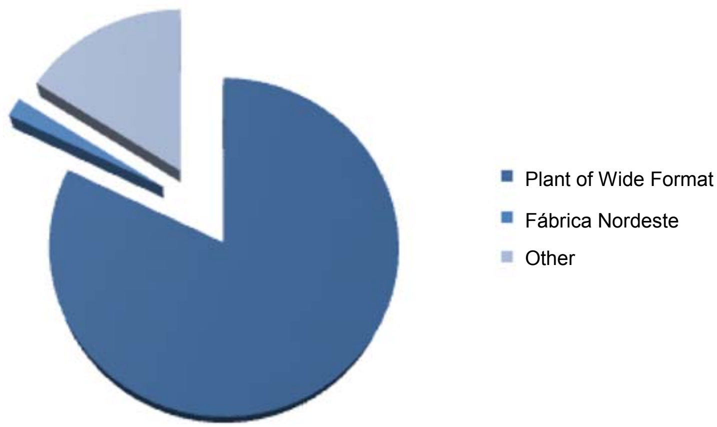


Indebtedness	2011	2012	2013
Bank indebtness	119,810	166,515	293,134
Tax	146,711	133,407	116,696
(=) Total indebtedness	266,521	299,922	409,830
Cash and cash equivalents and marketable securities	(10,065)	(58,870)	(57,677)
Credits with Catarina Refinery	(91,843)	(99,078)	(94,540)
(=) Total net indebtedness	164,613	141,974	257,613
EBITDA (last 12 months)	77,637	129,253	156,125
(=) Net debt/ EBITDA	2.1	1.1	1.7

INVESTMENTS

Investments in 2013 totaled R$100 million, allocated to growth projects with investments in fixed assets, focused on the implementation of a full line of large format porcelain, with latest generation fully automated equipment of Italian technology with high productivity and low energy consumption completed in July 2013 and has already shown significant interest in the outcome of the Company. In this period, the Company has also started investing in new logistic model, previously mentioned, to supply the growth projects and with services at the same level of quality, lower cost and capital investment in the entire chain. To this effect, the Company will create at strategic locations, distribution centers, and it already has one in the state of Pernambuco. In November of this year, it started building the Nordeste plant.

Investments made



Fábrica Nordeste

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

REMUNERATION TO SHAREHOLDERS

Shareholders are assured under the by-laws a minimum mandatory dividend equal to 25% of adjusted net profits. On August 14, 2013, interim dividends were accrued in the amount of R$2,796 thousand, paid on September 26, 2013 and interest on net equity corresponding to a net amount of R$3,658 thousand, paid on the same date. The Management will propose to distribute additional dividends of 10%. If approved, the amount payable will be R$23,635, payment date of which will be resolved after the Annual General Meeting. Accordingly, total compensation to be distributed to shareholders will be R$30,091 thousand.

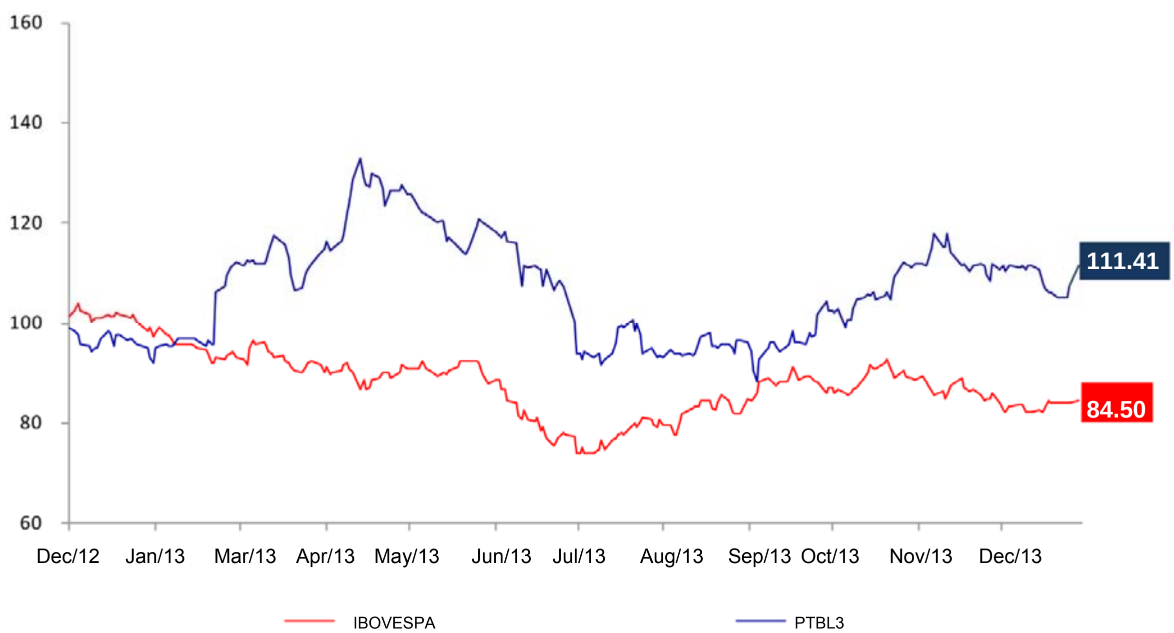
PERFORMANCE OF PTBL3 SHARES

The common shares issued by Portobello, traded on BM&FBovespa under the ticker symbol PTBL3, ended the last trading day of December 2013 quoted at R$4.98, an appreciation of 11% in the last twelve months, whereas the Ibovespa index dropped by 15%.

The average trading volume for the year was R$13.9 million, an increase of 409% compared to R$2.7 million in 2012.

In the end of the year 2013, Portobello presented a market value equivalent to R$792 million (R$711 million as of December 31, 2012).

PTBL3 x Ibovespa
(Base 100) 12/31/2012–12/31/2013



OUTLOOK

- Future expectations indicate an ongoing rapid growth in the ceramic tile market in Brazil that has grown above GDP and construction industry;
- It is estimated to maintain the levels of sales growth due to the launches of real estate developments and perceived retail demand, putting its efforts on the domestic market;
- The exporting market has shown high potential for growth. The growing demand for higher value-added products allows Portobello to serve that market and potentialize its own profitability;
- In the specialized store segment, its franchise network, Portobello Shop, has scheduled the opening of new stores in several states which will contribute to a growth above the average, conquering a milestone in the number of franchises;

- Portobello regards as important the antidumping investigation of technical porcelain tiles, performed by SECEX (Foreign Trade Secretariat) aiming to review import tariffs for technical porcelains so as to regularize the competitiveness of the Brazilian industry in this specific product segment;

- The construction of a new plant in Alagoas will enable the Company to enter the segment of the most competitive products regarding cost and the Northeast region market, through a new brand called Pointer. The Company intends to serve the entire regional market, and export to the international market, such as United States and Europe. The works have begun on November 1 and the startup of the plant is expected to occur in January 2015;

- Continuous productivity gains, with consequent production cost reductions and quality improvements, the investments in logistics and our meritocracy process indicate the maintenance or even increases in profitability as compared to 2013 levels;

- Developing the distribution process is another one of the Company's focuses. In order to make logistics a differential business over the next years, the entire chain is being reviewed and designed. The expected action for subsequent months is to create three new distribution centers.

DESIGN AND RELATIONSHIP

One of the significant values of Portobello, the Design is the vehicle that conducts the brand relationship with its main target audience - the specifier. Architecture and interior design professionals consider the information on materials and trends as a significant source for their work and, on the other hand, holding dialogs with those professionals feeds the process of creation and innovation of the Company.

Two distribution channels relate more directly to the architects, decorators and interior designers: "*Engenharia*" (Engineering) channel, which serves major works by builders and corporate clients, and *Portobello Shop* channel, where most sales is accomplished through the specifier.

In the *Engenharia* channel, "Criar" (Create) program brings together a range of services to this public, such as support for the specification, sample express, technical information through digital channels and guided visits to the plant. Architects participate in products workshops during their visits to the plant where they can exchange information and make suggestions to the creative team. Out of such dialog, insights arise for new product designs and services, acting as one of the innovation vectors.

In order to encourage the professional activity and enhance their architectural creation, Portobello annually publishes the book "*Arquitetura Brasileira*" (Brazilian Architecture) with the publication of their major works. In March 2014, the 3rd edition of the book will be released with the participation of over 20 architects.

In Portobello Shop channel, "*Ser*" (Being) program has been the primary means of relationship with specifiers for ten years. In 2013, a group of architects visited Japan on a cultural trip, and several groups participated in the product workshops with the creative team. The country's best professionals are honored annually at an award ceremony held in September 2013 in Porto de Galinhas. In 2013, two new means of communication with the specifiers of this retail channel were launched. "*Moda"* (Fashion), a newsletter on trends, published on a quarterly basis, in partnership with Bamboo Magazine, gather information about the releases and movements of interior decorating market. *Casas Portobello* is a constant publication available in Portobello Shop stores with examples of real environments made by architects and interior designers. It is a way to disseminate the work, inspire customers and value professionals.

Portobello believes that design inspires and excites people and that dialog with architecture and interior design professionals is critical to constantly feed this process.

INDEPENDENT AUDIT

Portobello's policy towards its auditors with respect to service provision not related to external audits of financial statements, which is covered by the principles that preserve the professional independence. These principles are based on the assumption that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client. In the 4Q13, the Company did not hire independent auditors for services other than those related to external auditing.

COMPOSITION OF MANAGEMENT

Executive board

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

Board of Directors

Name	Position
Cesar Bastos Gomes	President
Cesar Gomes Júnior	Vice-President (CEO)
Cláudio Ávila da Silva	Vice-President (Executive Vice-President)
Plínio Villares Musetti	Board member (Independent)
Glauco José Côrte	Board member (Independent)
Mário José Gonzaga Petrelli	Board member (Independent)
Maurício Levi	Board member (Independent)
Rami Naum Goldfajn	Board member (Independent)

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

Portobello

Statement of the Executive Officers on the Financial Statements and Review Report
Independent auditors' responsibility

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, 2013; 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, 2013.

Members of the Executive Board

Cesar Gomes Júnior – Chief Executive Officer

Cláudio Ávila da Silva – Director Vice-president

John Shojiro Suzuki – CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, March 25, 2014

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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John Shojiro Suzuki

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Mauro do Valle Pereira

1 Overall information

Portobello S.A., also referred to on these financial statements as “Company” or “Parent Company”, is a public corporation whose shares are traded on the New Market of São Paulo Stock, Mercantile and Futures Exchange (BM&FBOVESPA S.A.) under code PTBL3. The Company is controlled by a group of shareholders, which was formally set up by an agreement entered into on April 15, 2011 and as of December 31, 2013 holds 59.71 of the Company's shares. The remaining 40.25% portion is held by various shareholders.

The Company, headquartered in Tijucas, Santa Catarina, was founded in 1977 and is mainly engaged in manufacturing and marketing ceramic and porcelain products in general, such as floors, enameled and non-enameled porcelain flooring tiles, decorated and special pieces, mosaics, products used for covering internal walls and facades, and in rendering supplemental services in the segment of construction work materials in Brazil and abroad.

In addition, the Company has ownership interest in the following subsidiaries: (i) Portobello América, which was set up with the purpose of selling Portobello products in the US market and as of December 31, 2013 is classified as a discontinued operation, as described in note 36; (ii) Mineração Portobello, which supplies part of the raw material used for producing ceramic coating; (iii) PBTech, which manages Portobello Shop store chain and currently manages a store in Belo Horizonte; and (iv) Portobello Shop, which manages the Portobello Shop and Empório Portobello franchise networks specialized in ceramic coating. Portobello Shop has a network of 114 franchise stores that sell porcelain flooring tiles and ceramic coating.

2 Basis of preparation

a) Statement of Compliance (with IFRS standards and CPC standards)

These financial statements include:

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

- The Parent Company’s individual financial statements prepared in accordance with Brazilian accounting practices (BR GAAP).

The Parent Company’s individual financial statements were prepared according to the BR GAAP. When considering the Group's financial statements, such practices are different from the IFRS applicable to the separate financial statements due to the revaluation of investments in subsidiaries using the equity method under the BR GAAP, while under IFRS these investments would be stated at cost or fair value.

However, there is no difference between the equity and the consolidated results reported by the Group and the equity and the consolidated results reported by the Parent Company in its individual financial statements.
Therefore, the Group's consolidated financial statements and the Parent Company's individual financial statements are disclosed together in a single set of financial statements.

Those financial statements were prepared in accordance with the standards set forth by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of financial statements.

The individual and consolidated financial statements were authorized for issue by the Board of Directors on March 20, 2014.

b) Basis of measurement

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

- the defined benefit actuarial asset which is recognized as a plan asset, plus the cost of previous service and actuarial losses, less gains and the present value of the defined benefit obligations, and is limited according to note 3.18.

- Derivative financial instruments are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in real, which is the Company’s and its subsidiaries' functional currency, except for subsidiary Portobello América Inc., whose functional currency is the US dollar, converted into real on the reporting date, according to note 3.3 b). All financial information presented in real has been rounded to the nearest thousand, except when otherwise indicated.

d) Use of estimates and judgments

The preparation of Company and consolidated financial statements in accordance with IFRS and CPC standards requires management to make judgments, estimates and assumptions that affect the application of accounting practices and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates.

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

Information about critical judgments and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the individual and consolidated financial statements is included in note four:

3 Significant accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set forth below. These policies have been applied consistently to all periods presented in these consolidated financial statements, 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 govern the financial and operating policies, and usually owns an interest corresponding to more than half of voting rights (voting capital). In assessing control, the Company takes into consideration potential voting rights that are currently exercisable. The financial statements of subsidiaries are fully included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company's percentage of ownership interest in subsidiaries Portobello América, Inc., PBTech Com. Serv. Revest. Cer. Ltda, Portobello Shop S/A e Mineração Portobello Ltda are respectively 100 - 99,9 - 99,9 e 99,7 in December 31, 2013.

Intra-group (i.e. the Company and its subsidiaries) balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

b) Non-controlling interests and transactions

The Company and its subsidiaries treat transactions with non-controlling interests as transactions with owners of assets classified as related parties. The difference between any consideration paid on acquisitions of non-controlling interests and the acquired portion of the book value of the subsidiary's net assets is recognized in equity. Gain or losses on disposals of non-controlling interests are also recognized in equity.

When the Company or its subsidiaries lose control over a subsidiary, any interest retained in the former subsidiary is measured at fair value, and the change in the book value is recognized in the statement of profit or loss. Any amounts previously recognized in other comprehensive income related to that entity are recognized as if the related assets and liabilities had been directly disposed of. This means that the amounts previously recognized in other comprehensive income are reclassified in the statement of profit or loss.

3.1.2 Individual financial statements

Investments in subsidiaries are accounted for on the equity method of accounting in the individual financial statements. Under this method, investment is initially recognized at cost and subsequently adjusted for the recognition of the interest attributed to the Company in the changes in the investee's net assets. Adjustments to the book value of the investment are also necessary for the recognition of the Company's interest in the variations in the balances of the components of the investee's equity valuation adjustments, recognized directly in its equity. These variations are recognized as an equity valuation adjustment directly in equity.

Under the equity method, the portion of the subsidiaries' profit allocated to pay dividends is recognized as dividends receivable in current assets. Therefore, the investment is shown net of the dividends proposed by the controlled company. Dividend income is not recognized.

3.2 Segment reporting

The Company presents segment information that is consistent with that reviewed by its chief operating decision maker. The chief operating decision-maker, responsible for the allocation of funds and for the assessment of the performance of operating segments, is the Chief Executive Officer, who is also responsible for making the Company's and its subsidiaries' strategic decisions.

3.3 Foreign currency translation

a) Transactions and balances

Foreign currency transactions are translated into Reais, using the exchange rates in effect on the dates of transactions or on the dates of valuations when items are measured again. Foreign currency gains and losses on foreign currency monetary assets and liabilities arising from the settlement of these transactions and their translation using the exchange rates of the reporting date are recognized in the statement of profit or loss as "Other gains (losses), net", except financing transactions, which are recognized as finance income (costs), as described in notes 34 and 35.

b) Subsidiaries

Foreign currency (US dollars) assets and liabilities recognized by the foreign subsidiary were translated into Reais using the exchange rate of the balance sheet date and the result was translated using monthly average exchange rates. The exchange rate variation on the foreign investment was recognized as a cumulative translation adjustment in equity in "Equity valuation adjustment".

3.4 Financial assets

3.4.1 Classification

Financial assets are classified into the following categories: loans and receivables, held-to-maturity financial assets, financial assets measured at fair value through profit or loss (held-for-trading) and available-for-sale financial assets. Classification depends on the purpose for which 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 that are not quoted in an active market. They are recorded as current assets, except those with maturities higher than 12 months after the balance sheet date, which are classified as non-current assets. The loans and receivables of the Company and its subsidiaries consist of "trade receivables" and "cash and cash equivalents".

b) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and highly-liquid demand deposits with maturities of 90 days or less. They are readily convertible to cash and subject to an insignificant risk of changes in their value.

c) Trade receivables

Trade receivables consist of amounts receivable from clients for the sale of merchandise or the rendering of services in the ordinary course of the Company's and its subsidiaries' activities. They are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method less the impairment loss. They are usually recognized at the billed amount, less impairment loss, if necessary. If the collection period is one year or less from the balance sheet date, or another period that complies with the Company's and its subsidiaries' normal cycle of operations, trade receivables are classified into current assets; otherwise, they are stated as non-current assets.
An allowance for impairment loss on trade receivables is recognized when there is objective evidence that the Company or its subsidiaries will not be able to receive all amounts due within the original deadlines of trade receivables. The impairment loss is calculated as an estimate sufficient to cover probable losses on the realization of trade receivables, considering each client's situation and related collateral offered.

3.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trading date - the date on which the Company undertakes to buy or sell the asset. Investments are firstly recognized at their fair value, plus the transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the statement of profit or loss. Financial assets are written off when the rights to receive cash flows from investments have expired or have been transferred to the Company; in the latter case, provided that the Company has transferred substantially all risks and benefits of ownership. Available-for-sale financial assets and financial assets measured at fair value through profit or loss are subsequently accounted for at their fair value. After their initial recognition, loans and receivables and held-to-maturity investments are measured at amortized cost through the effective interest method, less any impairment losses.

3.4.3 Offset of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.5 *Impairment* of financial assets

The Company and its subsidiaries assess at each reporting date their financial assets or group of financial assets to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event(s) had an impact on the estimated future cash flows of that financial asset or group of financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

i) significant financial difficulty of the issuer or debtor;
ii) a breach of contract, such as a default or delinquency on the payment of interest or principal;
iii) indications that a debtor will enter bankruptcy or other type of financial reorganization;
iv) the disappearance of an active market for that financial asset due to financial difficulties; or
v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition, although the decrease may not yet be identified with the individual financial assets in the portfolio, including:

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

3.6 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined using the weighted moving average method. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), except the borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3.7 Court deposits

The balances of court deposits are adjusted for inflation using the savings-account rate and recognized as non-current, long-term assets.

3.8 Receivables from Eletrobrás

Receivables from Eletrobrás arise from unchallenged amounts and are recognized according to a calculation made by Brazilian Federal Justice's experts and are adjusted for inflation, plus 12% annually.

3.9 Investments

Investments in subsidiaries are accounted for on the equity method of accounting and recognized in the statement of profit or loss as operating revenue or expense, as applicable. Regarding the exchange rate variation of the investment in subsidiary Portobello América Inc, changes in the value of that investment solely due to exchange rate variations are recorded in "Equity valuation adjustment", in the Company's equity and are recognized in the statement of profit or loss only when the investment is sold or written off as loss.

An impairment loss on investments is recognized when losses on investments in subsidiaries are reported and these losses exceed the carrying amount of the investment. The Company recognizes the allowance for impairment in non-current liabilities under the caption "Impairment loss on investments" and an offsetting entry is recognized in profit or loss under the caption "Share of profit of equity-accounted investees". The impairment loss on the investment in subsidiary Portobello América, whose operations are being discontinued, is classified in non-current liabilities.
Other investments are recognized at historical cost and adjusted for the allowance of impairment, if there is any indication of impairment (note 18).

3.10 Property, plant and equipment

Items of property, plant and equipment are measured at attributable cost, less accumulated depreciation. The offsetting entry to revaluation is recognized in an equity account and as deferred taxes in non-current liabilities. In 2010, when the Company first adopted CPC 37, IFRS 1, CPC 43 and ICPC 10 the Company chose to consider the revaluation of property, plant and equipment made in 2006 as attributable cost because it understood that the revaluation was basically the fair value on the date of transition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the item's cost can be measured reliably. The carrying value of items or spare parts is written off. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated using the straight line method to allocate costs to residual values during their estimated useful lives, as depreciation rate detailed in Note 19.

Useful lives and residual values of assets are reviewed at each reporting date and adjusted if appropriate. To date these reviews do not show the need to recognize permanent losses.

The carrying value of an asset is written down immediately to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount (note 19).

Any gain and loss on disposal is determined by comparing results with book values and is recognized as "Other operating revenues (expenses), net" in the statement of profit or loss.

3.11 Intangible assets

Intangible assets consist of rights lacking physical substance, such as trademarks and patents, expenses on the implementation of management and software systems, mineral exploration rights and goodwill. Intangible assets are stated at acquisition or formation cost less accumulated depreciation and impairment loss, if applicable. Therefore, they are stated at acquisition cost and are amortized on a straight-line basis over their estimated useful lives using the annual amortization rates mentioned in note 20.

The Company and its subsidiaries determined the useful lives of trademarks and patents and goodwill as indefinite. Analyzing all significant facts, the Company and its subsidiaries found no foreseeable limit to the period over which the assets are expected to generate net cash flows for the entities.

The recovery of intangible assets with indefinite lives is tested by comparing their carrying amounts with their recoverable amounts. The procedure is carried out annually or whenever there is an indication that the intangible asset may be losing its economic substance, as determined by CPC 01 - Impairment of Assets. Management understands that the balances as of December 31, 2013 approximate fair values.

3.12 Leases

Leases of property, plant and equipment whereby the Company and its subsidiaries assume substantially all of the risks and rewards of ownership are classified as finance leases under the caption “Loans and financing”, and recognized as a financed purchase. On initial recognition, an item of property, plant and equipment and a financing liability are measured at fair value and subsequently at amortized cost. Property, plant and equipment acquired under finance leases are depreciated at the usual rates set in note 19.

Leases under which a part of the risks and rewards of ownership remain with the Company and its subsidiaries are classified as operating leases. Expenses on operating leases are recognized on a straight-line basis over the lease period.

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

The assets which are subject to amortization or depreciation are annually tested for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized to the extent the carrying amount of the asset exceeds its recoverable amount. The latter is the higher of the fair value of an asset less selling costs or its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are identifiable cash flows (cash-generating units - CGU). Non-financial assets are reviewed subsequently to analyze a possible reversal of impairment at the reporting date.

3.14 Trade payables

Trade payables are obligations payable for assets or services acquired from suppliers in the ordinary course of business. They are classified as current liabilities if payment is due in the period of up to one year. Otherwise trade payables are presented as non-current liabilities.

They are firstly recognized at fair value and then measured at the amortized cost by using the effective interest rate method. In fact, they are usually measured at the original invoice amount.

3.15 Loans and financing

Loans and financing are initially recognized at fair value upon the receipt of funds, net of transaction costs. The loans taken are then stated at amortized cost, i.e. plus charges and interest accrued in the period on a pro rata basis.

Loans are classified as current liabilities, unless the Company and its subsidiaries have an unconditional right to defer the settlement of a liability for at least 12 months after the balance sheet date.

3.16 Provisions, contingent liabilities and contingent assets

Provisions for contingencies are recognized when the Company has a current legal or informal liability resulting from a past event, according to a reliable estimate of the amount and if it is probable that an outflow of funds is required to settle the obligation. Provisions are measured at the present value of the expenses that are necessary to settle the obligation and are individually assessed by the Company's legal counselors who classify them according to the likelihood of favorable outcome. The increase in the obligation due to the passage of time as a result of the inflation adjustment is recognized as finance cost.

Contingent liabilities classified as possible losses are not accounted for, but only disclosed in the notes to the financial statements, and the ones classified as remote are not provided for or disclosed.

Contingent assets are not accounted for, except when the Company considers that the gain is virtually certain or when security interest is pledged or favorable legal decisions, which may not be appealed, have been rendered.

3.17 Current and deferred income and social contribution taxes

Current income and social contribution taxes are calculated according to the effective income tax rates (25%) and social contribution tax rates (9%) applied to net profit adjusted pursuant to prevailing law. Income and social contribution tax loss carry forwards is limited to 30% of taxable income.

Deferred income and social contribution tax credits result from accumulated income and social contribution tax loss balances and temporary asset differences. Deferred income and social contribution tax debts result from the revaluation of property, plant and equipment and temporary liability differences. Credits take into consideration the expected future generation of taxable profit and are calculated according to rates currently in effect under tax law. They are recognized in the amount considered to be realizable according to estimates prepared by the Company.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.18 Employee benefits

a) Pension plan

The Company sponsors a defined contribution plan and offers a minimum retirement benefit for length of service or age (defined benefit components). A defined contribution plan is a pension plan under which an entity pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay additional contributions if the fund does not hold sufficient assets to pay all of the employee benefits relative to all the employee’s past or present claims. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Defined benefit plans usually base the retirement benefit calculation on a combination of years of employment, wages, and/or age.

Defined benefit obligations are annually calculated by qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The liability recognized in the balance sheet is the present value of defined benefit obligations on the reporting date, less the fair value of the plan's assets, with past service adjustments not recognized. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future combinations to the plan.

actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are recognized as other comprehensive income in equity under the caption "Equity valuation adjustment".

Past service costs are immediately recognized in profit or loss unless changes in the pension plan are contingent on an individual's continuing employment in the company for a fixed period of time (the period of time remaining to vesting). In such cases, past service costs are amortized on a straight-line basis until vesting.

Regarding defined contribution plans, the Company has no further payment obligation once the contributions have been paid. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company does not follow the corridor method, and therefore there have been no impacts resulting from the change in CPC 33, IAS 19 (R1).

b) Profit sharing scheme

Profit sharing is monthly recognized in current liabilities under the caption "Other" and in profit or loss under "Other operating expenses". Profit sharing is calculated using a formula that considers the attainment of 80% of profit before estimated interest and taxes.

c) Long-term incentive plan

The Company operates a long-term incentive plan whereby the Company receives services from employees as consideration for cash. The fair value of employee services, received in exchange for cash, is recognized as expense. The total amount to be recognized as an obligation is annually determined considering the main aspects: growth in EBITDA and the Company's EBITDA/net debt ratio (note 29). The total expense amount is recognized during the vesting period, when the specific vesting conditions must be met. On the balance sheet date, the entity reviews its estimates according to vesting conditions and recognizes the impact of the review of initial estimates, if any, on profit or loss, making a related adjustment in liabilities.

3.19 Share capital

The Company's share capital consists solely of common shares and is classified as equity according to note 30.

3.20 Issue costs

Share issue costs are recognized in the Company's equity, by deducting the value of issued shares.

3.21 Distribution of dividends and interest on equity capital

The distribution of dividends to the Company's shareholders is recognized as a liability in financial statement at the year end, according to the Company's by-laws. Any amount above the minimum non-discretionary dividends is only provided for at the date on which the distribution is approved by shareholders, at their Annual Meeting.

The tax benefit of interest on equity capital is recognized in profit or loss.

3.22 Revenue recognition

Revenue from the sale of goods and services in the course of the Company's and its subsidiaries' ordinary activities is measured at the fair value of the consideration received or receivable, net of taxes, returns, trade discounts, volume rebates and inter-company sales.

Revenue is recognized when goods or services are actually delivered, ownership is transferred and all the following conditions have been met: a) significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and the amount of revenue can be measured reliably.

a) Sale of products – wholesale

The Company produces and sells a range of ceramic coatings in the wholesale market. Sales of goods are recognized whenever the Company delivers products to the wholesaler, who becomes totally free to decide on the sales channel and price and no unsettled obligation remains that may affect acceptance of the products by the wholesaler. Delivery will not happen until: (i) products have been shipped to the agreed place; (ii) the risks of obsolescence and loss have been transferred to the wholesaler; (iii) the wholesaler has accepted the products according to the sales agreement; and (iv) acceptance provisions have been agreed on or the Company has objective evidence that all acceptance criteria have been met.

Ceramic coatings are eventually sold with volume rebates. Clients are entitled to return defective products in the wholesale market. Sales are recognized according to the prices set on sales agreements. Sales are made under payment terms that vary according to the type of client (Home Centers, Construction Companies, Franchise Stores). Sales agreements are not financing agreements and are consistent with market practices. For that reason, they are not discounted to present value.

b) Royalty revenue

Royalty revenue is recognized on the accrual basis according to the nature of applicable agreements.

c) Finance income

Finance income is recognized to the extent that realization is expected, according to the elapsed time using the effective interest rate method.

3.23 Profit (loss) from discontinued operation

Profit (loss) from discontinued operation is shown in a lump sum in the statement of profit or loss, consisting of the total profit (loss) after income tax on these transactions less any impairment loss. It is presented in note 36.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When a transaction is classified as a discontinued operation, the comparative statements of profit or loss and of comprehensive income are republished as if the transaction had been discontinued from the beginning of the comparative period.

3.24 Statement of value added

The Company prepared the individual and consolidated statements of value added pursuant to technical pronouncement CPC 09 - Statement of value added. They are presented as an integral part of the financial statements in accordance with the BR GAAP applicable to publicly-held companies, while under IFRS they represent additional information.

3.25 Finance costs

Finance costs comprise interest expense on loans and financing, monetary variation on trade payables, exchange rate variation on loans and financing, inflation adjustment of taxes in installments and discounts granted to clients. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3.26 New accounting standards

A number of new standards and amendments to standards will be effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements.

Amounts in thousand of Brazilian reais, except when otherwise indicated

The standards which may be significant for the Group are described below. The Group does not intend to adopt this standard earlier.

- IFRS 9 - "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standards maintains most of the requirements set by IAS 39. The main change is that when the fair value option is adopted for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch. IFRS 9 is applicable only as from January 1, 2015.

3.27 Reclassification of financial statements

In the Statement of Value Added, regarding the comparative financial statements of December 31, 2012 the Company is restating the balance of retained earnings, and demonstrates the value of dividends and interest on capital, for 2012, to allow the comparability of accounting information. In accordance with CPC 26 (R2), the Company did not present a third balance sheet, referring to the beginning of the previous period, due to the fact that the retrospective reclassification has no impact on the balance sheet at January 1, 2012.

The reclassification made in the Statement of Value Added December 31, 2012 follows shown as follows:

	Company			**Consolidated**		
	31 de dezembro de 2012	Reclassified	Adjusted balance	31 de dezembro de 2012	Reclassified	Adjusted balance
Equity yield	65.664	15.595	65.664	65.675	15.595	65.675
Interest on equity capital	-	1.853	1.853	-	1.853	1.853
Dividends	-	13.742	13.742	-	13.742	13.742
Profits withheld	65.664	-	50.069	65.664	-	50.069
Non-controlling interests in withheld profits	-	-	-	11	-	11

4 Critical accounting estimates and judgments

4.1 Estimates

The Company and its subsidiaries make estimates about the future according to certain assumptions. By definition, accounting estimates usually differ from actual results. Estimates and assumptions which pose a significant risk and are likely to cause a material adjustment in the book values of assets and liabilities for the next fiscal year are described below.

a) Review of useful lives and recovery of assets

The recoverability of the assets that are used in the Company's operations is periodically evaluated whenever current facts or circumstances indicate that the carrying value of its assets or group of assets may not be recoverable according to future cash flows. If the book values of assets are higher than their recoverable value, the net amount is adjusted and their useful lives are set at new levels.

b) Provisions for contingencies

The Company is party to labor, civil and tax proceedings that are at different legal courts. Provisions for contingencies, recognized for possible losses resulting from ongoing proceedings, are accrued and adjusted for inflation according to Management's assessment, which is based on the opinion of the Company's legal counselors and require a high level of judgment about the issues involved.

c) Allowance for inventory valuation

The allowance for inventory valuation is recognized when, based on Management's estimates, items are defined as discontinued, slow moving and when inventory items are recognized at a cost higher than their net realizable values.

d) Deferred income and social contribution taxes

Deferred tax assets and liabilities are based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. If the Company and its subsidiaries are unable to generate sufficient future taxable income, or if there is a significant change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, the Company and its subsidiaries could be required to reverse a significant part of deferred tax assets resulting in an increase in their effective tax rate.

e) Pension plan

The present value of pension plan obligations depends on a range of factors that are determined according to actuarial calculations based on a range of assumptions. The assumptions used to determine net cost (revenue) for pension plans is the discount rate. Any changes in these assumptions will affect the book values of pension plan obligations.

The appropriate discount rate is determined at year end. This is the interest rate that should be used to determine the present value of estimated future cash outflows, which are necessary to settle pension plan obligations. When determining the appropriate discount rate, Management considers the interest rates on high-quality corporate bonds, which are denominated in the currency in which benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities.
Other important assumptions for pension plan obligations are partly based on current market conditions. Additional information is disclosed in note 28.

4.2 Critical judgments in applying accounting policies

a) Receivables from Eletrobrás

The recognition of receivables from Eletrobrás is based on the opinion of the Company's legal counselors and is supported by the fact that a final decision has been rendered and the damages awarded by the court is currently being determined. The amount has already been calculated by the Federal Court in accordance with the conditions set by the judge for awarding the damages. Therefore, according to legal counselors, a final approval of the proposed amounts is virtually certain.

b) Receivables from other related parties linked to guarantees

Receivables of Refinadora Catarinense are recognized according to the value of the agreement entered into with the counterpart and the values of pledged guarantees. Receivables assigned as security have already been converted into bonds issued to cover court-ordered debt payments and are included in the Federal Government's budget. Refinadora Catarinense S/A has already made the payment in August 2011 and March 2013 of part of the assets on behalf of the Company corresponding respectively to the annual first and second installment payments of a total of 10 installment payments, according to contractual provisions.

c) Installment payment under Executive Act MP 470

The amount of the installment payment allowed by MP 470 is based on the principle that the Company will be granted its request according to the opinion of its legal counselors.

The Company has already filed a lawsuit to be granted the installment payment set forth by MP 470. According to the Company's legal counselor and two well-known law firms (Demarest Almeida and Souza Cescon) a favorable decision on the writ of mandamus filed by the Company is virtually certain.

d) ICMS tax benefits

The Company benefits from an ICMS (Value-Added Tax on Sales and Services) called PRODEC - Program for the Development of Companies in the State of Santa Catarina, as described in note 22(i). The Federal Supreme Court – STF has issued judicial review decisions annulling several state legislative acts which granted ICMC tax benefits without a prior agreement between states, as required by Brazilian constitution. Although the Company does not benefit from ICMS tax incentives judged by the STF, it has been monitoring, together with its legal counselors, the evolution of this issue in lower courts to determine the possible impacts of decisions on its operations and their effects on financial statements.

5 Financial risk management

5.1 Financial risk factors

The Company and its subsidiaries are exposed to several financial risks: market risk, credit risk and liquidity risk. The Company’s global management risk program focuses on the unpredictability of finance markets and aims to reduce possible adverse effects on the consolidated financial performance.
The Treasury and Finance Departments are in charge of risk management, according to the policies approved by the Board of Directors. The Treasury and Finance Departments identify, assess and protect the Company and its subsidiaries against possible financial risks in cooperation with their operating units. The Board of Directors lays down principles for global risk management and for specific areas, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investments of cash surpluses.

a) Market risk

i) Exchange rate risk

The Company acts internationally and is exposed to the exchange rate risk arising from exposure to certain currencies, basically the US dollar and the euro. Exchange rate risk results from future business transactions, assets and liabilities recognized in the Company's books of account and net investments in foreign transactions.

Amounts in thousand of Brazilian reais, except when otherwise indicated

We show below the asset and liability balances exposed to exchange rate variation:

	In Brazilian reais			
	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Trade receivables	24,254	18,183	24,254	18,183
Related party receivables	47,962	41,839	-	-
Impairment loss on investments	(47,649)	(41,496)	-	-
Trade payables, net of advances	(40,808)	(22,205)	(40,808)	(22,205)
Loans and financing	(17,551)	(48,006)	(17,551)	(48,006)
Commissions	(1,181)	(815)	(1,181)	(815)
Net exposed liabilities	(34,973)	(52,500)	(35,286)	(52,843)

		In foreign currency			
		Company		Consolidated	
		31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Trade receivables	euro	341	176	341	176
Trade payables, net of advances	euro	(2,050)	(1,305)	(2,050)	(1,305)
Loans and financing	euro	(88)	(265)	(88)	(265)
Commissions	euro	(61)	(23)	(61)	(23)
		(1,858)	(1,417)	(1,858)	(1,417)
Trade receivables	US dollar	8,082	6,907	8,082	6,907
Related party receivables	US dollar	20,474	20,474	-	-
Impairment loss on investments	US dollar	(20,340)	(20,306)	-	-
Trade payables, net of advances	US dollar	(14,596)	(9,145)	(14,596)	(9,145)
Loans and financing - FINIMP	US dollar	(1,166)	(16,143)	(1,166)	(16,143)
Loans and financing - other	US dollar	(6,205)	(7,000)	(6,205)	(7,000)
Commissions	US dollar	(420)	(372)	(420)	(372)
		(14,171)	(25,585)	(14,305)	(25,753)

The strategy followed by the Company to mitigate the exchange rate exposure of its assets and liabilities has been to keep the exchange rate exposure of its liabilities at amounts approximate to one year of exports. The exposure in this year was equivalent to six months.

ii) Cash flow or fair value risk associated with interest rates

Interest rate risk results from long-term loans and financing and is associated with loans issued at floating rates which expose the Company and its subsidiaries to interest rate and cash flow risk. Loans taken at fixed rates expose the entities to fair value risk associated with interest rates.

Considering different scenarios, the Company manages the cash flow risk associated with interest rates by entering into interest rate swap contracts, which bear floating interest rates and pay fixed-rate interest. Their economic effect is to convert loans held at floating rates to fixed rates. Fixed rates resulting from these swap transactions are lower than those available if the Company were to take out the loans directly at fixed rates. By conducting interest rate swap transactions the Company agrees with other parties to exchange, at set intervals, the difference between fixed contract rates and floating rate interest, calculated according to the notional amounts agreed by the parties.

Amounts in thousand of Brazilian reais, except when otherwise indicated

The Company and its subsidiaries continually monitor market interest rates to assess the possible need of entering into new contracts as a hedge against the fluctuation of these rates.

Financial investments are basically made in investment funds, as described in note 6.

b) Credit risk

The Company and its subsidiaries keep tight controls over the credit granted to their clients, and adjust limits whenever they detect a significant change in the level of perceived risk.

c) Liquidity risk

Liquidity risk is the risk of the Company and its subsidiaries not having sufficient liquidity to meet their financial obligations due to a mismatch between expected receipts and payments in terms of maturity and volume.

To manage cash liquidity in domestic and foreign currency, the Company and its subsidiaries make assumptions about future disbursements and receipts which are daily monitored by the Treasury and Finance Departments.

The table below analyzes the Company and consolidated non-derivative financial liabilities, according to maturity ranges corresponding to the remaining period from balance sheet date to maturity date. The amounts disclosed on the table consist of undiscounted cash flows.

	Company							
	December 31, 2013				December 31, 2012			
	Loans and financing	Finance lease	Trade payables	Taxes in installments	Loans and financing	Finance lease	Trade payables	Taxes in installments
Less than a year	90,277	1,007	152,521	17,674	74,667	917	120,541	22,029
Between one and two years	156,043	476	15,966	19,947	17,507	1,274	-	26,377
Between two and five years	46,996	-	-	29,922	72,356	209	-	28,251
Over five years	2,545	-	-	48,213	2,290	-	-	54,933
Total	295,861	1,483	168,487	115,756	166,820	2,400	120,541	131,590

	Consolidated							
	December 31, 2013				December 31, 2012			
	Loans and financing	Finance lease	Trade payables	Taxes in installments	Loans and financing	Finance lease	Trade payables	Taxes in installments
Less than a year	90,277	1,007	153,922	18,080	74,667	917	121,532	22,961
Between one and two years	156,043	737	15,966	20,055	17,500	1,274	-	26,809
Between two and five years	47,962	-	-	30,084	72,328	209	-	28,404
Over five years	2,545	-	-	48,477	3,240	-	-	55,233
Total	296,827	1,744	169,888	116,696	167,735	2,400	121,532	133,407

d) Sensitivity analysis

i) Sensitivity analysis of interest rate fluctuations

Gains from the Company's financial investments, as well as finance costs resulting from the Company's loans and financing agreements, are affected by changes in interest rates, such as TJLP (long-term interest rate) and CDI (interbank deposit certificate) rate.

On December 31, 2013 Management considered as probable scenario a CDI rate of 9.77% and a TJLP of 5.00%. The probable rate was then increased by 25% and 50%, being used as a parameter for possible and remote scenarios, respectively.

Amounts in thousand of Brazilian reais, except when otherwise indicated

The scenarios below were developed for a one-year period:

	Consolidated in Brazilian Reais							
	31-Dec-13	Risk	Probable		Possible (25%)		Remote (50%)	
Transaction			%	R$	%	R$	%	R$
Investments (101.70% of interbank deposit certif	50,681	Write-off of	9.77%	5,041	7.33%	3,780	4.89%	2,520
Total	50,681			5,041		3,780		2,520
Transaction								
Loans - working capital	(9,872)	Rise CDI	9.77%	(964)	12.21%	(1,206)	14.66%	(1,447)
Loans - Export credit note	(58,476)	Rise CDI	9.77%	(5,713)	12.21%	(7,141)	14.66%	(8,570)
Loans - 4131 swap trade	(50,354)	Rise CDI	9.77%	(4,920)	12.21%	(6,149)	14.66%	(7,379)
Loans - BNDES	(32,251)	Rise TJLP	5.00%	(1,613)	6.25%	(2,016)	7.50%	(2,419)
Total	(150,953)			(13,210)		(16,512)		(19,815)

ii) Sensitivity analysis of exchange rate fluctuations

The Company has assets and liabilities denominated in foreign currency as of December 31, 2013, and for sensitivity analysis purposes it adopted as probable scenario the future market interest in effect during the period that these financial statements were prepared. The probable rate was then increased by 25% and 50%, being used as a parameter for possible and remote scenarios, respectively.

Therefore, the table below simulates the effects of the exchange rate variation on future results:

	Consolidated in Brazilian Reais						
	31-Dec-13	Probable		Possible (25%)		Remote (50%)	
		Rate US$	Gain (Loss)	Rate US$	Gain (Loss)	Rate US$	Gain (Loss)
Trade receivables	24,254	2.3426	-	2.9283	6,064	3.5139	12,127
Trade payables, net of advances	(40,808)	2.3426	-	2.9283	(10,202)	3.5139	(20,404)
Loans and financing	(17,551)	2.3426	-	2.9283	(4,388)	3.5139	(8,776)
Commissions	(1,181)	2.3426	-	2.9283	(295)	3.5139	(591)
Net exposed liabilities	(35,286)	2.3426	-	2.9283	(8,821)	3.5139	(17,644)

5.2 Capital management

Management's policy is to maintain the capacity of the Company and its subsidiaries to create value for shareholders and other stakeholders, and to allow a better cash management. The purpose is to incur lower funding costs by combining equity and debt capital.

Capital is monitored according to the consolidated financial leverage index. This index consists of net debt divided by total capital. Net debt in turn consists of total loans and taxes in installments, less cash and cash equivalents, receivables from other related parties and securities. Total capital is the sum of the shareholders' equity disclosed in the consolidated balance sheet and net debt.

Amounts in thousand of Brazilian reais, except when otherwise indicated

Financial leverage indexes as of December 31, 2013 can be summarized as follows:

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Loans and financing	292,168	165,600	293,134	166,515
Taxes in installments	115,756	131,590	116,696	133,407
Less: Cash and cash equivalents	(55,389)	(56,576)	(57,677)	(58,870)
Other related party receivables	(94,540)	(100,398)	(94,540)	(100,398)
Net debt	257,995	140,216	257,613	140,654
Total equity	191,849	127,119	191,857	127,127
Total capital	449,844	267,335	449,470	267,781
Financial leverage ratio (%)	57	52	57	53

The Company has unused credit facilities in the amount of R$147,914 as of December 31, 2013. According to a Significant Fact disclosed to the market on July 2, 2013, the Company has a credit facility approved with the Banco do Nordeste do Brasil S/A in the amount of R$147,784, to be invested in the new manufacturing facilities in the city of Marechal Deodoro (state of Alagoas).

5.3 Financial instruments by category

The table below shows a classification of financial instruments by category on each of the presented dates:

	Company		Consolidated	
	31/dez/13	31/dez/12	31/dez/13	31/dez/12
Assets, loans and receivables				
Cash and cash equivalents	55.389	56.576	57.677	58.870
Trade receivables	158.522	137.626	163.801	142.678
Total	213.911	194.202	221.478	201.548
Liabilities, other financial liabilities				
Trade payables	152.441	120.122	153.842	121.113
Loans and financing	292.168	165.600	293.134	166.515
Taxes in installments	115.756	131.590	116.696	133.407
Total	560.365	417.312	563.672	421.035

6 Cash and cash equivalents

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	December 31, 2012
Checking account	6,410	3,155	6,979	3,655
Financial investments	48,979	53,421	50,698	55,215
Total	55,389	56,576	57,677	58,870

Financial investments designated as cash and cash equivalents are investment fund shares which bore average interest of 100.80 of CDI (interbank deposit certificate) rate in the exercise of 2013. The investment may be redeemed at any moment, with no penalties.

Amounts in thousand of Brazilian reais, except when otherwise indicated

7 Derivative financial instruments

Derivatives for trading are classified as current assets or liabilities. The total fair value of a hedging instrument is classified as non-current asset or liability if the remaining period to maturity of the hedged item is higher than twelve months, and as a current asset or liability if the remaining period to maturity of the hedged item is lower than twelve months.

In December 2012 the Company conducted a transaction according to the rules set by Law 4.131 (Trade Exportador) in the amount of R$50,000 which bears fixed rate of 9.8% per year, but with an interest rate (CDI) detailed in item (a) below, payment term of 60 months and grace period of 24 months. This transaction is classified in non-current liabilities as loans and financing. Repayments occur every six months starting in December 2014.

a) *Interest rate swaps*

The notional values of the interest rate swap contract in December 31, 2013 total R$50,000 at the CDI rate + 1.60% per year. Repayments occur every six months.

The actual value of the transaction was recognized in current liabilities in the amount of R$60 and the portion recognized in the statement of profit or loss as of December 31, 2013 totals a loss of R$161 (gain of R$39 as of December 31, 2012).

8 Trade receivables

	Company		Consolidated	
	31-Dec-13	December 31, 2012	December 31, 2013	31-Dec-12
Third-party receivables				
Local market	133,795	118,935	139,074	123,999
Foreign market	24,254	18,183	24,254	18,183
	158,049	137,118	163,328	142,182
Related party receivables:				
Management-related entities	1,045	1,417	1,045	1,417
	1,045	1,417	1,045	1,417
Impairment loss on trade receivables				
Allowance for impairment	(520)	(882)	(520)	(894)
Nominal value discounted to present value	(52)	(27)	(52)	(27)
	(572)	(909)	(572)	(921)
Total	158,522	137,626	163,801	142,678

The changes in the allowance for impairment loss on trade receivables are as follows:

	Company	Consolidated
As of December 31, 2012	882	894
Allowance for (reversal of) impairment loss on trade receivables	(362)	(375)
As of December 31, 2013	520	520

Management understands that the allowance for impairment is sufficient to cover probable losses on the settlement of trade receivables considering each client's situation and related pledged guarantees. Its amount represents the estimated risk that overdue receivables will not be realized according to the analysis of the responsible manager.

The recognition and reversal of the allowance for impairment loss on trade receivables are recorded in profit or loss as selling expenses.

Amounts in thousand of Brazilian reais, except when otherwise indicated

a) Breakdown of trade receivables by maturity with classification provided for *and* not provided for

	Company							
	31-Dec-13	Falling due invoices not provided for	Overdue invoices not provided for	Allowance for impairment	December 31, 2012	Falling due invoices not provided for	Overdue invoices not provided for	Allowance for impairment
Falling due	150,724	150,724	-	-	125,911	125,700	-	211
Overdue for up to 30 days	6,027	-	6,027	-	10,846	-	10,834	12
Overdue from 31 to 90 days	1,286	-	1,276	10	759	-	727	32
Overdue from 91 to 360 days	978	-	652	326	819	-	307	512
Overdue more than 360 days	79	-	(105)	184	200	-	85	115
Total	159,094	150,724	7,850	520	138,535	125,700	11,953	882

* The allowance for impairment is recognized considering the situation of each client and related securities offered by them.

	Consolidated							
	31-Dec-13	Falling due invoices not provided for	Overdue invoices not provided for	Allowance for impairment	December 31, 2012	Falling due invoices not provided for	Overdue invoices not provided for	Allowance for impairment
Falling due	155,936	155,936	-	-	130,850	130,639	-	211
Overdue for up to 30 days	6,047	-	6,047	-	10,918	-	10,906	12
Overdue from 31 to 90 days	1,319	-	1,309	10	760	-	728	32
Overdue from 91 to 360 days	992	-	666	326	871	-	347	524
Overdue more than 360 days	79	-	(105)	184	200	-	85	115
Total	164,373	155,936	7,917	520	143,599	130,639	12,066	894

*The allowance for impairment is recognized considering the situation of each client and related securities offered by them.

The Company's receivables secure some of the loans and financing, as described in note 22. Their amount is calculated according to a percentage of the debt's residual balance. As of December 31, 2013, total trade receivables pledged as security were R$57,065 (R$63,229 as of December 31, 2012).

9 Inventories

	Company		Consolidated	
	31-Dec-13	31-Dec-12	12/31/2013	31-Dec-12
Finished goods	135,728	96,460	135,909	96,636
Work in process	6,808	7,826	6,808	7,826
Raw materials and consumables	14,851	11,174	14,851	11,174
Allowance for inventory valuation at realizable amounts	(5,402)	(5,505)	(5,402)	(5,568)
Imports in progress	25,681	9,977	25,681	9,977
Total	177,666	119,932	177,847	120,045

10 Advances to suppliers

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Advances to suppliers	11,388	2,156	9,975	954
Local market	11,170	2,112	9,757	910
Foreign market	218	44	218	44
Total	11,388	2,156	9,975	954

Amounts in thousand of Brazilian reais, except when otherwise indicated

11 Recoverable taxes

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Current				
ICMS	5,006	530	5,006	540
IPI (a)	1,313	820	1,313	820
IRPJ/CSLL	10,522	-	10,978	459
Other	440	100	586	245
Total	17,281	1,450	17,883	2,064
Non-current				
ICMS on property, plant and equipment	3,400	1,682	3,400	1,682
PIS/COFINS on property, plant and equipment	484	-	484	-
Total	3,884	1,682	3,884	1,682

The reduction in the IPI rates levied on products produced and marketed by Portobello S.A. originally allowed by Decree 7.032 of December 14, 2009, was kept until December 31, 2013 according to Decree 7.796 of August 30, 2012, and was revoked by Federal Decree 7.879 of December 27, 2012, which sets a zero IPI (Excise Tax) rate for the industry for an indeterminate term.

This measure originates credits that will be quarterly used to offset federal taxes.

12 Receivables from other related parties

Between 2011 and 2013 the Company acquired from related party Refinadora Catarinense S.A. ("Refinery") tax credits against the Brazilian Treasury arising from a writ of mandamus whereby the plaintiff claimed the right for reimbursement of the IPI premium credit. The Company used these credits to settle federal taxes. As provided for in the agreement between the parties, if these credits are not validated by the Brazilian Treasury, the "Refinery" should reimburse the Company.

The Federal Supreme Court issued a decision in mid 2009 putting an end to this incentive on October 4, 1990, therefore making any claims for the utilization of this credit impossible to be pursued. Accordingly, the Company joined the tax installment payment scheme established by Law 11.941/09, including the debt resulting from the utilization of the credit acquired from the "Refinery".

The “Refinery” had already entered into an agreement with the Company guaranteeing the reimbursement of the utilized amounts. The guarantee consisted of credits also originated from the IPI premium credit tax benefit referring to a computation period prior to October 4, 1990. The demand for the recognition of the tax credit is being handled at the Federal Court of the Federal District, which issued a final and non-appealable decision on the calculation of the award that is favorable to the Refinery.

When the Company joined the tax installment payment scheme established by Law 11.941/09, the Company and the “Refinery” entered into an agreement confirming that these credits would be pledged as security and would be sufficient to settle all tax debts payable in installments. As of December 31, 2013 these credits, which also originate from lawsuit 87.00.00967-9, total R$94,540 (R$100,398 as of December 31, 2012) and are adjusted for inflation using the SELIC (Central Bank overnight rate), according to the agreement.

The credits pledged as security have already been transformed into bonds issued to cover court-ordered debt payments. In August 2011 the Company received R$8,505 consisting of the first annual installment payment out of ten installment payments to be paid as per the agreement. The Company received the second installment, in the amount of R$9,824, in March 2013. The third installment was deposited in escrow and Refinadora postulating this survey.

Amounts in thousand of Brazilian reais, except when otherwise indicated

Refinadora Catarinense S/A used to be the parent company in the past and currently has shareholders in common. It remains liable for the fulfillment of the obligation.

13 Court deposits

The Company and its subsidiaries are parties to tax, civil and labor legal proceedings (see note **Erro! Fonte de referência não encontrada.**) and are discussing these issues at administrative and judicial levels. When applicable, court deposits have been made to support proceedings. They are recognized at the original amount adjusted for inflation using the benchmark savings-account rate (TR) + 0.5%.

Court deposits are presented in accordance with the nature of the related cases:

	Company		Consolidated	
	31-Dec-13	12/31/2012	31-Dec-13	12/31/2012
Civil	16,030	43	16,030	43
Labor	2,657	6,450	2,657	6,487
Tax	2,034	1,964	2,034	1,964
Total	20,721	8,457	20,721	8,494

The Company, due to a untimely and unilateral decision by supplier SC Gás to suspend the discount granted on the monthly price of the gas bought by the Company, a benefit called loyalty program, filed a demand in court for the maintenance of that benefit and obtained an injunction to make the deposit of the discount amount in court. For that reason the balance of the civil court deposit shows approximately R$16 million reclassified as of December 31, 2013. This amount makes up not only that caption but also trade payables in non-current liabilities according to note 21.b. In the third quarter of 2013 the amount of R$5,559 accrued for judicial labor proceedings was written off due to the settlement of the labor claim (note 21.a). Neither of the cases had an impact on the Company's results, because they had already been recognized in the financial statements of the Company.

14 Receivables from Eletrobrás

The Company filed a lawsuit against Centrais Elétricas Brasileira S/A - Eletrobrás to be reimbursed of the compulsory loan paid on electricity bills between 1977 and 1993, according to Law 4.156/62.

On December 16, 2005 the Company got a favorable decision and in February 2006 filed a demand for enforcement. On that occasion Eletrobrás and the Federal Government filed a challenge recognizing as undisputed an amount of R$6,286 (amounts on March 1, 2008) consisting of a (i) bank deposit of R$4,964 on April 1, 2008 and a (ii) transfer of 61,209 class B registered preferred shares of Eletrobrás which were sold on August 13, 2008 for R$1,597.

The Federal Court ordered its award calculation department to determine the remaining amount due to the Company. The award calculation department calculated the amount of R$12,064 on February 1, 2006. The Company recognized the amount calculated by the judicial expert and keeps these amounts adjusted for inflation using the National Consumer Price Index (INPC) plus 12% p.a. On September 30, 2010, the remaining balance was R$15,613 before the inflation adjustment.

The calculation was reviewed and the Federal Court's award calculation department produced new amounts and net damages of R$24,749. In September 2010, the Company recognized the difference between the amounts previously calculated and the current amount calculated by the Justice Court's award calculation department totaling R$9,136 which was recorded under the caption "Other operating revenues". As of December 31, 2013 the current asset totals R$43,555 (R$36,819 as of December 31, 2012).

Amounts in thousand of Brazilian reais, except when otherwise indicated

15 Income and social contribution taxes

a) Income and social contribution taxes

The Company adopts the annual taxable income regime, whereby over the year estimated payments are recognized in current liabilities as contra accounts to income and social contribution taxes payable. This manner of accounting for taxes was adopted in 2012 and in 2011 estimate payments were recognized in current assets.

Recoverable and payable income and social contribution taxes can be broken down as follows:

	Current assets				Current liabilities			
	Company		Consolidated		Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Income tax	7,156	-	7,565	413	-	(2,564)	(339)	(3,045)
Social contribution tax	3,366	-	3,413	46	-	(924)	(122)	(1,097)
Total	10,522	-	10,978	459	-	(3,488)	(461)	(4,142)

b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The rates of these taxes, currently set for determining these deferred taxes, are 25% for income tax and 9% for social contribution tax.

Deferred tax assets are recognized for temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized according to future income projections made and grounded in internal assumptions and future economic scenarios which may therefore change.

Amounts in thousand of Brazilian reais, except when otherwise indicated

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

	Company and Consolidated	
	31-Dec-13	31-Dec-12
Deferred income and social contribution tax assets	12,198	24,867
Social contribution tax loss	160	-
Temporary asset differences	12,038	24,867
Portobello pension plan	(2,381)	(246)
Allowance for market-value adjustment	1,553	2,377
Provision for contingencies	6,966	6,126
Provision for PIS and COFINS with reduced ICMS tax basi	-	11,171
Allowance for impairment in respect of trade receivables	177	300
Profit sharing allowance	2,030	1,775
Provision for long-term incentive	1,995	740
Other asset temporary differences	1,698	2,624
Deferred income and social contribution tax liabilities	(41,352)	(41,176)
Temporary liability differences	(41,352)	(41,176)
Realization of revaluation reserve	(17,396)	(17,933)
Receivables from Eletrobrás	(14,809)	(12,518)
Asset contingency - IPI premium credit - phase II	(4,725)	(4,376)
Present-value adjustment - Prodec	(1,686)	(1,231)
Present-value adjustment of trade payables	(27)	(142)
Depreciation adjustment (according to the useful lives of as	(4,464)	(4,639)
Exchange rate variations on a cash basis	1,755	(337)
Deferred income and social contribution taxes - net	(29,154)	(16,309)

Net changes in deferred income and social contribution taxes as of December 31, 2013 are as follows:

	Company and Consolidated
As of December 31, 2012	(16,309)
Social contribution tax loss	160
Temporary asset differences	(12,830)
Temporary liability differences	(712)
Revaluation reserve	537
As of December 31, 2013	(29,154)

Amounts in thousand of Brazilian reais, except when otherwise indicated

Changes in deferred income and social contribution tax assets and liabilities during the period, without considering the offset of balances, are as follows:

	Company and Consolidated	
	Accrued	
	31-Dec-13	31-Dec-12
	Charged (credited) to profit or loss	
Deferred tax asset		
Tax losses	-	(6,477)
Social contribution tax loss	160	-
Portobello pension plan	(2,135)	(1)
Allowance for market-value adjustment	(824)	(622)
Provision for contingencies	840	680
Provision for PIS and COFINS with reduced ICMS tax basis	(11,171)	3,015
Allowance for impairment in respect of trade receivables	(123)	(628)
Profit sharing allowance	255	1,775
Provision for long-term incentive	1,255	740
Other asset temporary differences	(926)	1,108
Total	(12,669)	(410)
Realization of revaluation reserve	537	537
Receivables from Eletrobrás	(2,291)	(1,958)
Asset contingency - IPI premium credit - phase II	(349)	(357)
Present-value adjustment - Prodec	(455)	221
Present-value adjustment of trade payables	115	67
Depreciation adjustment (according to the useful lives of assets)	175	139
Exchange rate variations on a cash basis	2,092	1,145
Total	(176)	(206)
	(12,845)	(616)

The Company does not have deferred income and social contribution tax credits resulting from unrecognized tax losses. In 2013 the Company used its social contribution tax losses to settle part of its taxes in installments in the amount of R$896, as detailed in note 23b). The difference between the variation in the deferred tax balances in the balance sheet for the year and the amounts accounted for as deferred taxes in the statement of profit or loss refers to the payment.

c) Income and social contribution taxes in profit or loss

Income and social contribution tax expenses are as follows:

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Current tax				
Current tax on the year's profit	(8,855)	(23,091)	(16,591)	(29,408)
Total current tax	(8,855)	(23,091)	(16,591)	(29,408)
Deferred tax				
Asset (liability) temporary differences	(11,947)	(616)	(11,947)	(616)
Total deferred taxes	(11,947)	(616)	(11,947)	(616)
Income and social contribution tax expense	(20,802)	(23,707)	(28,538)	(30,024)

Amounts in thousand of Brazilian reais, except when otherwise indicated

	Company		Consolidated	
	December 31, 2013	31/dez/12	December 31, 2013	December 31, 2012
Profit before tax	111.298	89.371	119.124	95.172
Tax calculated according to local tax rates	(37.843)	(30.386)	(41.512)	(32.358)
Equity in subsidiaries	4.528	3.531	-	-
Non-tax deductible expenses	3.786	831	3.753	583
Depreciation of revalued assets	(537)	(537)	(537)	(537)
Tax credits on tax losses and temporary differences	21.211	3.470	21.705	2.904
Deferred income and social contribution taxes	(11.947)	(616)	(11.947)	(616)
Tax burden	(20.802)	(23.707)	(28.538)	(30.024)
Efective rate	18,7%	26,5%	23,9%	31,5%

16 Tax assets

The Company has filed a demand for the recognition of tax benefits called IPI premium credits in different computation periods. A decision favorable to the Company has already been rendered on lawsuit number 1987.0000.645-9 referring to the period from April 1, 1981 to April 30, 1985 and the amount of damages to be paid has already been calculated by the Federal Court's award calculation department. The Company expects to realize this asset in the medium term. Therefore, in November 2009 the Company recognized an unchallenged amount which adjusted for inflation totals R$13,896 as of December 31, 2013 (R$12,872 as of December 31, 2012).

17 Contingent assets

Contingent assets consist of lawsuits number 1998.34.00.029022-4 and 1984.00.020114-0, which also address the recognition of tax benefits called IPI premium credits. The awards granted to the Company under these proceedings are being calculated. However, the amounts due by the Federal Government have not yet been calculated by the Federal Court and may not and have not yet been recognized as assets. However, the Company asked for the lawyers to calculate the damages payable and they have estimated credits net of accruals adjusted for inflation through December 2009 in the respective amounts of R$54,605 and R$1,848, respectively.

18 Investments

a) Equity-accounted subsidiaries

The Company controls four companies and investments are recognized inn permanent assets under the caption "Equity-accounted subsidiaries" and in liabilities as "Impairment loss on investments".

	Equity	Profit (loss)	Ownership percentage	31-Dec-12	Exchange rate variations	Equity in subsidiaries	Discretionary dividends	31-Dec-13
Investment valuation allowance								
Portobello América Inc.	(47,649)	(75)	100%	(41,496)	(6,078)	(75)	-	(47,649)
PBTech Ltda.	(6,738)	(1,810)	99.94%	(4,927)	-	(1,809)	-	(6,736)
Mineração Portobello Ltda.	(844)	62	99.76%	(907)	-	61	-	(846)
				(47,330)	(6,078)	(1,823)	-	(55,231)
Investments - equity in subsidiaries								
Portobello Shop S.A.	480	15,149	99.90%	480	-	15,134	(15,134)	480
				480	-	15,134	(15,134)	480
Total investment in subsidiaries				(46,850)	(6,078)	13,311	(15,134)	(54,751)

Amounts in thousand of Brazilian reais, except when otherwise indicated

As of December 31, 2013 the Company has the impairment loss on investments in subsidiary Portobello América Inc in non-current liabilities, as intended by Management to capitalize that subsidiary's debt. Subsidiaries are closed companies. The parent company's equity in their assets, liabilities and profit is as follows:

	País de constituição	Ownership percentage	Assets	Liabilities	Revenue	Profit (loss)
As of December 31, 2012						
Portobello América Inc.	United States	100.00%	355	41,851	425	527
PBTech Ltda.	Brazil	99.94%	1,498	6,426	1,115	(1,363)
Portobello Shop S/A	Brazil	99.90%	8,813	8,333	51,530	11,073
Mineração Portobello Ltda.	Brazil	99.76%	457	1,363	2,168	149
As of 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

19 Property, plant and equipment

a) Breakdown

		Company				Consolidated	
		December 31, 2013			31-Dec-12	31-Dec-13	31-Dec-12
	Annual average depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount	Net amount	Net amount
Land		12,141	-	12,141	11,111	12,518	11,488
Buildings, construction works and impro	3%	118,934	(18,973)	99,961	82,836	100,075	82,985
Machinery and equipment	15%	363,102	(223,693)	139,409	78,986	139,409	78,986
Furniture and fixtures	10%	8,525	(7,565)	960	951	1,045	1,061
Computers	20%	14,061	(12,359)	1,702	1,616	1,747	1,668
Other property, plant and equipment	20%	219	(204)	15	30	540	89
Construction in progress (a)		10,236	-	10,236	10,311	10,238	10,779
Total		527,218	(262,794)	264,424	185,841	265,572	187,056

(a) The balance of construction in progress basically consists of projects for expanding and optimizing the Company's industrial facility.

In 2010, when the Company first adopted international standards CPC 37 and IFRS 1, as well as CPC 43 and ICPC 10, the Company chose to consider the revaluation of property, plant and equipment made in 2006 as attributable cost because it understood that the revaluation was basically the fair value on the date of transition (see note30g).

According to Technical Pronouncement ICPC 10 of the Committee of Accounting Pronouncements, approved by Resolution 619/09 issued by the Brazilian Securities and Exchange Commission (CVM), the Company reviewed and changed the useful economic lives of its property, plant and equipment items in 2008, following a technical report issued by the Company's engineers. The same rates have been maintained from 2009 to date.

Amounts in thousand of Brazilian reais, except when otherwise indicated

b) Changes in property, plant and equipment

	Company									
	31-Dec-11	Additions	Transfers	Depreciation	Write-offs	31-Dec-12	Additions	Transfers	Depreciation	December 31, 2013
Land	11,111	-	-	-	-	11,111	1,030	-	-	12,141
Buildings and improvements	80,366	-	5,291	(2,821)	-	82,836	-	20,307	(3,182)	99,961
Machinery and equipment	70,314	846	19,669	(11,843)	-	78,986	939	72,250	(12,766)	139,409
Furniture and fixtures	1,026	121	18	(214)	-	951	229	-	(220)	960
Computers	1,389	668	-	(441)	-	1,616	611	-	(525)	1,702
Other property, plant and equip	48	-	-	(18)	-	30	-	-	(15)	15
Construction in progress	13,058	22,560	(24,978)	-	(329)	10,311	92,482	(92,557)	-	10,236
	177,312	24,195	-	(15,337)	(329)	185,841	95,291	-	(16,708)	264,424

	Consolidated									
	31-Dec-11	Additions	Transfers	Depreciation	Baixas	31-Dec-12	Additions	Transfers	Depreciation	December 31, 2013
Land	11,488	-	-	-	-	11,488	1,030	-	-	12,518
Buildings and improvements	80,523	-	5,291	(2,829)	-	82,985	-	20,307	(3,217)	100,075
Machinery and equipment	70,314	846	19,669	(11,843)	-	78,986	939	72,250	(12,766)	139,409
Furniture and fixtures	1,156	129	18	(242)	-	1,061	231	-	(247)	1,045
Computers	1,406	709	-	(447)	-	1,668	617	-	(538)	1,747
Other property, plant and equip	107	-	-	(18)	-	89	-	466	(15)	540
Construction in progress	13,058	23,450	(24,978)	-	(751)	10,779	92,482	(93,023)	-	10,238
	178,052	25,134	-	(15,379)	(751)	187,056	95,299	-	(16,783)	265,572

Depreciation was recorded as cost of goods sold, selling and administrative expenses, as follows:

	Company		Consolidated	
	Accrued			
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Cost of goods sold	14,987	13,898	14,987	13,898
Selling expenses	1,167	950	1,220	988
Administrative expenses	554	489	576	493
Total	16,708	15,337	16,783	15,379

20 Intangible assets

a) Breakdown

		Company				Consolidated	
		31-Dec-13			31-Dec-12	31-Dec-13	31-Dec-12
	Annual average amortization rate	Cost	Accumulated amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,150)	208	311	208	311
Mine exploration right	20%	1,000	(750)	250	450	746	457
Trademarks and patents		150	-	150	150	150	152
Goodwill		-	-	-	-	190	190
Management system (a)	21%	18,887	(1,437)	17,450	14,209	17,450	14,209
Total		32,395	(14,337)	18,058	15,120	18,744	15,319

Amounts in thousand of Brazilian reais, except when otherwise indicated

(a) Expenses on the acquisition and implementation business management systems, basically consisting of Oracle, WMS and Demantra systems and *Inventory Optimization*, and the developments made in the value chain management process.

b) Changes in intangible assets

	Company						
	31-Dec-11	Additions	Amortization	31-Dec-12	Additions	Amortization	31-Dec-13
Software	451	-	(140)	311	-	(103)	208
Mine exploration right	650	-	(200)	450	-	(200)	250
Trademarks and patents	150	-	-	150	-	-	150
Management system	3,407	10,814	(12)	14,209	4,666	(1,425)	17,450
	4,658	10,814	(352)	15,120	4,666	(1,728)	18,058

	Consolidated								
	31-Dec-11	Additions	Amortization	Write-offs	31-Dec-12	Additions	Amortization	Write-offs	12/31/2013
Software	451	-	(140)	-	311	-	(103)	-	208
Mine exploration right	659	-	(202)	-	457	511	(222)	-	746
Trademarks and patents	152	-	-	-	152	-	-	(2)	150
Goodwill	80	210	-	(100)	190	-	-	-	190
Management system	3,407	10,814	(12)	-	14,209	4,666	(1,425)	-	17,450
	4,749	11,024	(354)	(100)	15,319	5,177	(1,750)	(2)	18,744

Amortization amounts were recorded as cost of goods sold, selling and administrative expenses, as follows:

	Company		Consolidated	
	Accumulated			
	31-Dec-13	31-Dec-12	12/31/2013	12/31/2012
Cost of goods sold	420	241	440	243
Selling expenses	781	14	781	14
Administrative expenses	527	97	529	97
Total	1,728	352	1,750	354

c) Plan for amortizing the consolidated intangible assets:

	Software	Mine exploration right	Management system (a)	Total
2014	71	302	3,678	4,051
2015	48	152	3,678	3,878
2016	40	102	3,678	3,820
2017	40	102	3,678	3,820
2018	9	88	2,738	2,835
Total	208	746	17,450	18,404

(a) Amortization plan according to the estimated completion of acquisitions and implementations.

Trademarks and patents and goodwill totaling R$340 are not amortized due to their indefinite useful lives.

Amounts in thousand of Brazilian reais, except when otherwise indicated

21 Trade payables

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Current liabilities				
Trade payables				
Local market (a)	111,606	98,292	113,007	99,283
Foreign market	40,915	22,249	40,915	22,249
Discount of nominal value to present value	(80)	(419)	(80)	(419)
	152,441	120,122	153,842	121,113
Non-current liabilities				
Trade payables				
Local market (b)	15,966	-	15,966	-
	15,966	-	15,966	-
Total	168,407	120,122	169,808	121,113

(a)/(b) Variation explained in note 13.

Amounts in thousand of Brazilian reais, except when otherwise indicated

22 Loans and financing

	Maturities	Charges	Company		Consolidated	
			31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Current liabilities						
Foreign currency						
"Suppliers credit"		EV+6.20% p.a.¹	1,547	5,877	1,547	5,877
Prepayment and ACC (a)		EV + 4.25% p.a.¹	1,481	2,640	1,481	2,640
FINIMP (b)		EV + 1.94% p.a.¹	2,730	36,814	2,730	36,814
Total in foreign currency		EV + 3.68% p.a.	5,758	45,331	5,758	45,331
Local currency						
Exim Pré-embarque TJ 462 (c)		8.00% p.a.	20,335	502	20,335	502
FINEP (d)		6.25% p.a.	5,204	2,966	5,204	2,966
Export credit note (e)		10.81% p.a.¹	20,584	12,602	20,584	12,602
Law 4.131 (f) - (note 7)		9.80% p.a + CDI	7,497	354	7,497	354
Finance lease (g)		9.72% p.a.¹	1,007	917	1,007	917
BNDES - Progeren (h)		8.47% p.a.¹	15,168	-	15,168	-
PRODEC (i)		4.00% p.a. + UFIR	5,632	1,955	5,632	1,955
FINAME (j)		3.00% p.a.	11	-	11	-
Working capital (k)		11.33% p.a.¹	9,872	10,957	9,872	10,957
Total in local currency		8.95% p.a.	85,310	30,253	85,310	30,253
Total current liabilities			91,068	75,584	91,068	75,584
Non-current liabilities						
Foreign currency						
"Suppliers credit"	Oct/2016	EV + 6.20% p.a.¹	1,544	2,675	1,544	2,675
Prepayment (a)	May/2018	EV + 4.25% p.a.¹	10,249	-	10,249	-
Total in foreign currency		EV + 4.51% p.a.	11,793	2,675	11,793	2,675
Local currency						
Exim Pré-embarque TJ 462 (c)	Sept/2015	8.00% p.a.	30,000	-	30,000	-
FINAME /POC						
FINEP (d)	Sept/2018	6.25% p.a.	19,318	13,926	19,318	13,926
Export credit note (e)	Dec/2017	10.81% p.a.¹	48,000	-	48,000	-
Law 4.131 (f) - (note 7)	Dec/2017	9.80% p.a. + CDI	42,857	50,000	42,857	50,000
Finance lease (g)	May/2015	9.72% p.a.¹	476	1,483	476	1,483
BNDES - Progeren (h)	Mar/2016	8.47% p.a.¹	17,083	-	17,083	
PRODEC (i)	Mar/2016	4.00% p.a. + UFIR	26,128	21,932	26,128	21,932
FINAME (j)	Sept/2015	3.00% p.a.	5,445	-	5,445	-
Working capital			-	-	966	915
Total in local currency		8.29% p.a.	189,307	87,341	190,273	88,256
Total non-current liabiliities			201,100	90,016	202,066	90,931
Total			292,168	165,600	293,134	166,515

¹ Average rate
UFIR - Reference Fiscal Unit
ACC - Advance on Exchange Contracts

a) Prepayment and advance on exchange contracts – The Company entered into prepayment contracts in the amount of US$10,431 in 2010 and 2011. The contracts have terms of up to 30 months and are secured by receivables from Portobello Shop S.A. and Portobello S.A. In June 2013 the Company entered into one more prepayment agreement in the amount of US$5,000, whose principal matures in 16 installments and interest in 20 quarterly installments, with the first installment due on September 20, 2013. A security agreement was entered into to collateralize this contract.

b) FINIMP (set of special credit facilities for the import of capital goods, machinery, equipment and services) – From November 2012 to September 2013, the Company entered into many FINIMP agreements, in the amount of R$33 million, with average terms of 180 days. Payments are made at the end of the agreements. These agreements do not have covenants and are secured by receivables of

Portobello S.A. in the amount of R$6 million at the average rate of 17.42% of the agreement's debt balance.

c) Exim Pré-Embarque – In August 2013, the Company entered into three agreements, in the amount of R$30 million, which are payable in 12 monthly installments, and the first is due in September 2014. This agreement is secured by receivables of Portobello S.A. in the amount of 20% on the agreement's debt balance. And in September 2013 the Company entered into an agreement, in the amount of R$20 million, which is payable in 18 monthly installments. The first installment is due in April 2014. 100% of a security agreement and a mortgage on Portobello S.A. real estate secure this agreement.

d) FINEP - Funds for Studies and Projects - In May 2010 the Company entered into a financing agreement with FINEP in the amount of up to R$30 million, which bears yearly interest of 5%, matures in 80 months and has a grace period of 20 months. The first installment of R$13 million was fully released on September 2, 2010. In December 2012, the second installment was released in the amount of R$5,572. This agreement required the presentation of a letter of guarantee at the annual cost of 1.25%.

e) NCE – Export Credit Note – In January 2013, the Company entered into an export credit note agreement in the amount of R$20 million which mature in seven half-yearly installments, with the first due on January 5, 2015. This agreement is secured by receivables of Portobello S.A. in the amount of 50% on the agreement's debt balance. In February 2013 the Company entered into a NCE agreement in the amount of R$10 million. Principal matures on February 10, 2016. This agreement has no covenants and the transaction is clean with respect to guarantees. In April 2013, the Company entered into a NCE agreement in the amount of R$30 million, which will fall due every six months on April 22, 2014, October 17, 2014, April 15, 2015, October 13, 2015 and April 8, 2016). This agreement is secured by receivables of Portobello S.A. in the amount of 20% on the agreement's debt balance. And in June 2013 the Company entered into an NCE agreement, in the amount of R$10 million, which are payable in 11 monthly installments. The first installment is due on August 7, 2013. This agreement is secured by receivables of Portobello S.A. in the amount of 20% on the agreement's debt balance.

f) Law 4.131 Trade Exportador with interest rate (CDI) swap contract – In December 2012 the Company entered into an agreement in the amount of R$50 million payable in 60 months and with a grace period of 24 months. Repayments occur every six months (note 7) and receivables of Portobello S.A. were pledged as collateral in the amount of 50% of the debt balance.

g) Finance lease – In May 2012, the Company entered into a lease agreement with SG Equipment Finance S.A. in the amount of R$5 million which falls due within 36 months. In July 2012 the Company entered into a lease agreement with Hewlett Packard HP in the amount of R$450 payable in 36 months. The financed goods were pledged as security for both agreements.

h) BNDES (Progeren) - In January 2013, the Company entered into an agreement with BNDES (Progeren) - National Bank for Economic and Social Development in the amount of R$20 million with a grace period of one year and payable in 24 monthly and successive installments. This agreement has no covenants and no guarantees. In March 2013, the Company entered into another agreement with BNDES (Progeren) in the amount of R$10 million also with a grace period of one year and payable in 24 monthly and successive installments. This agreement has no covenants but is secured by receivables of Portobello S.A. in the amount of 40% on the agreement's debt balance.

i) PRODEC - Program for the Development of Companies in the State of Santa Catarina - In July 2009 the Company was granted a Special Regime by the state of Santa Catarina. The balance is subject to the present value adjustment. The rate used to calculate the present value adjustment is the average working capital, 11.08% per year.

- The deferred amount of 60% of the tax balance generated in the month which exceeds R$761 (average of the tax paid in 2007 and 2008), with grace period of 48 months, term of 120 months end annual monetary adjustment of 4% and UFIR variation.

Amounts in thousand of Brazilian reais, except when otherwise indicated

j) **FINAME** – From May 2013 to September 2013, the Company entered into an industrial credit facility in the amount of R$5,445 which is payable in 96 monthly installments and has a grace period of 24 months. The financed equipment secures this agreement.

k) **Bank Credit Note** – In June 2013, the Company entered into a working capital agreement in the amount of R$18 million which is payable in 11 monthly installments, the first in August 2013. This agreement is secured by receivables of Portobello S.A. in the amount of 20% on the agreement's debt balance.

Loan and financing transactions with balances as of December 31, 2013 do not have covenants.

The other loans taken out by the Company were mainly secured by real estate mortgages, equipment, receivables of the Parent Company (note 8) and the subsidiary (note 42), endorsements of controlling shareholders and the subsidiary. Moreover, inventories of finished goods in the amount of R$30,122 were pledged as collateral.

Long-term loans have the following payment schedule:

	Company		Consolidated	
Maturities as of January 1	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
2014	-	18,055	-	18,055
2015	96,818	25,580	96,818	25,580
2016	55,933	26,963	55,933	26,963
2017	39,155	17,217	39,155	17,217
2018	6,032	2,201	6,998	3,116
From 2019 to 2023	3,162	-	3,162	-
Total	201,100	90,016	202,066	90,931

The book values and fair values of loans are presented in the following currencies:

	Company		Consolidado	
	12/31/2013	31-Dec-12	12/31/2013	31-Dec-12
Reais	274,617	117,594	275,583	118,509
Euros	285	714	285	714
US dollars	17,266	47,292	17,266	47,292
Total	292,168	165,600	293,134	166,515

The fair values of current loans do not differ significantly from their book values, given that the impact of the discount is not material. Fair values are based on discounted cash flows according to a loan rate of 8.24% (6.26% as of December 31, 2012).

Amounts in thousand of Brazilian reais, except when otherwise indicated

Finance lease obligations are described below:

	Company and Consolidated	
	12/31/2013	31-Dec-12
Gross finance lease obligations - minimum payments		
Less than a year	1,101	1,107
More than a year and less than five years	492	1,592
Total	1,593	2,699
Fure finance charges on finance leases	(110)	(299)
Present value of finance lease obligations	1,483	2,400
Present value of finance lease obligations is as follows:		
Less than a year	1,007	917
More than a year and less than five years	476	1,483
Total	1,483	2,400

23 Taxes in installments

	Tax liabilities	Installment payment request			
		Date	Falling due installments	31-Dec-13	31-Dec-12
Portobello S.A.	INSS	Dec/09	11	3,193	6,302
	IPI	Dec/09	11	2,169	4,281
	PIS	Mar/09	2	27	178
	COFINS	Mar/09	2	124	820
	IRPJ	Mar/09	2	196	1,301
	CSLL	Mar/09	2	73	484
	LAW 11.941/09 (a)	Nov/09	130	109,974	118,224
Total Company				115,756	131,590
Current portion				17,674	22,029
Non-current portion				98,082	109,561
Portobello Shop S.A.	INSS	Nov/09	10	245	507
	COFINS	Mar/09	2	9	61
	IRPJ	Mar/09	2	71	472
	CSLL	Mar/09	2	27	171
	LAW 11.941/09 (a)	Nov/09	130	588	606
Total Company				940	1,817
Total Consolidated				116,696	133,407
Current portion				18,080	22,961
Non-current portion				98,616	110,446

Amounts in thousand of Brazilian reais, except when otherwise indicated

The schedule for installment payments is as follows:

	Company		Consolidated	
Maturity	31-Dec-13	31-Dec-12	31-Dec-13	12/31/2012
2013	-	22,031	-	22,962
2014	17,674	16,958	18,080	17,341
om 2015 to 2023 (	89,765	84,753	90,251	85,214
2024	8,317	7,848	8,365	7,890
Total	115,756	131,590	116,696	133,407

(*) In December 2013 and December 2012, respectively, annual grouped installments will be R$9,974 and R$9,417 (Company) and R$10,028 and R$9,468 (Consolidated).

a) Law 11.941/09 (REFIS - Tax Debt Refinancing Program)

In May and June 2011 the Company completed the consolidation of the installment payment established by Law 11.941/09, which started with the Company's joining the Tax Debt Refinancing Program in November 2009.

Between the time the Company joined the program and the time it made the consolidation it paid the minimum amount of R$395, as established by the law. During this period and more precisely on consolidation, the Company made decisions which led to a positive economic adjustment of R$3,013 of which R$3,613 as an impact on other operating revenues and R$600 as finance cost. The main impact was due to the lack of confirmation of the migration of the debts not approved for installment payment under MP 470 to the installment payment established by Law 11.941/09 (see note 24).

Once the consolidation is completed, the Company commits itself to paying monthly installments of R$1,272 with no more than three months of delay, waiving any legal proceedings and any claims that are discussed in these proceedings, otherwise the installment payment is immediately terminated and the Company loses the benefits established by Law 11.941/09. These waivers of lawsuits against tax deficiency assessments do not affect ongoing legal proceedings referred to in note 16.

b) Law 12.865/2013 (MP 615/2013) – installment payment of Federal Tax Debts (REFIS)

On October 9, 2013 Law 12.865/2013 was enacted as a conversion of MP 615/2013) which among other provisions, introduced new forms of payment or installment payment of federal tax debts and the reopening of the period for joining the so-called REFIS of the Crisis, established by Law 11.941/2009 and the program established by Law 12.249/2010.

Management joined this program for the installment payment of tax debts, and on November 25, 2013 the Company's Board of Directors discussed and approved the Company's joining the installment payment established by Law 12.865/13 about the tax debts resulting from the deduction of the ICMS (Value-Added Tax on Sales and Services) from the calculation base of PIS (Contribution for Social Integration Program) and COFINS (Tax for Social Security Financing) (note 26). The Company will make the payment in cash to enjoy the benefit of a full reduction in fine and interest. The proposed adhesion was reviewed and recommended by legal opinion.

The amount of provision is R$36,236 on November 30, 2013 (date of accession to the installment), and R$29,801 was settled, reflecting the result was a revenue of R$6 was recognized in the statement of profit or loss of which R$6,228 was recorded as a monetary adjustment of contingencies in finance income (costs) (note 35).

Amounts in thousand of Brazilian reais, except when otherwise indicated

24 Tax debts Law 12.249/10 (MP 470 and MP 472)

In November 2009 the Company joined the installment payment program established by MP 470 (undue utilization of IPI premium credit) with the Federal Revenue Service and the Brazilian Treasury. In addition to the installment payment the law establishes a reduction in charges and the Company may use tax credits arising from tax losses incurred until 2008 to pay the debts.

When this MP (Executive Act) was converted into Law 12.249/10 in June 2010 the utilization of tax credits resulting from tax losses existing on December 31, 2009 was authorized. The Company made use of this benefit and recorded R$3,252 in the second quarter of 2010, considering the installment payment that was settled.
The Brazilian Treasury partially denied the request in June 2010, claiming the need for the Company to waive the lawsuits that challenged the credit and also stated that the undue utilization requirement was not met. The Company stated that it would waive only the lawsuits that challenged the tax deficiencies assessed by the Federal Revenue Service. However, the Regional Attorney's Office of the Brazilian Treasury in Santa Catarina considered that the waiver should also cover the lawsuits seeking a declaratory judgment recognizing the IPI premium credit, referred to in note 16. The Company's Legal Department is adopting the necessary measures against the Brazilian Treasury's decision with the purpose of ruling out the mandatory waiver of the lawsuits seeking a declaratory judgment and also the production of evidence of undue utilization of credits which had been clearly recognized by the Federal Revenue Service by assessing a tax deficiency. This procedure decided on by Management is supported by a report prepared by law firm Demarest Almeida which claims that, for the debts covered by the installment payment established by Law 12.249/10 waiving the aforementioned lawsuits seeking declaratory judgments is not necessary, differently from the provisions of Law 11.941/09. Therefore, according to this report, the reversal of this situation is virtually certain in all judicial courts and the Company may obtain a decision on the merits of the case to rule out the reasons for the rejection of the request. The Company filed a writ of mandamus seeking a judicial approval of the installment payment and a lower court denied the writ. The Regional Federal Court of the Fourth Region partially upheld the Company's appeal. The Company intends to reverse the remaining unfavorable legal decision at the Superior Court of Justice.

If the decision rendered by the Brazilian Treasury remains unchanged until the last court, the impact on the Company's result would be a loss of R$14,542 as of December 31, 2013, considering the reversal of the acknowledgment of the debt, the nonexistence of benefits and the maintenance of debts as contingent liabilities. A possible tax liability would be settled using the credits resulting from lawsuit number 1998.34.00.029022-4, as described in note 17.

25 Taxes, fees and contributions

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
IRRF	1,065	1,188	1,123	1,397
ICMS	3,885	3,551	3,889	3,552
PIS	279	304	339	365
COFINS	1,283	1,399	1,560	1,680
Other	229	103	401	251
Total	6,741	6,545	7,312	7,245

26 Provisions for contingencies

The Company and its subsidiaries are parties to legal civil, labor and tax proceedings and to administrative tax proceedings. Management, supported by the opinion of its legal counselors, believes that the balance of provisions is sufficient to cover the expenses necessary to settle obligations.

Amounts in thousand of Brazilian reais, except when otherwise indicated

The breakdown of the balance of provisions is as follows:

Accrued amount	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Cíivil	4,671	4,533	4,727	4,575
Labor	13,511	11,288	13,511	11,288
Tax	2,305	35,051	2,305	35,051
Total	20,487	50,872	20,543	50,914
Current	14,600	1,288	14,635	1,322
Non-current	5,887	49,584	5,908	49,592

Provisions are measured by estimating of the expenses necessary to settle the obligation. Civil and labor lawsuits are individually assessed by the Company's legal counselors that classify them according to the expected successful outcome of lawsuits.
Statement of changes in provisions:

	Company			Total
	Civil	Labor	Tax	
As of December 31, 2012	4,533	11,288	35,051	50,872
Charged (credited) to profit or loss:	2,001	2,752	5,466	10,219
Additional provisions	1,486	1,404	1,871	4,761
Reversals for non-use	(269)	(487)	(149)	(905)
Inflation adjustment (note 33)	784	1,835	3,744	6,363
Reversals for realization	(1,863)	(529)	(38,212)	(40,604)
As of December 31, 2013	4,671	13,511	2,305	20,487

	Consolidated			Total
	Civil	Labor	Tax	
As of December 31, 2012	4,575	11,288	35,051	50,914
Charged (credited) to profit or loss:	3,599	2,752	5,466	11,817
Additional provisions	3,011	1,404	1,871	6,286
Reversals for non-use	(269)	(487)	(149)	(905)
Inflation adjustment (note 33)	857	1,835	3,744	6,436
Reversals for realization	(3,447)	(529)	(38,212)	(42,188)
As of December 31, 2013	4,727	13,511	2,305	20,543

Comments about civil, labor and tax proceedings:

Civil

The Company and its subsidiaries are defendants to 188 civil lawsuits (112 lawsuits as of December 31, 2012) at lower civil courts and special civil courts. Most lawsuits have been filed by clients and aim at seeking damages for pain and suffering and property damages. When applicable, court deposits were made (note 13).

Contingent liabilities are listed in note 27.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 355 labor lawsuits (281 complaints as of December 31, 2012), filed by former employees and third parties. Their claims basically consist of a health hazard premium, a legal issue already decided on by the Regional Labor Court of the 12th Region favorably for the Company. The other lawsuits consist of the payment of termination benefits, premiums, overtime pay, salary equalization, FGTS inflation adjustment and damages for pain and suffering and material damages arising from occupational accidents/diseases. The provisions are reviewed by Management according to legal counselors. Some lawsuits are supported by court deposits (note 13).

Amounts in thousand of Brazilian reais, except when otherwise indicated

The provisions for labor lawsuits also include assessments of deficiencies in social security contributions owed by the Company on the compensation paid to the insured, contribution for financing benefits due to occupational disability and contributions for third parties (INCRA - Federal Land-Reform Agency and SEBRAE - Brazilian Support Services for Small Companies), plus late payment interest and fine.

Related contingent liabilities are shown in note 27.

Tax

a) INSS (Social Security Contribution) on Cooperatives

Lawsuits filed by the Company (writ of mandamus) against the National Institute of Social Security, which demanded the payment of the social security contribution provided for in article 22, item IV, of Law 8.212/91 whose wording was given by Law 9.879/99.

The Company states that over the course of its activities it hires cooperatives which operate in many segments and provide specialized services to the Company. The social security contribution is levied on these transactions, but the Company understands that the Constitution does not allow such collection, which violates the principles of legality, equality and protection of cooperatives. Accordingly, it is seeking an injunction against the levy of the social security contribution and is demanding to offset the amounts that have been unduly paid. The balance of the provision as of December 31, 2013 totals R$2,305 (R$2,197 as of December 31, 2012).

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

The settlement of the provisions for tax contingencies referring to the deduction of the ICMS from the PIS and COFINS calculation base, is due to the adhesion of the installment payment program as described in note 23b in the amount of R$ 36,236.

The balances of the provisions for tax contingencies are adjusted for inflation using the SELIC (Central Bank overnight rate) variation in the period.

27 Possible lawsuit losses

In addition to the provisions recognized in the Company's financial statements, classified as probable losses, other civil and labor lawsuits were classified as possible losses, and, according to the assessment of risks resulting from the aforementioned proceedings, the Company, relying on the opinion of its legal counselors, estimates the amounts of contingent liabilities, as follows:

	Company		Consolidated	
	31-Dec-13	31-Dec-12	12/31/2013	31-Dec-12
Civil	1,967	927	2,211	967
Labor	12,009	10,839	12,009	10,839
Total	13,976	11,766	14,220	11,806

These proceedings are classified as contingent liabilities because the Company's condemnation is not probable. And therefore the outflow of funds to settle these obligations will not be necessary.

Amounts in thousand of Brazilian reais, except when otherwise indicated

28 Employee benefits

28.1 Pension plan

The Company and its subsidiaries since 1997 sponsor a benefit plan called Portobello Prev, managed by BB Previdência - Fundo de Pensão Banco do Brasil and has 39 participants. The plan is defined contribution plan, but offers a minimum retirement benefit by length of service or by age.

As of December 31, 2013, the balance of special contributions referring to prior periods to be deposited in the individual account of those participants that meet the conditions established by the plan's regulations, amounts to R$2,544 (R$2,918 as of December 31, 2012) and is provided for non-current liabilities. At the time when each participant who meets this condition becomes eligible, the Company will settle the portion of the special reserve attributable to the participant.

The actuarial assessment, adjusted for inflation until December 31, 2013 (Company and Consolidated), shows a surplus of R$9,547 (surplus of R$3,641 as of December 31, 2012), which is recognized in non-current assets under the caption "Actuarial asset". Under "Equity valuation adjustments" in shareholders' equity, the Company recorded an actuarial gain of R $ 4,351 (R $ 1,299 loss on December 31, 2012) as other comprehensive income. The amounts recognized in the balance sheet are as follows:

	Company and Consolidated	
	31/dez/13	31/dez/12
Fair value of the plan's assets	56.716	56.984
Present value of financed obligations	(47.169)	(53.343)
Actuarial assets (liabilities), net	9.547	3.641

	Company and Consolidated	
	31/dez/13	31/dez/12
Gain (loss) on actuarial liabilities	12.574	(10.652)
Gain (loss) on the plan's assets	(8.223)	9.353
Actuarial gain (loss)	4.351	(1.299)

The changes in the fair value of the benefit plan's assets and the defined benefit obligation during the year is shown as follows:

Company and Consolidated		
Fair value of the plan's assets		
As of December 31, 2012	56,984	42,305
Benefits paid during the year	(1,173)	(786)
Participants' contributions in the year	921	792
Sponsor's contributions in the year	1,761	1,577
Expected annual earnings on the plan	6,446	3,743
Assets - gain or (loss)	(8,223)	9,353
As of December 31, 2013	56,716	56,984

Company and Consolidated		
Defined benefit obligation		
As of December 31, 2012	53,343	38,468
Cost of gross current service (including inte	1,539	1,606
Interest on actuarial liabilities	6,033	3,403
Benefits paid during the year	(1,173)	(786)
Obligations - (gain) or loss	(12,573)	10,652
As of December 31, 2013	47,169	53,343

The amounts recognized in the statements of profit or loss under the caption "Other operating revenues (expenses)", consisting of the results of the management of assets, are:

	Company and Consolidated	
	31-Dec-13	31-Dec-12
Cost of current service (including interest)	(1,539)	(1,606)
Interest on actuarial liabilities	(6,033)	(3,403)
Expected earnings on the plan's assets	6,445	3,743
Participants' contributions in the year	921	792
Net revenue (expenses)*	(206)	(474)

* Note 33

Amounts in thousand of Brazilian reais, except when otherwise indicated

On December 31, 2013, the Company also recognized also recognized a revenue of R$1,761 (R$1,577 as of December 31, 2012) for the payments made by the sponsor during the year with an effect of asset for purposes of the benefit plan for employees (see note 33).

The main actuarial assumptions used by the Company are as follows:

	Company and Consolidated	
Economic and financial	31-Dec-13	12/31/2012
Annual interest rate	Nominal 11.31% p.a. (inflation rate + real 6.52% p.a.)	Nominal 8.85% p.a. (inflation rate + real 4.16% p.a.)
Long-term earnings on assets	11.31%	8.85%
Long-term inflation rate	4.50%	4.50%
Estimated salary growth	5.55% p.a. (inflation rate + real 1% p.a.)	6.59% p.a. (inflation rate + real 2% p.a.)
Estimated growth in the plan's benefits	0.00% p.a.	0.00% p.a.
Determining factor of the real value over time (salaries)	0.98	0.98
Determining factor of the real value over time (benefits)	0.98	0.98

	Company and Consolidated	
Biometrics and demographic	12/31/2013	12/31/2012
Turnover assumption	Null	Null
General mortality table	AT-2000	AT-2000
Disabled mortality table	EXP. IAPC	EXP. IAPC
Disability table	Hunter together with Álvaro Vindas	Hunter together with Álvaro Vindas
Retirement	Eligibility	Eligibility
Family composition before retirement		
Likelihood of married people	100% [3]	100% [3]
Age difference for active participants	Man is five years older than woman	Man is five years older than woman
Number of dependent children	- [4]	- [4]
Age of children	- [4]	- [4]
Family composition after retirement	Real family	Real family

[1] Turnover assumption: turnover varies according to the length of service (LS) and salary range (number of minimum wages - MW): 0-10 MW: 0.45 / (LS+1); 10-20 MW: 0.30 / (LS+1); more than 20 MW: 0.15 / (LS+1), in which MW is the minimum wage in effect (R$510.00 as of December 31, 2010 and R$465.00 as of December 31, 2009)

[2] Likelihood of retirement: 50% on the first rate of eligibility for earlier retirement, 10% per year until the date of the first eligibility for normal retirement and 100% on the day of the first eligibility for normal retirement.

[3] Likelihood that on the day of death, a survivorship benefit will be granted to dependents for life.

[4] Considering regulatory provisions and 100% of the benefit as family portion, the Company chose not to use children in the standard family, given the use of dependents for life in 100% of the deaths.

Amounts in thousand of Brazilian reais, except when otherwise indicated

28.2 Employee benefit expenses

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Compensation	89,905	75,664	95,704	80,902
Benefits				
Pension plan	996	636	1,167	900
FGTS	7,198	6,753	7,723	7,061
Other	9,055	7,852	9,340	8,132
Total	107,154	90,905	113,934	96,995

29 Long-term incentive plan

Considering the prospect of creating value for the business, the Company's Board of Directors established and approved on May 10, 2012 the long-term incentive (ILP). It consists of a meritocracy program which aims at attracting, retaining and recognizing the performance of the Company's professionals, aligning the executives' interests with those of shareholders and encouraging job permanence.

Directors and managers whose performance assessments are above the average, according to an internal performance assessment policy, are eligible for the long-term incentive program. By signing an acceptance agreement they become participants in the program.

The acceptance agreement establishes the number of bonds that each participant will receive. The bonds are called reference shares and are not traded on the over-the-counter market.

The “appreciation” of the bonds is annually calculated according to ebitda[1]'s performance and the ebitda/net debt[2] ratio.

The payment will be made in three annual installments (2015, 2016, 2017) with a two-year deferral at the beginning of the period (2013 and 2014). Settlement will be total after five years from the initial recognition (2017) and the Company will make the payment in cash in proportion to the amounts calculated using the plan's metrics.

The first group of participants joined the program in 2012 and the current value of the obligation as of December 31, 2013 is R$5,868 (Company) and R$6,238 (Consolidated) (R$2,176 - Company and R$2,623 - Consolidated as of December 31, 2012).

[1]profit before interest and net finance costs, taxes, depreciation and amortization
[2] loans and financing plus tax liabilities minus cash and cash equivalents, and securities.

30 Equity

a) Share capital

The Company has subscribed and paid-in capital in the amount of R$46,065, consisting of 159,008,924 common, registered, book-entry shares without par value.

On April 30, 2013 shareholders at an extraordinary meeting approved an increase in the Company's share capital by ordering the capitalization of reserves in the amount of R$5,266, of which R$5,000 results from the Profit Reserve and R$267 from the Capital Reserve, there being no change in the total number of shares as provided for by article 169, paragraph one of Law 6.404/76.

Amounts in thousand of Brazilian reais, except when otherwise indicated

Each common share entitles the holder to one vote at annual assemblies, according to rights and privileges granted by the law and by the Company's by-laws according to their type.

The Company is authorized to increase share capital up to one billion new common, registered, book-entry shares with no par value, totaling a share capital consisting of up to 1,159.008.924 shares, and the issue of preferred shares or founders' shares is prohibited.

As of December 31, 2013 there were 63,488,187 outstanding shares, equivalent to 39.92% of total issued shares (61,992,352 as of December 31, 2012, equivalent to 38.99% of the total). The balance of outstanding shares consists of all securities available for trading in the market, except for those held by controlling shareholders, members of the Board of Directors, Management and treasury shares.

b) Treasury shares

In 1994 Portobello S/A entered into a Financial Cooperation Agreement with the IFC, International Finance Corporation, and, as an accessory obligation, assumed the commitment of encouraging the participation of its employees in the shareholding structure by offering share, enabling them to be financed directly with the Company through payroll deduction payment.

In 1997, as some employees had no interest in continuing amortizing financing, signed a waiver transferring ownership of these shares back to the Company, which, performed in the fourth quarter of 2013, recognizing them as treasury shares as approved by the Board of Directors in October 2013.

The Company recorded treasury shares at market value, taking into account the studies at the time, who found that the value of the historical cost of the asset that originated the shares was higher than the market value on the date of record. Therefore the shares were valued at market value recorded in income for the year, and the prices match day each transfer between October and December 2013, average price at R$4,90, the amount of R$2.545 .

c) Statutory reserve

The statutory reserve is recognized annually as an appropriation of 5% of profit and may not exceed 20% of share capital. The purpose of the statutory reserve is to ensure the integrity of the share capital, and may only be used to offset losses or increase share capital. In 2013, the balance of the statutory reserve totals R$7,808 (R$3,283 as of December 31, 2012) as provided for in article 193 of Brazilian Corporate Law.

d) Dividends

	2013	**2012**
Profit for the year	90.496	65.664
Recognition of the statutory reserve	(4,525)	(3,283)
Profit for the year adjusted for dividend purposes	85.971	62.381
Proposed dividends/interest on equity capital		
Interest on equity capital, net of IRRF (Withholding Income Tax)	3.658	1.853
Proposed dividends	17.836	13.742
Additional proposed dividends	8.597	-
Total annual dividends	30.091	15.595

In 2013, dividends are equivalent to 35% of net income, adjusted in accordance with the Law 6.404/76 (Brazilian Corporate Law) and the Company's Bylaws.

e) Retained profit reserve

The amount of R $ 41,785 refers to the expansion projects set out in the investment plan of the Company as proposed capital budget approved in the shareholders' meeting in 2013, in accordance with Article 196 of the Brazilian Corporate Law.

f) Unappropriated retained earnings

The “Unappropriated retained earnings” totals R$66,058 as of December 31, 2013 (46,786 as of December 31, 2012) and consists of the remaining balance of retained earnings in 2013 which has been withheld after the appropriation of 5% to the statutory reserve and 25% as minimum non-discretionary dividends.

The Company's managers will propose at the Annual Shareholders' Meeting the appropriation of the reserve in compliance with article 199 of Law 6.404/76 (Brazilian Corporate Law).

g) Equity valuation adjustment

Attributable cost
In 2010, when the Company first adopted CPC 37, IFRS 1, CPC 43 and ICPC 10 the Company chose to consider the revaluation of property, plant and equipment made in 2006 as attributable cost because it understood that the revaluation was basically the fair value on the date of transition.

It was set up as a result of the revaluation of land, buildings and improvements, supported by a revaluation report prepared by an independent appraiser which determined the values of the revalued goods, and set a new deadline for the remaining useful life, which is a new basis for the depreciation of the goods and their write-down to the net accounting values.

It is being made according to the depreciation of constructions and improvements revalued against retained earnings, net of tax charges. The same effect of the realization of the equity valuation adjustment is reflected on the year's profit or loss for the depreciation of revalued assets.

In accordance with ICPC 10, the Company recognized an additional amount of R$2,517 of deferred income and social contribution taxes on the revalued balance of land, considering that in 2006, when the revaluation was made, the law did not allow the levy. ICPC 10 establishes guidelines for the Companies to set up a provision for taxes on the revaluation of land when "it is probable that the economic benefits associated with the non-depreciable asset will flow to the entity, whether they are derived from a current sale, a future sale or from the very use of the asset." Deferred income and social contribution taxes related to the equity valuation of land, constructions and improvements are classified in non-current liabilities, according to note15(b).

Considering the additional equity valuation adjustment approved by the Annual Shareholders' Meeting on December 29, 2006, the balance of the equity valuation adjustment to own assets, net of deferred taxes, totals R$42,133 as of December 31, 2013 (R$43,713 as of December 31, 2012), the revaluation depreciation expense, in the quarter ended December 31, 2013, was R$1,580 (R$1,579 as of December 31, 2012), and the balance of deferred income and social contribution taxes on the equity valuation adjustment is R$17,396 (R$17,933 as of December 31, 2012), see note 15(b).

31 Revenues

The reconciliation of gross revenue to net revenue, shown in the statement of profit or loss for the year ended December 31, 2013, is as follows.

Amounts in thousand of Brazilian reais, except when otherwise indicated

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Gross sales revenue	995,212	830,500	1,053,849	882,769
Gross revenue deductions	(213,574)	(171,011)	(219,817)	(176,298)
Sales taxes	(189,877)	(156,564)	(195,999)	(161,796)
Returns	(23,697)	(14,447)	(23,818)	(14,502)
Net sales revenue	781,638	659,489	834,032	706,471
Domestic market	712,427	609,055	756,677	653,091
Foreign market	69,211	50,434	77,355	53,380

32 Expenses by nature

The cost of goods sold, selling and administrative expenses for the year ended December 31, 2013 are as follows:

	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Changes in inventories of finished goods and work-in-process	(24,331)	(18,188)	(24,331)	(18,188)
Direct production costs (raw materials and input)	252,996	226,358	250,282	224,186
Overall production costs (including maintenance)	32,422	31,719	32,422	31,719
Cost of merchandise resold	175,493	129,684	177,082	131,045
Expenses on the transportation of merchandise sold	2,909	2,565	2,909	2,565
Salaries, charges and employee benefits	122,631	112,087	130,764	119,451
Labor and third party services	20,475	17,946	28,263	23,989
Amortization and depreciation	18,058	15,511	18,152	15,556
Expenses on rents and operating leases	8,771	7,822	9,122	8,093
Sales commissions	18,380	15,114	18,558	15,135
Marketing and advertising expenses	8,546	6,529	14,763	11,192
Other selling expenses	18,736	12,243	23,613	15,531
Other administrative expenses	3,811	3,066	4,074	3,269
Total	658,897	562,456	685,673	583,543

(a) Changes in inventories of finished goods and w ork-in-process is the difference betw een the cost of the produced good and the cost of the sold good. A negative balance may be reported because of the w rite-offs of cost of goods sold that w ere produced in prior periods and included the inventory account.

Amounts in thousand of Brazilian reais, except when otherwise indicated

33 Other operating revenues (expenses), net

The other Company and Consolidated operating revenues and expenses for the year ended December 31, 2013 are as follows:

	Company		Consolidated	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Other operating revenues				
Revenue of services	2.408	3.654	367	1.031
Tax credits	3.809	3.833	3.809	3.833
Bank services contract	-	2.100	-	2.100
Actuarial inflation adjustment (note 28.1)	1.761	1.577	1.761	1.577
Other income	1.119	518	1.074	466
Total	9.097	11.682	7.011	9.007
Other operating expenses				
Provision for contingencies (note 26)	(2.071)	(1.224)	(3.949)	(1.810)
Profit sharing allowance (b)	(8.895)	(7.057)	(9.704)	(8.367)
Provision for long-term incentive (note 29)	(3.693)	(2.176)	(3.616)	(2.623)
Treasury shares	2.545	-	2.545	-
Actuarial inflation adjustment (note 28.1)	(206)	(474)	(206)	(474)
Other expenses	(2.777)	(710)	(2.848)	(5.141)
Total	(15.097)	(11.641)	(17.778)	(18.415)
Total net	(6.000)	41	(10.767)	(9.408)

(a) Amount consisting of a tax offset credit - Reintegra Law 12.546/11.

(b) Recognition of a profit sharing allowance to be paid after the end of the year.

34 Other gains (losses), net

The net exchange rate variation recorded in other gains (losses), net, Company and Consolidated, for the year ended December 31, 2013, is as follows:

	Company and Accrued	
	31-Dec-13	31-Dec-12
Net exchange rate variation		
Trade receivables	2,238	4,187
Trade payables	(1,228)	(830)
Commissions	111	(15)
Total	1,121	3,342

Amounts in thousand of Brazilian reais, except when otherwise indicated

35 Finance income (costs)

The Company and Consolidated finance income (costs) for the year ended December 31, 2013 is as follows:

	Company		Consolidated	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Finance income				
Interest	5.175	1.688	6.211	1.842
Inflation adjustment of assets	13.005	13.413	13.005	13.413
Other	500	823	558	885
Total	18.680	15.924	19.774	16.140
Finance costs				
Interest	(19.221)	(14.442)	(19.538)	(14.678)
Finance charges on taxes	(7.276)	(9.597)	(7.358)	(9.762)
Breakdown of discount on provisions for contingencies (note 26)	(4.180)	(4.309)	(4.258)	(4.315)
Reduced Pis and Cofins tax basis - reduction in fine and interes (note 23b)	6.228	-	6.228	-
Service fees and commissions	(2.623)	(1.557)	(2.679)	(1.582)
Other	(5.489)	(3.815)	(5.764)	(3.858)
Total	(32.561)	(33.720)	(33.369)	(34.195)
Exchange rate variation, net				
Loans and financing	(5.994)	(3.635)	(5.994)	(3.635)
Total	(5.994)	(3.635)	(5.994)	(3.635)
Total net	(19.875)	(21.431)	(19.589)	(21.690)

36 Profit (loss) from discontinued operation

On August, 2010, the Board of Directors approved the shutdown of the operations of subsidiary Portobello América, considering that demand in the US market will remain sluggish over the next years. Assets are currently being decommissioned and the units' main assets and liabilities, for the year ended December 31, 2013, are: Cash and cash equivalents R$ 326 (R$ 355 on December 31, 2012), Debts from subsidiaries R$ 47.975 (R$ 41.851 on December 31, 2012), and 30 Equity R$ 47.649 (R$ 41.496 on December 31, 2012).

The profit (loss) from discontinued operation is presented in a consolidated manner, and therefore considers, in addition to the results reported by subsidiary Portobello América, Inc. (note 18), the equity of the Parent Company's operations in the discontinued operation. In 2013 the profit (loss) from discontinued operation was minus R$75, consisting of some administrative expenses incurred in the period.

Amounts in thousand of Brazilian reais, except when otherwise indicated

37 Earnings per share

a) Basic

Under CPC 41 (Earnings per share) basic earnings per share are calculated by dividing the earnings attributable to the Company's shareholders by the weighted average number of common shares issued during the year, excluding the common shares purchased by the Company and held as treasury shares.

	Accrued			
	Company		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Profit attributable to the owners of the Company	90,496	65,664	90,496	65,664
Weighted average number of common shares	158,489	159,009	158,489	159,009
Basic earnings per share	0.57	0.41	0.57	0.41
Profit from continuing operations	90,496	65,664	90,571	65,137
Profit (loss) from discontinued operation	-	-	(75)	527
Weighted average number of common shares	158,489	159,009	158,489	159,009
Earnings per share - continuing operations	0.57099	0.41296	0.57147	0.40964
Earnings (loss) per shre - discontinued operation	-	-	(0.00047)	0.00331

The consolidated profit attributable to owners of the Company does not consider non-controlling interests. The same criterion was applied to Profit (loss) from continuing operations and discontinued operation.

b) Diluted

Diluted earnings per share is the same as basic earnings per share, given that the Company does not have contracts or any financial instrument that grants the holder the right to common shares.

38 Dividends

The Annual Shareholders' Meeting held on April 30, 2013 approved the Management's proposal to apportion part of 2012's results as minimum non-discretionary dividends of R$15,595. Of the total amount appropriated as minimum non-discretionary dividends, the amount paid on December 28, 2012 was deducted, of which R$1,853 as interest on equity capital, net of income tax, and R$5,104 as dividends.

On August 12, 2013, the Company's Board of Directors approved the payment in 2013 of R$2.796 million as prepaid dividends and R$4.170 million as interest on equity capital (R$ 3.658 net of income tax). This decision caused the amount paid on September 26, 2013 to be R$6.959 (R$6.454 net of income tax). The Management will propose to distribute additional dividends of 10%. If approved, the amount payable is R$ 23.635 which payment date will be decided after the Annual Shareholders' Meeting. Therefore the total compensation to be distributed to shareholders, will be R$ 30.091.

39 Segment reporting

Management defined operating segments according to the reports used for making strategic decisions, reviewed by the Chief Executive Officer.

The Chief Executive Officer conducts an analysis of the business, segmenting it from the prospect of the markets in which the Company operates: Local market (Brazil) and Exports (Foreign market - Other countries).

Amounts in thousand of Brazilian reais, except when otherwise indicated

Revenue generated by reported operating segments basically results from the manufacturing and marketing of ceramic coating used in the construction industry.
The Chief Executive Officer assesses the performance of the operating segments according to the measurement of results from operating activities (profit before net finance costs and taxes on profit - EBIT) and does not take into consideration the assets for the analysis of the performance of segments, given that the Company's assets are not segregated.

Segment reporting, reviewed by the Chief Executive Officer, is the following:

	As of December 31, 2013			As of December 31, 2012		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	726,471	107,561	834,032	653,091	53,380	706,471
Cost of goods sold	(461,924)	(68,355)	(530,279)	(421,463)	(34,589)	(456,052)
Gross profit	264,547	39,206	303,753	231,628	18,791	250,419
Operating revenues (expenses), net	(145,233)	(19,807)	(165,040)	(126,320)	(7,237)	(133,557)
Selling, general and administrative expenses	(136,444)	(18,950)	(155,394)	(120,751)	(6,740)	(127,491)
Other operating revenues (expenses), net	(9,652)	(1,115)	(10,767)	(8,655)	(753)	(9,408)
Other gains (losses), net	863	258	1,121	3,086	256	3,342
Results from operating activities before finance income	119,314	19,399	138,713	105,308	11,554	116,862
% on net operating revenue	16%	18%	17%	16%	22%	17%

The Company does not have trade receivables that individually account for more than 10% of net sales revenue.

40 Commitments

a) Commitments to acquire assets

Expenses incurred on the balance sheet date, but still not yet incurred, referring to property, plant and equipment as of December 31, 2013 amount to R$11,376.

b) Operating lease commitments

Operating leases refer to vehicles. Minimum future non-cancellable payments total on December 31, 2013 and 2012 are R$ 891 and R$ 367 respectively for less than a year. For more than a year and less than five years is R$ 987 and R$ 277, respectively.

41 Insurance coverage

Current insurance coverage is considered sufficient by management to cover possible losses.

On December 31, 2013 coverage for Fire, lightning, explosion of any nature is R$84.000; Gales/smoke combined with vehicle crash R$ 25.000, loss of profits in the amount of R $ 51.115 and electrical damage, riots and civil liability in the amount of R $ 5.600. The policy remains in effect for the period from February 14, 2013 to February 14, 2014, which is extended to April 14, 2014 when the Company intends to enter into a new insurance agreement.

Amounts in thousand of Brazilian reais, except when otherwise indicated

42 Related parties

Business purchase and sales transactions for goods, raw materials and the engagement of services, as well as financial transactions involving loans and the raising of funds between the Parent Company and subsidiaries, are carried out under the conditions described below.

Nature	Transactions with subsidiaries and related companies	31-Dec-13	12/31/2012
Assets			
Dividends receivable	Portobello Shop S.A.	2,934	2,073
Receivables	Portobello Shop S.A.	22	-
Trade receivables	Portobello América, Inc.	-	41,839
Receivables from subsidiaries - current		22	41,839
Trade receivables	Portobello América, Inc.	47,962	-
Trade receivables	PBTech Com. Serv. Cer. Ltda.	4,461	3,424
Loan	PBTech Com. Serv. Cer. Ltda.	2,886	1,945
Receivables from subsidiaries - non-current		55,309	5,369
Receivables from other related parties	Refinadora Catarinense S.A.	94,540	100,398
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,426	1,207
Trade receivables - net of advance	Solução Cerâmica Com. Ltda.	(1,305)	(1,773)
Trade receivables - net of advance	Flooring Revest. Cer. Ltda.	580	1,022
		701	456

Nature	Transactions with subsidiaries and related companies	Accrued	
		31-Dec-13	31-Dec-13
Revenues			
Rendering of services	Portobello Shop S.A.	6,120	6,115
Sale of goods	Solução Cerâmica Com. Ltda.	16,318	15,706
Sale of goods	Flooring Revest. Cer. Ltda.	8,069	6,909
Sale of goods	PBTech Com. Serv. Cer. Ltda.	2,376	429
Expenses			
Cost of services rendered	Portobello Shop S.A.	(4,025)	(3,384)
Purchase of goods	Mineração Portobello Ltda.	(2,713)	(2,174)
Rent	Gomes Participações Societárias Ltda.	(320)	(184)
		25,825	23,417

The loan agreement with subsidiary PBTech bears interest at 100% of the CDI (interbank deposit certificate) rate and matures on December 31, 2016.

No receivables of subsidiary Portobello Shop were pledged as security for the loans. The subsidiary has endorsed some of the financing agreements entered into by the Company (see note 22).

In this year the Company presents the balance of accounts receivable from Portobello América Inc in non-current assets, given Management's intention to capitalize that subsidiary's debt.

Amounts in thousand of Brazilian reais, except when otherwise indicated

Related-party transactions

Portobello Shop reports accounts receivable and royalty revenues from four franchise stores that are related parties. The franchise network consists of a Company's subsidiary and two related companies. Transactions are below:

Transactions with subsidiaries and related companies	Nature	31/dez/13	31/dez/12	Nature	31/dez/13	31/dez/12
	Assets			Revenues		
Solução Cerâmica Com. Ltda.	Trade receivables	1.108	211	Royalties	3.548	4.027
Flooring Revest. Cer. Ltda.	Trade receivables	588	137	Royalties	1.692	1.776
		1.696	355		5.240	5.803

Key Management personnel compensation

Expenses on the compensation paid to management personnel, comprising members of the board of directors and audit committee, officers and managers, recorded in the year ended December 31, 2013, are:

	Controladora		Consolidado	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Fixed compensation				
Salaries	8,391	6,982	9,720	8,047
Fees	3,490	2,201	3,861	3,416
Variable compensation	6,019	3,107	7,496	4,029
Short-term direct and indirect benefits				
Pension plan	933	439	1,088	686
Other	1,213	1,032	1,464	1,259
Termination benefits	36	191	255	193
	20,082	13,952	23,884	17,630

* The Company offers neither long-term benefits nor post-employment benefits..

43 Executive Act 627 of November 11, 2013 ("MP 627")

Management carried out an initial assessment of the provisions contained in Executive Act 627, of November 11, 2013 ("MP 627") and Regulatory Instruction (IN) 1397, of September 16 2013, amended by IN 1422 of December 19, 2013 ("IN 1397").

Although MP 627 becomes effective as from January 1, 2015, there is the possibility of opting (in an irreversible manner) for its application as from January 1, 2014. Management has not yet concluded whether it will opt for its early adoption.

According to the analyses of Management and its counselors, if the Company does not opt for an earlier adoption, there will be no risks related to the taxation of (i) dividends paid in excess of the profit calculated for taxation purposes between January 1, 2008 and December 31, 2013; and (ii) payment of interest on equity capital and calculation of the share of profit (loss) of equity accounted investees according to corporate equity in the years from 2008 to 2013.

In thousands of BRL, unless otherwise indicated

CORPORATE PROJECTIONS

Disclosed projections and assumptions

a) Purpose of prospect

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

b) Period prospected and prospect term

Growth projected to start in the second semester of 2013.

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

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

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

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

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

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

In thousands of BRL, unless otherwise indicated

Monitoring of and changes in disclosed projections

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

There were no changes in the prospects previously disclosed.

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

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

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

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

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

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

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

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

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

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

In thousands of BRL, unless otherwise indicated

CAPITAL BUDGET FOR RECORDING THE PROFIT RESERVE FOR EXPANSION

Management will propose to the Annual Shareholders' Meeting that part of the net income for 2013 be retained for expansion of the activities as allowed by article 196 of law No. 6404/76.

Provided below is the investment plan for 2014.

Investment plan	R$ thousand
Sources	**187,915**
Profit retention	68,746
Cash flow from operations, net of expenditures estimated in the operations	119,169
Investments	**187,915**
Investments 2014	187,915

The Company intends to invest R$188 million in 2014 in order to proceed with its expansion strategy and process improvements.

Out of the estimated amount, approximately 79% is intended to be invested in the Alagoas plant construction. The Capex is estimated at R$149 million in 2014. The purpose of the investment is to serve the public of the North and Northeast regions of Brazil, which currently corresponds to 25% of the Brazilian ceramics market. The plant has at its disposal one million m² of area for expansion and in 2015 will have a production of about 16 thousand m², generating gross revenues of approximately 211 million.

The financial flows for investments will be sourced from the retention of profits in 2013 as proposed, the generation of cash from operations, and also consider the agreement with Banco do Nordeste. It is expected that outlays will occur until early 2015, when production is scheduled to start.

The other investments, about 21% of the total, will be used for expanding and modernizing the plant at Tijucas, state of Santa Catarina.

The capital budget presented was approved by the Fiscal Council on February 14, 2014 and by the Board of Directors in a meeting held on March 20, 2014.

Tijucas, March 25, 2014

Independent Auditors’ report on the financial statements

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

We have audited the accompanying individual (Company) and consolidated financial statements of Portobello S.A. (“Company”), respectively referred to as Company and Consolidated, which comprise the balance sheet as of December 31, 2013, the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with Brazilian accounting practices and the consolidated financial statements in accordance with International Financial Reporting Standards and Brazilian accounting practices, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion on the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of Portobello S.A. as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Portobello S.A. as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards and the accounting practices adopted in Brazil.

Emphasis of a matter

As described in Note 2a, the Company financial statements were prepared in accordance with Brazilian accounting practices. With regards to Portobello S.A., these practices differ from IFRS, applicable to the separate financial statements, only with respect to the evaluation of investments in subsidiaries, affiliated and jointly-controlled companies accounted for using the equity method, while for IFRS purposes they would be accounted for at cost or fair value. Our opinion is not qualified in respect of this matter.

Other issues

Audit of the previous year's amounts

The amounts for the year ended December 31, 2012, presented for comparison purposes, were previously audited by other independent auditors, who issued an unchanged report dated March 26, 2013.

Statements of value added

We have also examined the Company and Consolidated statements of value added prepared under the responsibility of the Company's management for the year ended December 31, 2013, whose reporting is required by Brazilian Corporate Law, which governs corporations, and considered supplementary information under the International Financial Reporting Standards (IFRS), which do not require the presentation of the statement of value added. These statements were subjected to the same auditing procedures previously described and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Florianópolis, March 20, 2014.

KPMG Auditores Independentes
CRC SC-000071/F-8

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

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FISCAL COUNCIL' OPINION

The Fiscal Council of Portobello S.A., in compliance with legal and statutory provisions, examined the financial statements for the year ended December 31, 2013, comprising: the balance sheet, the statements of income for the year, the statements of changes in shareholders' equity, the statements of comprehensive income, the statements of cash flows, the statements of value-added, the notes to the financial statements, as well as the Management's Report and the Independent Auditor's Report. The consolidated financial statements were also examined. After the examinations and the clarifications provided by management, the Fiscal Council, also taking into account the report issued by KPMG Auditores Independentes on March 20, 2014 without qualifications, and stating that, in their principal aspects, the mentioned financial statements adequately reflect the financial situation of Portobello S.A. and the results of its operations, and that they are appropriate for submission to the shareholders for analysis and deliberations. In addition, also analyzed were management's proposals to change the capital, capital budgets, and payments of dividends and interest on capital, and these proposals are also appropriate to be submitted to the annual shareholders' meeting for analysis and deliberation.

Tijucas, March 21, 2014

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Haroldo Pabst

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Rodrigo Sancovsky

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Maro Marcos Hadlich Filho