
PortobelloGrupo

Contents

Company Data / Capital Breakdown

Number of Shares (thousand)	Current Quarter 3/31/2016
Issued Capital	
Common	158,488
Preferred	0
Total	158,488
Treasury stock	
Common	0
Preferred	0
Total	0

Company Details / Dividends Approved

Event	Approval	Type	Start Payment	Share Type	Share Class	Dividend per share (Reais / Share)
Annual and Extraordinary General Meetings	4/29/2016	Dividend	7/4/2016	Common		0.01428
Annual and Extraordinary General Meetings	4/29/2016	Interest on Shareholders' Equity	7/4/2016	Common		0.03714

Individual Financial Statements - Statement of Financial Position - Assets - (reais thousand)

Account Code	Account Description	Current Quarter 3/31/2016	Previous Year 12/31/2015
1	Total Assets	1,399,147	1,421,200
1.01	Current Assets	596,085	611,817
1.01.01	Cash and Cash Equivalents	81,875	81,761
1.01.02	Short-term Investments	82,466	100,478
1.01.03	Accounts Receivable	184,876	175,837
1.01.03.01	Trade receivables	184,876	175,837
1.01.04	Inventory	202,526	205,088
1.01.06	Recoverable Taxes	17,209	20,153
1.01.06.01	Current Taxes Recoverable	17,209	20,153
1.01.06.01.01	Income taxes and contributions recoverable	3,622	4,964
1.01.06.01.02	Other Current Taxes Recoverable	13,587	15,189
1.01.07	Prepaid Expenses	4,583	3,410
1.01.08	Other Current Assets	22,550	25,090
1.01.08.03	Other	22,550	25,090
1.01.08.03.01	Dividends Receivable	14,850	14,850
1.01.08.03.03	Advances to Suppliers	4,194	2,796
1.01.08.03.04	Other	3,506	7,444
1.02	Noncurrent Assets	803,062	809,383
1.02.01	Long-Term Assets	345,058	354,216
1.02.01.08	Related-party Credits	163,324	168,864
1.02.01.08.02	Credit with Subsidiaries	77,110	84,263
1.02.01.08.04	Other Related-party Credits	86,214	84,601
1.02.01.09	Other Noncurrent Assets	181,734	185,352
1.02.01.09.03	Judicial Deposits	67,555	59,899
1.02.01.09.04	Eletrobrás Receivables	48,621	48,621
1.02.01.09.05	Recoverable Taxes	9,395	10,477
1.02.01.09.06	Tax Asset	23,457	22,718
1.02.01.09.07	Actuarial Asset	9,676	9,676
1.02.01.09.08	Call deposits	6,004	5,826
1.02.01.09.09	Advance for future capital increase	16,380	27,321
1.02.01.09.10	Other	646	814
1.02.02	Capital expenditure	5,015	678
1.02.02.01	Equity Interests	5,015	678
1.02.02.01.02	Interests in Subsidiaries	4,817	480
1.02.02.01.04	Other Equity Interests	198	198
1.02.03	Property, plant and equipment	437,042	436,679
1.02.04	Intangible assets	15,947	17,810

Individual Financial Statements - Statement of Financial Position - Liabilities - (Reais thousand)

Account Code	Account Description	Current Quarter 3/31/2016	Previous Year 12/31/2015
2	Total Liabilities	1,399,147	1,421,200
2.01	Current Liabilities	409,702	417,770
2.01.01	Social and labor obligations	26,873	26,192
2.01.02	Trade payables	118,281	112,665
2.01.03	Tax Obligations	23,215	18,858
2.01.03.01	Federal Tax Liabilities	23,215	18,858
2.01.03.01.02	Financing of Taxes	9,205	9,018
2.01.03.01.03	Taxes, Duties and Contributions	14,010	9,840
2.01.04	Loans and Financing	188,435	210,714
2.01.04.01	Loans and Financing	178,749	210,053
2.01.04.02	Debentures	9,686	661
2.01.05	Other liabilities	47,279	45,476
2.01.05.02	Other	47,279	45,476
2.01.05.02.04	Loans Assignment Suppliers	17,791	15,642
2.01.05.02.05	Customer Advances	13,051	13,732
2.01.05.02.06	Dividends Payable	7,646	7,646
2.01.05.02.08	Other	8,791	8,456
2.01.06	Provisions	5,619	3,865
2.01.06.02	Other Provisions	5,619	3,865
2.01.06.02.06	Provision for profit-sharing	5,619	3,865
2.02	Noncurrent Liabilities	756,760	771,584
2.02.01	Loans and Financing	471,800	485,904
2.02.01.01	Loans and Financing	274,837	289,067
2.02.01.02	Debentures	196,963	196,837
2.02.02	Other liabilities	128,694	120,842
2.02.02.02	Other	128,694	120,842
2.02.02.02.03	Trade payables	55,290	47,923
2.02.02.02.06	Financing of Taxes	72,013	72,919
2.02.02.02.08	Other	1,391	0
2.02.03	Deferred Taxes	17,295	21,665
2.02.03.01	Deferred Income and Social Contribution Taxes	17,295	21,665
2.02.04	Provisions	138,971	143,173
2.02.04.02	Other Provisions	138,971	143,173
2.02.04.02.04	Provision for devaluation of investments	86,286	93,389
2.02.04.02.05	Provisions for Contingencies	43,976	41,075
2.02.04.02.06	Provision for Long-term Incentive	8,709	8,709
2.03	Shareholders' Equity	232,685	231,846
2.03.01	Realized Capital	99,565	99,565
2.03.04	Profit Reserves	139,193	139,193
2.03.04.01	Legal Reserve	0	15,113
2.03.04.05	Profit Retention Reserve	0	86,070
2.03.04.08	Additional Dividend Proposed	0	12,504
2.03.04.10	Unallocated Profit Reserve	0	25,506
2.03.05	Retained Earnings/Accumulated Losses	-5,924	0
2.03.08	Other Comprehensive Income	-149	-6,912

Individual Financial Statements / Income Statement - (Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 toR 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
3.1	Revenue from goods sold and services rendered	221,086	223,395
3.2	Cost of goods and/or services sold	-151,754	-150,714
3.03	Gross Profit	69,332	72,681
3.04	Operating Income/Expenses	-59,757	-45,207
3.04.01	Sales Expenses	-48,876	-35,611
3.04.02	General and Administrative Expenses	-8,511	-7,252
3.4.4	Other Operating Income	273	165
3.4.4.1	Other Operating Income	273	165
3.4.5	Other Operating Expenses	-7,020	-5,553
3.4.5.1	Other Operating Expenses	-7,020	-5,553
3.4.6	Equity in Net Income of Subsidiaries	4,377	3,044
3.5	Earnings before financial income/loss and tax	9,575	27,474
3.6	Financial Income/Loss	-19,019	-13,905
3.6.1	Financial Revenue	11,712	13,381
3.6.1.1	Financial Revenue	8,263	13,381
3.6.1.2	Net Exchange Variance	3,449	0
3.6.2	Financial Expenses	-30,731	-27,286
3.6.2.1	Financial Expenses	-30,731	-15,071
3.6.2.2	Net Exchange Variance	0	-12,215
3.7	Earnings before tax on net income	-9,444	13,569
3.8	Income and social contribution taxes on profit	3,220	-2,785
3.08.01	Current	-1,150	-6,279
3.08.02	Deferred charges	4,370	3,494
3.09	Net Earnings from Continued Operations	-6,224	10,784
3.11	Net Income/Loss for the Period	-6,224	10,784
3.99	Earnings per share - (Reais / Share)		
3.99.1	Basic Earnings per Share		
3.99.01.01	Common	-0.03927	0.06804
3.99.2	Diluted Earnings per Share		
3.99.02.01	Common	-0.03927	0.06804

Individual Financial Statements - Comprehensive Income Statement - (Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
4.01	Net Income for the Period	-6,224	10,784
4.02	Other Comprehensive Income	7,063	-11,248
4.02.02	Exchange variance of Overseas Subsidiary	7,063	-11,248
4.03	Comprehensive Income for the Period	839	-464

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

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
6.1	Net Cash from Operating Activities	31,361	-19,072
6.1.1	Cash Provided by Operating Activities	10,227	44,490
6.1.1.1	Profit/Loss for the year before tax	-9,444	13,569
6.1.1.2	Depreciation and Amortization	8,831	6,344
6.1.1.3	Equity in net income of subsidiaries and associated	-4,377	-3,044
6.1.1.7	Provision for Contingencies	3,838	3,489
6.1.1.8	Provision for labor obligations	-2,610	-1,811
6.1.1.9	Provision for profit-sharing	1,754	3,390
6.1.1.10	Other Provisions	2,893	-1,155
6.1.1.13	Restatement of Tax Assets	-739	-422
6.1.1.14	Restatement of Credits with other related parties	-1,613	-1,641
6.1.1.15	Financial charges with financed taxes	1,594	1,543
6.01.01.17	Interest on loans provisioned for	16,463	6,583
6.1.1.19	Unrealized exchange variance PBA	7,082	-11,298
6.1.1.20	Unrealized exchange variance on loans	-13,445	28,943
6.1.2	Changes in Assets and Liabilities	26,942	-49,305
6.1.2.1	(Increase)/Decrease in Accounts Receivable	-9,424	-16,899
6.1.2.2	Increase/(Decrease) in Customer Advances	-681	2,932
6.1.2.4	(Increase)/decrease in Inventory	529	837
6.1.2.5	(Increase)/decrease in Judicial Deposits	-7,656	-3,463
6.1.2.7	(Increase)/ Decrease in Recoverable Taxes	2,684	-2,723
6.1.2.8	(Increase)/Decrease in restricted short-term investments	17,834	0
6.1.2.9	(Increase)/(Decrease) in other assets	2,933	-12,678
6.1.2.10	Increase/(decrease) in accounts payable	15,396	-3,394
6.1.2.11	(Increase)/decrease in advance to suppliers	-1,398	-3,916
6.1.2.12	(Increase)/Decrease in Provisions for Contingencies	-937	0
6.1.2.13	Increase (decrease) in financing	-2,313	-2,174
6.1.2.14	Increase/(decrease) in tax and labor obligations	7,653	2,792
6.1.2.15	Increase/(Decrease) in investment accounts payable	0	-12,534
6.1.2.16	Increase/(decrease) in other accounts payable	2,322	1,915
6.01.03	Other	-5,808	-14,257
6.1.3.1	Interest Paid	-5,808	-5,773
6.1.3.2	Income and social contribution taxes paid	0	-8,484
6.2	Net Cash from Investment Activities	2,937	-37,567
6.2.1	Acquisition of property, plant and equipment	-7,954	-35,588
6.2.2	Acquisition of intangible assets	-121	-1,695
6.02.04	(Concession)/Receipt of Credits with Related Parties	71	1,943
6.2.6	Capital payments at subsidiaries	0	-440
6.2.7	Advance for Future Capital Increase	10,941	-1,787
6.3	Net Cash from Financing Activities	-34,184	98,676
6.3.1	Obtainment of loans and financings	19,155	134,118
6.3.2	Payment of loans and financings	-53,339	-35,344
6.03.04	Dividends paid	0	-98
6.05	Increase (Decrease) in Cash and Cash Equivalents	114	42,037

Individual Financial Statements / Statement of Cash Flows - Indirect Method (Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
6.5.1	Opening Balance of Cash and Cash Equivalents	81,761	87,803
6.5.2	Closing Balance of Cash and Cash Equivalents	81,875	129,840

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2016 to 3/31/2016 (Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	99,565	0	139,193	0	-6,912	231,846
5.03	Adjusted Opening Balances	99,565	0	139,193	0	-6,912	231,846
5.05	Total Comprehensive Income	0	0	0	-5,924	6,763	839
5.05.01	Net Income for the Period	0	0	0	-6,224	0	-6,224
5.05.02	Other Comprehensive Income	0	0	0	300	6,763	7,063
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	300	-300	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	7,063	7,063
5.07	Closing Balances	99,565	0	139,193	-5,924	-149	232,685

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 3/31/2015 (Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	76,565	0	143,749	0	16,956	237,270
5.03	Adjusted Opening Balances	76,565	0	143,749	0	16,956	237,270
5.05	Total Comprehensive Income	0	0	0	11,084	-11,548	-464
5.05.01	Net Income for the Period	0	0	0	10,784	0	10,784
5.05.02	Other Comprehensive Income	0	0	0	300	-11,548	-11,248
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	300	-300	0
5.05.02.08	Exchange variance of overseas subsidiary	0	0	0	0	-11,248	-11,248
5.07	Closing Balances	76,565	0	143,749	11,084	5,408	236,806

Individual Financial Statements - Statements of Added Value - (Reais Thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
7.01	Revenue	274,630	278,253
7.01.01	Sales of Goods, Products and Services	274,574	277,939
7.01.02	Other Revenue	611	242
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-555	72
7.02	Consumables acquired from third parties	-147,598	-143,764
7.02.01	Cost of goods and services sold	-111,549	-111,993
7.02.02	Material, Energy, Outsourced Services and Other	-36,576	-31,672
7.02.03	Loss/Recovery of Assets	527	-99
7.03	Gross Added Value	127,032	134,489
7.04	Retentions	-8,831	-6,344
7.04.01	Depreciation, Amortization and Depletion	-8,831	-6,344
7.05	Net Added Value Produced	118,201	128,145
7.06	Transferred Added Value	29,705	52,891
7.06.01	Equity in Net Income of Subsidiaries	4,377	3,044
7.06.02	Financial Revenue	25,328	49,847
7.07	Total Added Value to be Distributed	147,906	181,036
7.08	Distribution of Added Value	147,906	181,036
7.08.01	Personnel	47,205	42,604
7.08.01.01	Direct Remuneration	40,299	36,504
7.08.01.02	Benefits	4,299	3,820
7.08.01.03	F.G.T.S.	2,607	2,280
7.08.02	Taxes, Duties and Contributions	60,090	61,913
7.08.02.01	Federal	25,513	31,209
7.08.02.02	State	34,180	30,461
7.08.02.03	Municipal	397	243
7.08.03	Interest Expenses	46,835	65,735
7.08.03.01	Interest	44,346	63,753
7.08.03.02	Rent	2,489	1,982
7.08.04	Interest earnings	-6,224	10,784
7.08.04.03	Retained Earnings/Loss for the Period	-6,224	10,784

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

Account Code	Account Description	Current Quarter 3/31/2016	Previous Year 12/31/2015
1	Total Assets	1,329,592	1,351,893
1.01	Current Assets	608,388	639,604
1.01.01	Cash and Cash Equivalents	89,493	87,664
1.01.02	Short-term Investments	82,466	100,478
1.01.03	Accounts Receivable	198,947	208,367
1.01.03.01	Trade receivables	198,947	208,367
1.01.04	Inventory	202,728	205,291
1.01.06	Recoverable Taxes	19,237	22,775
1.01.06.01	Current Taxes Recoverable	19,237	22,775
1.01.06.01.01	Income taxes and contributions recoverable	4,074	6,020
1.01.06.01.02	Other Current Taxes Recoverable	15,163	16,755
1.01.08	Other Current Assets	15,517	15,029
1.01.08.03	Other	15,517	15,029
1.01.08.03.03	Advances to Suppliers	3,473	2,053
1.01.08.03.04	Other	12,044	12,976
1.02	Noncurrent Assets	721,204	712,289
1.02.01	Long-Term Assets	251,603	242,657
1.02.01.08	Related-party Credits	86,214	84,601
1.02.01.08.04	Other Related-party Credits	86,214	84,601
1.02.01.09	Other Noncurrent Assets	165,389	158,056
1.02.01.09.03	Judicial Deposits	67,581	59,924
1.02.01.09.04	Eletrobrás Receivables	48,621	48,621
1.02.01.09.05	Recoverable Taxes	9,395	10,477
1.02.01.09.06	Tax Asset	23,457	22,718
1.02.01.09.07	Actuarial Asset	9,676	9,676
1.02.01.09.08	Short-term Investments	6,004	5,826
1.02.01.09.09	Other	655	814
1.02.02	Capital expenditure	198	198
1.02.02.01	Equity Interests	198	198
1.02.02.01.04	Other Equity Interests	198	198
1.02.03	Property, plant and equipment	445,359	444,194
1.02.04	Intangible assets	24,044	25,240

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

Account Code	Account Description	Current Quarter 3/31/2016	Previous Year 12/31/2015
2	Total Liabilities	1,329,592	1,351,893
2.01	Current Liabilities	424,026	439,490
2.01.01	Social and labor obligations	30,417	29,015
2.01.02	Trade payables	123,417	127,352
2.01.03	Tax Obligations	25,584	20,400
2.01.03.01	Federal Tax Liabilities	25,584	20,400
2.01.03.01.01	Income taxes and contributions payable	1,130	571
2.01.03.01.02	Financing of Taxes	9,270	9,081
2.01.03.01.03	Taxes, Duties and Contributions	15,184	10,748
2.01.04	Loans and Financing	188,435	210,714
2.01.04.01	Loans and Financing	178,749	210,053
2.01.04.02	Debentures	9,686	661
2.01.05	Other liabilities	49,891	47,481
2.01.05.02	Other	49,891	47,481
2.01.05.02.04	Loans Assignment Suppliers	17,791	15,642
2.01.05.02.05	Customer Advances	15,341	15,301
2.01.05.02.06	Dividends Payable	7,666	7,667
2.01.05.02.08	Other	9,093	8,871
2.01.06	Provisions	6,282	4,528
2.01.06.02	Other Provisions	6,282	4,528
2.01.06.02.06	Provisions for profit-sharing	6,282	4,528
2.02	Noncurrent Liabilities	672,867	680,547
2.02.01	Loans and Financing	472,964	487,014
2.02.01.01	Loans and Financing	276,001	290,177
2.02.01.02	Debentures	196,963	196,837
2.02.02	Other liabilities	129,183	121,342
2.02.02.02	Other	129,183	121,342
2.02.02.02.03	Trade payables	55,290	47,923
2.02.02.02.06	Financing of Taxes	72,502	73,414
2.02.02.02.08	Other	1,391	5
2.02.03	Deferred Taxes	17,295	21,665
2.02.03.01	Deferred Income and Social Contribution Taxes	17,295	21,665
2.02.04	Provisions	53,425	50,526
2.02.04.02	Other Provisions	53,425	50,526
2.02.04.02.05	Provision for Contingencies	44,089	41,190
2.02.04.02.06	Provision for Long-term Incentive	9,336	9,336
2.03	Consolidated Shareholders' Equity	232,699	231,856
2.03.01	Realized Capital	99,565	99,565
2.03.04	Profit Reserves	139,193	139,193
2.03.04.01	Legal Reserve	0	15,113
2.03.04.05	Profit Retention Reserve	0	86,070
2.03.04.08	Additional Dividend Proposed	0	12,504
2.03.04.10	Unallocated Profit Reserve	0	25,506
2.03.05	Retained Earnings/Accumulated Losses	-5,924	0
2.03.08	Other Comprehensive Income	-149	-6,912
2.03.09	Minority Interests	14	10

Consolidated Statements / Income Statement - (Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
3.1	Revenue from goods sold and services rendered	241,361	241,356
3.2	Cost of goods and/or services sold	-151,789	-150,165
3.03	Gross Profit	89,572	91,191
3.04	Operating Income/Expenses	-76,911	-60,519
3.04.01	Sales Expenses	-61,146	-44,873
3.04.02	General and Administrative Expenses	-8,911	-7,534
3.4.4	Other Operating Income	273	166
3.4.4.1	Other Operating Income	273	166
3.4.5	Other Operating Expenses	-7,127	-8,278
3.4.5.1	Other Operating Expenses	-7,127	-8,278
3.5	Earnings before financial income/loss and tax	12,661	30,672
3.6	Financial Income/Loss	-19,620	-13,904
3.6.1	Financial Revenue	11,537	13,570
3.6.1.1	Financial Revenue	8,458	13,570
3.6.1.2	Net Exchange Variance	3,079	0
3.6.2	Financial Expenses	-31,157	-27,474
3.6.2.1	Financial Expenses	-31,157	-15,259
3.6.2.2	Net Exchange Variance	0	-12,215
3.7	Earnings before tax on net income	-6,959	16,768
3.8	Income and social contribution taxes on profit	739	-5,979
3.08.01	Current	-3,631	-9,473
3.08.02	Deferred charges	4,370	3,494
3.09	Net Earnings from Continued Operations	-6,220	10,789
3.11	Consolidated Net Income/Loss for the Period	-6,220	10,789
3.11.1	Attributed to Partners of the Parent Company	-6,224	10,784
3.11.2	Attributed to Minority Partners	4	5
3.99	Earnings per share - (Reais / Share)		
3.99.1	Basic Earnings per Share		
3.99.01.01	Common	-0.03927	0.06804
3.99.2	Diluted Earnings per Share		
3.99.02.01	Common	-0.03927	0.06804

Consolidated Statements - Comprehensive Income Statement - (Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
4.1	Consolidated Net Income for the Period	-6,220	10,789
4.2	Other Comprehensive Income	7,063	-11,248
4.02.02	Exchange variance of Overseas Subsidiary	7,063	-11,248
4.3	Consolidated Comprehensive Income for the Period	843	-459
4.3.1	Attributed to Partners of the Parent Company	839	-464
4.3.2	Attributed to Minority Partners	4	5

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

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
6.1	Net Cash from Operating Activities	46,068	-14,911
6.1.1	Cash Provided by Operating Activities	17,584	51,085
6.1.1.1	Profit/Loss for the year before tax	-6,959	16,768
6.1.1.2	Depreciation and Amortization	9,392	6,483
6.1.1.7	Provision for Contingencies	3,847	3,515
6.1.1.8	Provision for labor obligations	-2,950	-2,115
6.1.1.9	Provision for profit-sharing	1,754	3,784
6.1.1.10	Other Provisions	3,166	-1,105
6.1.1.13	Restatement of Tax Assets	-739	-422
6.1.1.14	Restatement of Credits with other related parties	-1,613	-1,641
6.1.1.15	Financial charges with financed taxes	1,605	1,553
6.01.01.17	Interest on loans provisioned for	16,463	6,620
6.1.1.19	Unrealized exchange variance PBA	7,063	-11,298
6.1.1.20	Unrealized exchange variance on loans	-13,445	28,943
6.1.2	Changes in Assets and Liabilities	35,936	-51,739
6.1.2.1	(Increase)/Decrease in Accounts Receivable	8,838	-18,835
6.1.2.2	Increase/(Decrease) in Customer Advances	40	3,012
6.1.2.4	(Increase)/decrease in Inventory	530	-3,386
6.1.2.5	(Increase)/decrease in Judicial Deposits	-7,657	-3,467
6.1.2.7	(Increase)/Decrease in recoverable taxes	2,674	-3,364
6.1.2.8	(Increase)/Decrease in restricted short-term investments	17,834	0
6.1.2.9	(Increase)/(Decrease) in other assets	1,091	-15,401
6.1.2.10	Increase/(decrease) in accounts payable	5,845	3,331
6.1.2.11	(Increase)/decrease in advance to suppliers	-1,420	-3,614
6.1.2.12	(Increase)/Decrease in Provisions for Contingencies	-948	0
6.1.2.13	Increase (decrease) in financing	-2,328	-2,188
6.1.2.14	Increase/(decrease) in tax and labor obligations	9,306	2,648
6.1.2.15	Increase/(Decrease) in investment accounts payable	0	-12,534
6.1.2.16	Increase/(decrease) in other accounts payable	2,131	2,059
6.01.03	Other	-7,452	-14,257
6.1.3.1	Interest Paid	-5,808	-5,773
6.1.3.2	Income and social contribution taxes paid	-1,644	-8,484
6.2	Net Cash from Investment Activities	-10,108	-38,644
6.2.1	Acquisition of property, plant and equipment	-9,242	-36,950
6.2.2	Acquisition of intangible assets	-866	-1,694
6.3	Net Cash from Financing Activities	-34,131	98,675
6.3.1	Obtainment of loans and financings	19,209	134,118
6.3.2	Payment of loans and financings	-53,339	-35,344
6.03.04	Dividends paid	-1	-99
6.5	Increase (Decrease) in Cash and Cash Equivalents	1,829	45,120
6.5.1	Opening Balance of Cash and Cash Equivalents	87,664	92,383
6.5.2	Closing Balance of Cash and Cash Equivalents	89,493	137,503

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2016 to 3/31/2016 (Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Income Comprehensive	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856
5.03	Adjusted Opening Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856
5.05	Total Comprehensive Income	0	0	0	-5,924	6,763	839	4	843
5.05.01	Net income for the period	0	0	0	-6,224	0	-6,224	4	-6,220
5.05.02	Other Comprehensive Income	0	0	0	300	6,763	7,063	0	7,063
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	300	-300	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	7,063	7,063	0	7,063
5.07	Closing Balances	99,565	0	139,193	-5,924	-149	232,685	14	232,699

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 3/31/2015 (Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Accumulated	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.03	Adjusted Opening Balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.05	Total Comprehensive Income	0	0	0	11,084	-11,548	-464	5	-459
5.05.01	Net Income for the Period	0	0	0	10,784	0	10,784	5	10,789
5.05.02	Other Comprehensive Income	0	0	0	300	-11,548	-11,248	0	-11,248
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	300	-300	0	0	0
5.05.02.08	Exchange Variance of Overseas Subsidiary	0	0	0	0	-11,248	-11,248	0	0
5.07	Closing Balances	76,565	0	143,749	11,084	5,408	236,806	15	236,821

Consolidated Financial Statements - Statements of Added Value - (Reais Thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 3/31/2016	Accrued Value of the Prior Year 1/1/2015 to 3/31/2015
7.01	Revenue	297,541	298,499
7.1.1	Sales of Goods, Products and Services	299,471	299,579
7.1.2	Other Revenue	-1,178	-1,152
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-752	72
7.2	Consumables acquired from third parties	-152,394	-149,293
7.2.1	Cost of goods and services sold	-111,361	-111,432
7.2.2	Material, Energy, Outsourced Services and Other	-41,560	-37,762
7.2.3	Loss/Recovery of Assets	527	-99
7.3	Gross Added Value	145,147	149,206
7.04	Retentions	-9,392	-6,484
7.04.01	Depreciation, Amortization and Depletion	-9,392	-6,484
7.5	Net Added Value Produced	135,755	142,722
7.6	Transferred Added Value	25,178	50,037
7.06.02	Financial Revenue	25,178	50,037
7.7	Total Added Value to be Distributed	160,933	192,759
7.8	Distribution of Added Value	160,933	192,759
7.08.01	Personnel	52,496	47,107
7.08.01.01	Direct Remuneration	44,897	40,475
7.08.01.02	Benefits	4,561	4,071
7.08.01.03	F.G.T.S.	3,038	2,561
7.8.2	Taxes, Duties and Contributions	66,512	68,149
7.08.02.01	Federal	31,781	37,330
7.08.02.02	State	34,315	30,563
7.8.2.3	Municipal	416	256
7.8.3	Interest Expenses	48,145	66,714
7.08.03.01	Interest	44,802	63,941
7.08.03.02	Rent	3,343	2,773
7.8.4	Interest earnings	-6,220	10,789
7.8.4.3	Retained Earnings/Loss for the Period	-6,224	10,784
7.8.4.4	- Minority interests in retained earnings	4	5

Management Report
In thousands of Reais, unless stated otherwise

COMMENT ON THE CONSOLIDATED PERFORMANCE 1Q16

PBG S.A. (BM&FBovespa: PTBL3 NM), the new name of Portobello S.A., hereby presents its results for the quarter ended March 31, 2016. The financial information presented in this document derives from the consolidated quarterly financial information of PBG S.A., prepared in accordance with the standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

About PBG S.A.

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

KEY FACTS

- Net Revenue of R$ 241 million, the same as the first quarter of 2015;
- Gross Profit Totaled R$ 90 million with a margin of 37.1%.
- EBITDA of R$ 22 million with a margin of 9.1%.
- Network of Portobello Shop franchises with 141 stores, an increase of 4% in the last 3 months.
- Major participation at the Revestir trade fair, with the brands Portobello and Pointer picking up 3 "*Best in Show*" awards.

MANAGEMENT COMMENTS

As became apparent towards the end of 2015, the first quarter promised and proved to be extremely challenging. With Brazil's economy continuing to deteriorate, PBG ended the first quarter with revised projections for the remainder of 2016.

According to the Brazilian Construction Material Industry Association (ABRAMAT), the finishing materials market shrank 18% in the quarter compared with the same quarter of 2015, while the Brazilian Association of Ceramic Tile Manufacturers (ANFACER) reported a 15% decline. In this context, PBG's sales remained level with 2015 and outperformed the broader market.

Despite the Pointer brand gaining in share of sales during the quarter, results for the period reflected a sales mix trending toward the lower end and higher commercial expenses on adjusting the customer service functions of distribution channels.

With stagnated sales growth, high inflation rates and interest, results were impacted by higher commercial and financial expenses. The effects were felt in PBG's business performance, with EBITDA declining 41% from 2015 to R$ 22 million, EBITDA margin decreasing to 9.1% from 15.4% in the same period of 2015, and with a net loss of R$ 6 million.

The first quarter brought some good news, however, despite the unfavorable economic environment. Expo Revestir, a veritable architecture and construction fashion week, took place in March. PBG brands Portobello and Pointer both featured prominently at the event, each receiving awards during the fair. Portobello was presented with an award for its "Cobogó Element" product, while Pointer received two Best in Show awards, including an award for best façade tile system and, unanimously, the grand architect and interior designer award. The success of the fair had a positive impact on maintaining sales levels.

Portobello's competitively priced and flexible product ranges, combined with a weakened Real, have also created attractive opportunities in the global market. Exports accounted for 16% of net revenue in the first quarter, up by 31% on the same period the previous year.

In thousands of Reais, unless stated otherwise

Portobello Shop is moving forward with its plans to open more stores. The chain currently consists of 141 franchises, and 7 owned stores. Our proprietary stores are part of a plan to enhance a unique franchise management model.

The Northeast manufacturing site and the Pointer brand, in turn, are undergoing a redesign in market strategy. As a younger business, both as a product and as brand, the Pointer division has been more significantly affected by the economic slowdown.

Strict cost and expense management, a reduction in investments and efforts to optimize the product mix have been maintained. As we prepare for a tougher first half, we remain confident in our strategy, business model, business management and competitive strengths.

ECONOMIC AND FINANCIAL PERFORMANCE

Consolidated net income	1Q14	1Q15	1Q16	▲%
Gross revenue	262,080	305,231	307,444	1%
Net revenue	206,540	241,356	241,361	0%
Gross profit	76,833	91,191	89,572	-2%
Gross margin	37.2%	37.8%	37.1%	-0,7 p.p.
Operating expenses	(48,192)	(60,519)	(76,911)	27%
Sales	(35,332)	(44,873)	(61,146)	36%
General and administrative	(7,349)	(7,534)	(8,911)	18%
Other income (expenses)	(5,511)	(8,112)	(6,854)	-16%
EBIT	28,641	30,672	12,661	-59%
EBIT Margin	13.9%	12.7%	5.2%	-7,5 p.p.
Financial income	(6,838)	(13,904)	(19,620)	41%
Tax on net income	(7,228)	(5,979)	739	-112%
Net income	14,555	10,789	(6,220)	-158%
Net Margin	7.0%	4.5%	-2.6%	-7 p.p.
EBITDA	35,045	37,156	22,053	-41%
EBITDA Margin	*17.0%*	*15.4%*	*9.1%*	-6,3 p.p.

Net Revenue

Portobello's consolidated net revenue amounted to R$ 241 million in 1Q16, virtually unchanged on 1Q15. Gross sales in the domestic finish materials market declined 18% in the first quarter, according to the Brazilian Construction Material Industry Association (ABRAMAT). Despite poor performance in the broader market, PBG has succeeded in maintaining sales momentum. Positive results from Expo Revestir and product launches for 2016, combined with good export performance and a differentiated sales strategy with *ad hoc* sales campaigns, were the primary highlights for the quarter.

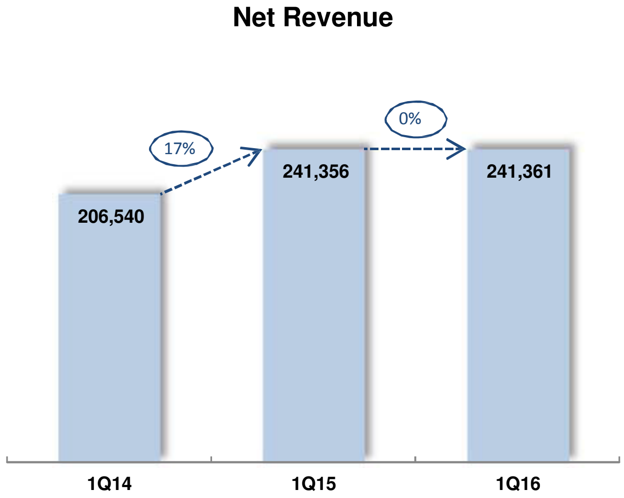
New launches in 2016 saw record orders this year. Closed deals at Expo Revestir were 20% higher than in the same period in 2015. In exports, approximately 200 customers from 33 countries visited the fair, and orders were received from 28 countries, demonstrating the Company's competitive strengths.

Domestic net revenue accounted for 84% of total net revenue and declined 4% compared with the same period in 2015. As previously discussed, the domestic market saw a two-digit decline in consumption, with the Company's efforts to maximize opportunities in the segment reducing impacts on sales.

Driven by a better exchange rate, the Company's net overseas revenue rose by 31% over the same period of 2015.

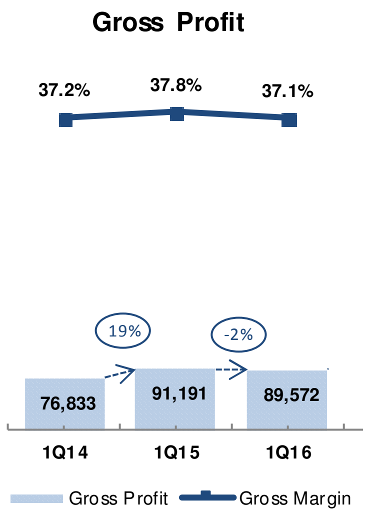
Management Report
In thousands of Reais, unless stated otherwise

Net revenue	1Q14	1Q15	1Q16	▲%
Domestic Market	184,947	211,730	202,493	-4%
Overseas Market	21,593	29,626	38,868	31%
Total	206,540	241,356	241,361	0%



Gross Profit

Gross profit amounted to R$ 90 million in the first quarter of 2016, down slightly by 2% on the same period the previous year. Gross margin declined 0.7 p.p., hurt by lower average prices on a more competitively priced product mix. The Alagoas site is currently in an initial stage of operations and ramping up toward maturity, but has already demonstrated efficient cost management and is currently focused on reviewing its market strategy.



Management Report
In thousands of Reais, unless stated otherwise

Operating Income

Sales expenses amounted to R$ 61 million in 1Q16, 36% greater than in the same period the previous year, primarily due to distribution and logistics investments, including the opening of new distribution centers and swapping of operators in new regions, in addition to higher expenses of Pointer and proprietary store operations. Growth in CIF (Cost, Insurance and Freight) sales to logistics operators has resulted in freight costs that are well above what they were in 2015, when CIF terms were less widely used. Freight expenses currently account for 22% of commercial expenses. In addition, a number of commercial and operations initiatives have created recurrent expenses which are not expected to occur in the following quarters.
The Company has also increased its marketing spend both to neutralize the effects of declining retail and construction company sales and to boost higher value-added product sales.

Administrative expenses of R$ 9 million were 18% higher than in the same period in 2015, largely affected by expenses in the Pointer business, which were immaterial in 1Q15. and remaining at 3.7% of net revenue.

Operating expenses	1Q14	1Q15	1Q16	▲%	%RL
Sales	(35,332)	(44,873)	(61,146)	36%	25%
General and administrative	(7,349)	(7,534)	(8,911)	18%	4%
Other income (expenses)	(5,511)	(8,112)	(6,854)	-16%	3%
Total	(48,192)	(60,519)	(76,911)	27%	32%

Other net operating expenses of R$ 7 million are largely explained by the cost of idle capacity as a result of the Northeast site adjusting production volumes to sales volumes.

EBITDA

The Company closed the first quarter with operating cash generation, as measured by EBITDA, of R$ 22 million, down by 41% over the same period of 2015, and a margin of 9.1%. This decrease was primarily due to the bedding in of new business lines (Pointer brands and distribution centers), which are more vulnerable to economic woes.

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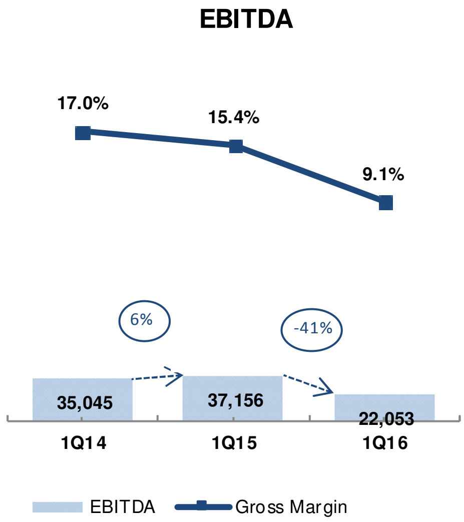
EBITDA	1Q14	1Q15	1Q16	▲%	%RL
Net income	14,555	10,789	(6,220)	-158%	-3%
(+) Financial income/expense	6,838	13,904	19,620	41%	8%
(+) Depreciation and amortization	6,424	6,484	9,392	45%	4%
(+) income and social contribution taxes	7,228	5,979	(739)	-112%	0%
EBITDA	35,045	37,156	22,053	-41%	9%
(+) Pre-Op. Alagoas Plant	-	3,602	-	-100%	0%
Adjusted EBITDA	35,045	40,758	22,053	-46%	9%

Management Report

In thousands of Reais, unless stated otherwise



Net Income

The net loss for the quarter was R$ 6 million. The poor performance is due a decrease in operating income and increase in debt service expenses. Income for the quarter was the lowest since the third quarter of 2008, when the US subprime mortgage crisis affected our US subsidiary.

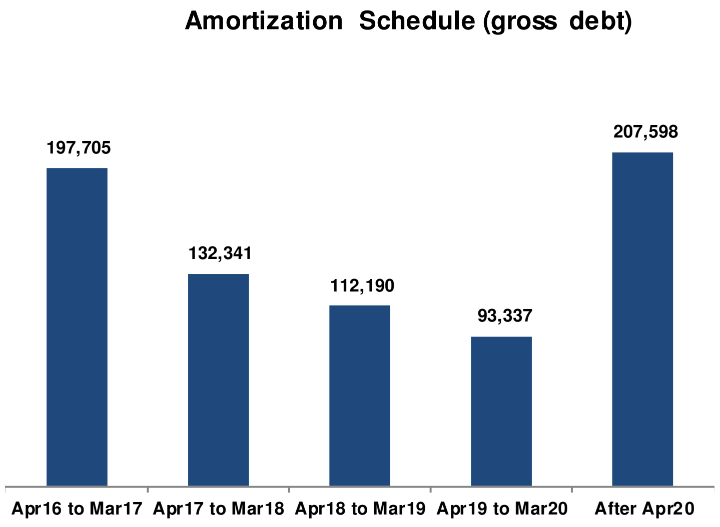
INDEBTEDNESS / CAPITAL STRUCTURE

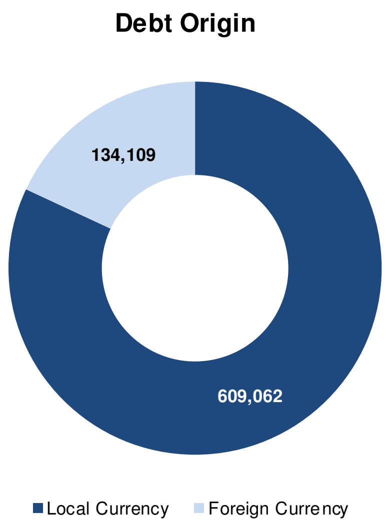
The Company's net debt was R$ 479 million at the end of March 2016, equal to 3.16x the EBITDA of the past twelve months and 2.06x the shareholders' equity. The gross debt stood at R$ 743 million, with approximately 27% maturing in the short term and 73% in the long term. The Company has worked to lengthen our debt maturities, maintain financial liquidity and improve our debt-to-EBITDA ratio through internal cash flow management initiatives.

Debt	Mar-14	Mar-15	Mar-16	▲R$
Bank	310,805	574,997	661,399	86,402
Tax	112,912	84,125	81,772	(2,353)
(=) Total debt	423,717	659,122	743,171	84,049
(+) Cash and cash equivalents	(24,330)	(137,503)	(177,963)	(40,460)
(+) Related-party credits	(96,215)	(90,534)	(86,214)	4,320
(=) Total net debt	303,172	431,085	478,994	47,909
EBITDA (last 12 months)	162,383	178,087	151,650	(26,437)
(=) Net debt / EBITDA	1.87	2.42	3.16	-
(=) Net debt / SE	1.46	1.82	2.06	-

Management Report

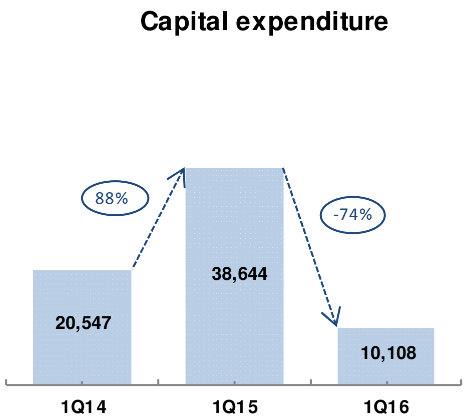
In thousands of Reais, unless stated otherwise





INVESTIMENTS

Capital expenditure totaled R$ 10 million in 1Q16 and largely related to the Tijucas plant upgrade (60%), the Alagoas site (23%) and investments in stores (13%).



The Company has also been investing in a new logistics market by creating distribution centers in strategic locations, and now has one in the state of Pernambuco, two in the state of São Paulo (Rio Claro and Jundiaí) and one in the state of Rio de Janeiro and one in Paraná state. New distribution centers do not require a capital disbursement, rather an increase in commercial expenses, as they are created in partnership with logistical operators.

SHAREHOLDER PAYMENTS AND MEETING RESOLUTIONS

The Annual General Meeting held April 29, 2016 approved Management's proposal to pay out minimum dividends of 25%. The amount payable is R$ 7,269 thousand, around R$ 0.046 per share (net of payments made in September 2015) and will be paid on July 4, 2016.

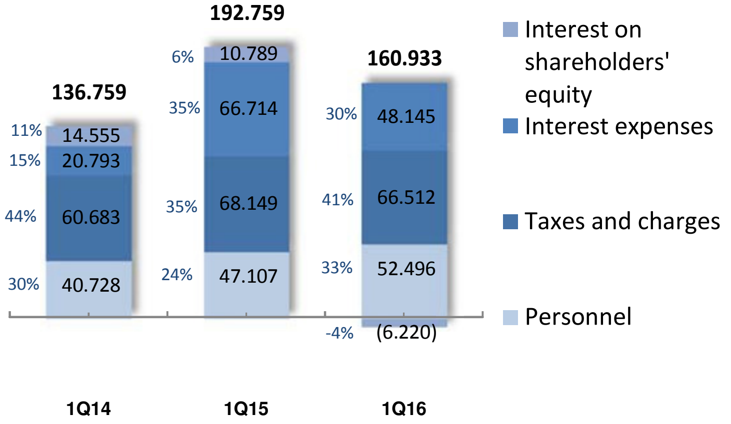
Total shareholder remuneration for financial year 2015 was R$ 12,505 thousand, which represents a yield of 3.83%.

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

Management Report
In thousands of Reais, unless stated otherwise

ADDED VALUE

The added value in 1Q16 was R$ 161 million (R$ 193 million in 1Q15). 41% of the total added value was used to pay federal, state and municipal taxes and contributions, 33% for staff salaries and 26% for shareholder and third-party compensation.

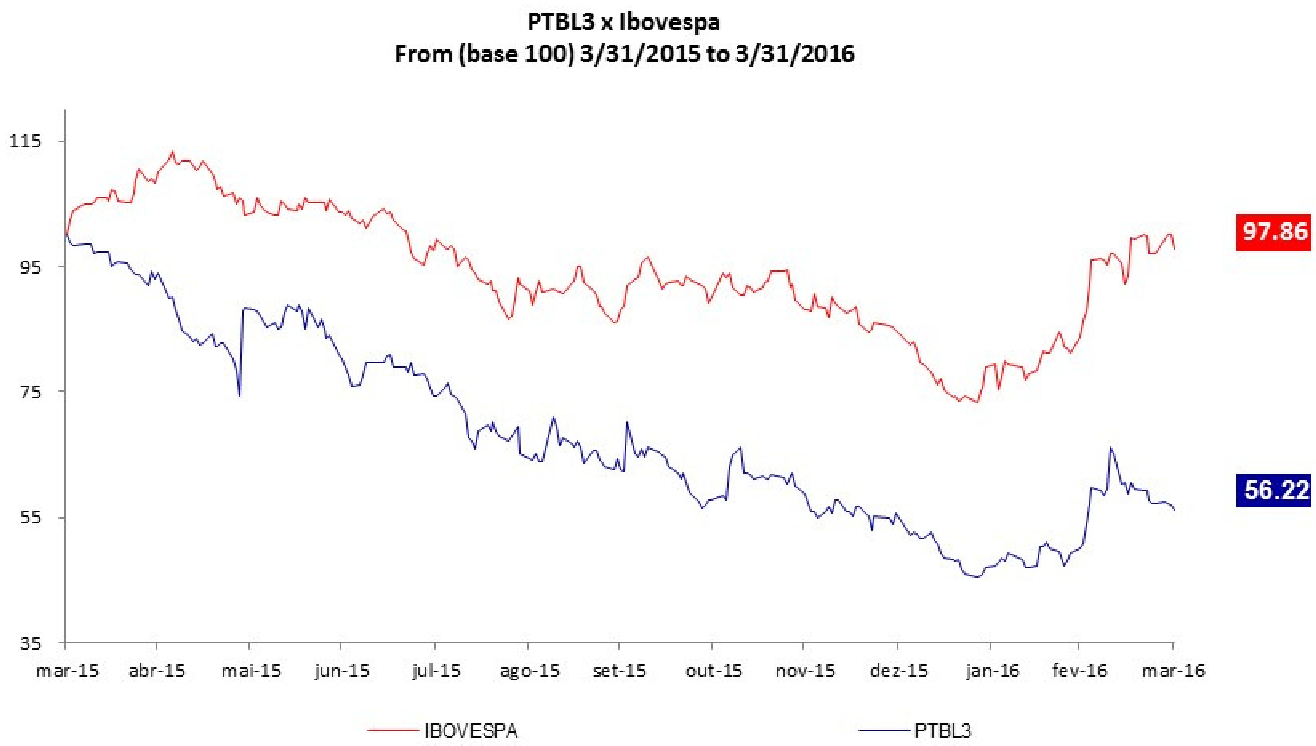


SHARE PERFORMANCE PTBL3

The common shares issued by PBG S.A., traded on BM&FBovespa under the code PTBL3, closed the last auction of March 2016 at R$ 2.08, resulting in a devaluation of 44% in the last twelve months, while Ibovespa dropped 2%.

The average financial volume traded in the last twelve was R$ 5.1 million, down by 46% compared with the R$ 9.5 million in the same period of 2015.

At the end of 1Q16, PBG S.A. had a market value equal to R$ 330 million (R$ 586 million as of March 31, 2015).



Management Report
In thousands of Reais, unless stated otherwise

OUTLOOK

- The Company believes the challenging economic conditions will continue throughout 2016, possibly with greater effects on retail, as engineering channel sales have already been affected by the real estate slowdown;
- To counter this Management has been implementing initiatives to maximize the profitability of existing assets, cash flow management and focus on existing competitive edges.
- Management will continue implementing actions by way of its commercial policies and product and channel mix management to mitigate the effects of the crisis, in addition to its expense containment plans, cost enhancement and investment reductions, seeking to readjust its cost structure to achieve the planned results.
- The Company also foresees challenges to keep its production costs in check in 2016, due to the increase in the exchange rate and cost inflation.
- Exports constitute the main alternative for mitigating domestic woes and are expected to rise in 2016.
- Portobello Shop is maintaining its expansion plans, and aims to achieve the milestone of 157 stores by the end of 2016;
- The Company believes that throughout 2016 the plant in Alagoas, via its Pointer brand, will reach maturity.

INDEPENDENT AUDIT

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

MANAGEMENT COMPOSITION

Board of Directors

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

Executive Board

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

TELECONFERENCE WITH WEBCAST

A teleconference in Portuguese will take place on May 18, 2016 to present the earnings figures for 1Q16.
Time: 9:00 AM (Brasília time).

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

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

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

1 Reporting entity

PBG S.A, the new name of Portobello S.A, herein also referred to as “Company” or “Parent Company”, is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under the code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011 and amended on December 9, 2014, and holds on March 31, 2016 53.99% of the company’s shares. The remaining 46.01% of the shares are held by several shareholders.

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

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

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

2 Presentation of interim information

These interim financial statements include:

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

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

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

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

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

The individual and consolidated interim quarterly information was authorized for issuance by the Board of Directors on May 12, 2016.

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

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

Pronouncements applicable to the Company from January 1, 2016

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

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

Pronouncements applicable to the Company from January 1, 2017

- IFRS 15 — Revenue from Contracts with Customers This pronouncement establishes principles for an entity to recognize income from transfer of products or services in the amount that reflects what the entity expects to receive in exchange for delivered product or rendered service. This rule also establishes 5 steps for income recognition. In addition, it provides instructions on disclosure of information to users about the nature, quantity, timeliness and uncertainty of income and cash flow deriving from contracts of the entity with clients. The Company is evaluating the possible effects from the implementation of the aforementioned pronouncement.

b) EmpresasNet (ENET) system

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

3 Significant accounting policies

Accounting practices and calculation methods adopted in the preparation of quarterly information as of March 31, 2016 are the same as those used in the preparation of the financial statements for the year ended December 31, 2015.

4 Critical accounting estimates and judgments

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

5 Financial risk management

5.1 Financial risk factors

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

f In thousands of Reais, unless stated otherwise

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

a) Market risk

i) Currency risk

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

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

	In reais			
	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Accounts receivable	44,263	47,775	44,263	47,775
Current account	8,021	594	8,021	594
Credit with subsidiaries	72,865	79,947	-	-
Assets exposed	125,149	128,316	52,284	48,369
Provision for devaluation of investments	(72,718)	(79,676)	-	-
Accounts payable, net of advances	(16,455)	(17,640)	(16,455)	(17,640)
Loans and financing	(134,109)	(175,283)	(134,109)	(175,283)
(-) Swap	53,935	76,630	53,935	76,630
Liabilities exposed	(169,347)	(195,969)	(96,629)	(116,293)
Net exposure	(44,198)	(67,653)	(44,345)	(67,924)

In thousands of Reais, unless stated otherwise

	In Euros				In Dollars			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Accounts receivable	259	458	259	458	7,517	9,412	7,517	9,412
Current account	-	-	-	-	2,254	152	2,254	152
Credit with subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for devaluation of investments	-	-	-	-	(20,433)	(20,392)	-	-
Accounts payable, net of advances	(1,734)	(1,468)	(1,734)	(1,468)	(2,478)	(2,953)	(2,478)	(2,953)
Loans and financing	-	-	-	-	(37,683)	(44,889)	(37,683)	(44,889)
(-) Swap	-	-	-	-	15,155	19,624	15,155	19,624
	(1,475)	(1,010)	(1,475)	(1,010)	(15,194)	(18,572)	(15,235)	(18,654)

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

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

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

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

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

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

b) Credit risk

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

c) Liquidity risk

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

f In thousands of Reais, unless stated otherwise

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

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

	Parent Company							
	March 31, 2016				December 31, 2015			
	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes
Less than one year	188,267	723	136,124	9,205	210,808	705	128,623	9,018
Between one and two years	228,154	938	55,290	18,992	252,243	1,124	47,923	18,618
Between two and five years	200,078	-	-	28,488	191,774	-	-	27,927
Over five years	52,823	-	-	24,533	51,303	-	-	26,374
	669,322	1,661	191,414	81,218	706,128	1,829	176,546	81,937

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

	Consolidated							
	March 31, 2016				December 31, 2015			
	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes	* Loans and debentures	Financial lease	Payable and assignment	Financing of Taxes
Less than one year	188,267	723	141,260	9,270	210,808	705	143,310	9,081
Between one and two years	229,318	938	55,290	19,120	253,353	1,124	47,923	18,744
Between two and five years	200,078	-	-	28,680	191,774	-	-	28,116
Over five years	52,823	-	-	24,702	51,303	-	-	26,554
	670,486	1,661	196,550	81,772	707,238	1,829	191,233	82,495

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

d) Sensitivity analysis

i) Sensitivity analysis of changes in the interest rates

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

On March 31, 2016 Management considered CDI rate at 14.15% and Selic of 14.25% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

In thousands of Reais, unless stated otherwise

	Consolidated in Reais							
	March 31, 2016	Risk	Probable		Possible (25%)*		Remote (50%)*	
Operation			%	R$	%	R$	%	R$
Investments (yielding 98.67% of CDI)	74,995	Write-off of CDI	14.15%	10,471	10.61%	7,853	7.08%	5,235
	74,995			10,471		7,853		5,235
Operation								
Working capital loans	(12,043)	Increase in CDI	14.15%	(1,704)	17.69%	(2,130)	21.23%	(2,556)
Loans - Export credit note	(141,913)	Increase in CDI	14.15%	(20,081)	17.69%	(25,101)	21.23%	(30,121)
Loans - Trade 4131 Swap	(29,432)	Increase in CDI	14.15%	(4,165)	17.69%	(5,206)	21.23%	(6,247)
Debentures	(206,648)	Increase in CDI	14.15%	(29,241)	17.69%	(36,551)	21.23%	(43,861)
Financing	(81,772)	Increase in Selic	14.25%	(11,653)	17.81%	(14,566)	21.38%	(17,479)
	(471,808)			(66,844)		(83,554)		(100,264)

*Possible and remote scenarios calculated at the probable rate.

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of March 31, 2016 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these financial statements as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais						
	March 31, 2016	Probable		Possible (25%)*		Remote (50%)*	
		Rate USD	Gain (Loss)	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Accounts receivable	44,263	4.070	6,357	5.088	11,066	6.105	22,132
Current account	8,021	4.070	1,152	5.088	2,005	6.105	4,011
Accounts payable, net of advances	(16,455)	4.070	(2,363)	5.088	(4,114)	6.105	(8,228)
Loans and financing	(134,109)	4.070	(19,260)	5.088	(33,527)	6.105	(67,055)
(-) Swap	53,935	4.070	7,746	5.088	13,484	6.105	26,968
Net exposure	(44,345)	4.070	(6,368)	5.088	(11,086)	6.105	(22,172)

*Possible and remote scenarios calculated at the probable rate.

5.2 Capital management

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

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

The financial leverage ratios on March 31, 2016 can be summarized as follows:

In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Loans and financing	660,235	696,618	661,399	697,728
Financing of Taxes	81,218	81,937	81,772	82,495
Less: Cash and cash equivalents	(81,875)	(81,761)	(89,493)	(87,664)
Credits with other related parties	(86,214)	(84,601)	(86,214)	(84,601)
Short-term Investments	(82,466)	(100,478)	(82,466)	(100,478)
Net debt	490,898	511,715	484,998	507,480
Total shareholders' equity	232,685	231,846	232,699	231,856
Total capital	723,583	743,561	717,697	739,336
Financial leverage index (%)	68	69	68	69

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

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Assets, loans and receivables				
Cash and cash equivalents	81,875	81,761	89,493	87,664
Trade receivables	184,876	175,837	198,947	208,367
Assets stated at fair value through profit or loss				
Call deposits	82,466	100,478	82,466	100,478
Derivatives	-	5,435	-	5,435
	349,217	363,511	370,906	401,944
Liabilities, other financial liabilities				
Trade payables	136,072	128,307	141,208	142,994
Loans, financing and debentures	660,235	696,618	661,399	697,728
Financing of Taxes	81,218	81,937	81,772	82,495
Derivatives	1,392	-	1,392	-
	878,917	906,862	885,771	923,217

In thousands of Reais, unless stated otherwise

6 Cash and cash equivalents

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Current account	10,959	5,553	14,497	9,147
Call deposits	70,916	76,208	74,996	78,517
	81,875	81,761	89,493	87,664

The short-term investments designated as cash equivalents denote interests in investment funds. The average yield of the fund in March 2016 was equal to 98.67% of the CDI rate (Interbank Deposit Certificate) and the amount can be redeemed at any time, without penalty.

7 Financial instruments

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

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

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

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

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

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

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

In thousands of Reais, unless stated otherwise

Contracts	Maturity	Notional Value	March 31, 2016	December 31, 2015
a) Law 4131	dec-17	28,774	(514)	(119)
b) Export Credit	nov-17	48,608	(592)	3,917
c) Law 4131	jun-16	15,368	(181)	1,097
d) Law 4131	aug-16	7,289	(105)	540
		100,039	(1,392)	5,435

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

8 Restricted short-term investments

As of March 31, 2016 the Company had short-term investments related to Debentures contracts amounting to R$ 82,466 (R$ 100,478 as of December 31, 2015) recorded as current assets, which will be released after the guarantee encumbrances have been recorded. The non-current assets are related to the contract with Banco do Nordeste do Brasil S/A.

9 Trade accounts receivable

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Third-party accounts receivable:				
Domestic customers	139,875	128,120	154,313	160,650
Overseas customers	44,263	47,775	44,263	47,775
	184,138	175,895	198,576	208,425
Accounts receivable from related parties:				
Entities related to management	2,461	1,280	2,461	1,280
	2,461	1,280	2,461	1,280
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(1,635)	(1,080)	(1,832)	(1,080)
Recomposition of nominal value to present value	(88)	(258)	(258)	(258)
	(1,723)	(1,338)	(2,090)	(1,338)
	184,876	175,837	198,947	208,367

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

	Parent Company	Consolidated
December 31, 2015	1,080	1,080
Provision for (reversal of) impairment of accounts receivable	555	752
March 31, 2016	1,635	1,832

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

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

In thousands of Reais, unless stated otherwise

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

	Parent Company							
	March 31, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Not yet due	176,526	176,526	-	-	169,633	169,633	-	-
Up to 30 days overdue	5,376	-	5,210	166	4,168	-	4,168	-
31 to 90 days overdue	2,426	-	2,009	417	1,576	-	1,536	40
Past due 91 to 360 days	1,932	-	1,168	764	1,248	-	747	501
More than 360 days overdue	339	-	51	288	550	-	11	539
	186,599	176,526	8,438	1,635	177,175	169,633	6,462	1,080

	Consolidated							
	March 31, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Not yet due	189,209	189,209	-	-	201,016	201,016	-	-
Up to 30 days overdue	5,614	-	5,427	187	4,731	-	4,731	-
31 to 90 days overdue	3,446	-	2,953	493	2,074	-	2,034	40
Past due 91 to 360 days	2,429	-	1,565	864	1,334	-	833	501
More than 360 days overdue	339	-	51	288	550	-	11	539
	201,037	189,209	9,996	1,832	209,705	201,016	7,609	1,080

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 23. Its sum is calculated based on a percentage of the residual balance of the debt. On March 31, 2016, the total amount of accounts receivable pledged as collateral was R$ 92,538 (R$ 97,780 on December 31, 2015).

10 Inventories

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Finished goods	168,604	167,498	168,806	167,701
Work in progress	5,909	5,756	5,909	5,756
Raw materials and consumables	34,863	33,410	34,863	33,410
Provision for valuation of inventory at realizable value	(8,202)	(6,169)	(8,202)	(6,169)
Imports in transit	1,352	4,593	1,352	4,593
	202,526	205,088	202,728	205,291

11 Advances to suppliers

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Domestic customers	3,591	2,528	2,870	1,785
Overseas customers	603	268	603	268
	4,194	2,796	3,473	2,053

In thousands of Reais, unless stated otherwise

12 Recoverable taxes

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Current				
ICMS (a)	11,554	12,313	12,086	12,821
IPI (b)	1,668	1,549	2,032	1,975
IRPJ/CSLL	3,623	4,964	4,074	6,020
PIS/COFINS	-	1,112	418	1,521
Other	364	215	627	438
	17,209	20,153	19,237	22,775
Non-current *				
ICMS	3,659	3,807	3,659	3,807
PIS/COFINS	5,736	6,670	5,736	6,670
	9,395	10,477	9,395	10,477

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

a) Presumed credit on imported products

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

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

In 2014, the Company hired a consulting company to perform a review on the ICMS tax, and some possibility was identified to use this credit, including for emergency purposes. Thus, as of March 31, 2016, from the amount of R$ 12,086 entered as current assets, R$ 3,817 are connected with recognition of the abovementioned ICMS tax credits, net of amounts already used.

b) Reduction of IPI rate percentages

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

13 Credits with other related parties

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

In thousands of Reais, unless stated otherwise

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

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

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and "Refinadora" signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On December 31, 2015, these credits that also originate in proceeding 87.00.00967-9, represent R$ 86,214 (R$ 84,601 on December 31, 2015) and are restated by the SELIC rate, according to the contract.

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

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

14 Judicial deposits

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

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

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Civil (a)	55,345	47,924	55,363	47,944
Labor	9,317	9,407	9,317	9,407
Tax	2,893	2,568	2,901	2,573
	67,555	59,899	67,581	59,924

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

15 Receivables - Eletrobrás

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

In thousands of Reais, unless stated otherwise

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

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

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

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

The amount presented as of March 31, 2016 is equal to R$ 48,621. The amount calculated by the experts is valid for August 2013, while the amount restated by the Company is restated up to July 2014, as mentioned earlier.

16 Income and social contribution taxes

a) Income and social contribution taxes on profit

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

	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Income tax	2,525	3,675	2,931	4,522	-	-	(821)	(415)
Social contribution	1,097	1,289	1,143	1,498	-	-	(309)	(156)
	3,622	4,964	4,074	6,020	-	-	(1,130)	(571)

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

b) Deferred income and social contribution taxes

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

In thousands of Reais, unless stated otherwise

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

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

	March 31, 2016	December 31, 2015
Tax loss carryforwards	2,901	-
Temporary differences assets	35,618	34,863
Exchange variance on cash basis	10,952	13,720
Provision for adjustment to market value	2,403	1,836
Provision for contingencies	9,808	9,605
Provision for PIS and COFINS with reduced ICMS base	4,689	3,902
Provision for profit-sharing and Long-term Incentive	4,872	4,275
Other temporary asset differences	2,894	1,525
Temporary differences liabilities	(55,814)	(56,528)
Portobello previdência	(3,291)	(3,291)
Realization of the revaluation reserve	(19,554)	(19,708)
Eletrobrás Receivables	(16,531)	(16,531)
Contingent asset - IPI credit premium - stage II	(7,975)	(7,724)
Adjustment to present value	(3,484)	(3,691)
Depreciation adjustment (to useful life of assets)	(4,979)	(5,583)
Deferred income and social contribution liabilities, net	(17,295)	(21,665)

The net changes in income tax and social contribution at March 31, 2016 were as follows:

	Parent Company and Consolidated
December 31, 2015	(21,665)
Tax loss carryforwards	2,901
Temporary differences assets	755
Temporary differences liabilities	560
Revaluation reserve	154
March 31, 2016	(17,295)

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

In thousands of Reais, unless stated otherwise

	March 31, 2016	March 31, 2015
Deferred tax asset debited (Credited) to net income		
Tax loss carryforwards	2,901	-
Exchange variance on cash basis	(2,768)	4,196
Provision for adjustment to market value	567	(21)
Provision for contingencies	203	471
Provision for PIS and COFINS with reduced ICMS base	787	718
Provision for profit-sharing and Long-term Incentive	597	1,152
Other temporary asset differences	1,369	(2,579)
	3,656	3,937
Realization of the revaluation reserve	154	154
Contingent asset - IPI credit premium - stage II	(251)	(144)
Adjustment to present value	207	(359)
Depreciation adjustment (to useful life of assets)	604	(94)
	714	(443)
	4,370	3,494

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

Income and social contribution tax expenses are as follow:

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Net income before income	(9,444)	13,569	(6,959)	16,768
Tax calculated based on local tax rates	3,211	(4,614)	2,366	(5,709)
Equity income of subsidiaries	1,488	1,035	-	-
Expenses nondeductible for tax purposes	(103)	512	(103)	512
Depreciation of revalued assets	(154)	(89)	(154)	(89)
Tax credits on tax losses and temporary differences	(4,442)	(3,123)	(4,590)	(4,187)
Current income tax for the year	-	(6,279)	(2,481)	(9,473)
Recording of deferred income and social contribution taxes	3,220	3,494	3,220	3,494
Income tax and social contribution expenses	3,220	(2,785)	739	(5,979)
Effective rate	34.1%	20.5%	10.6%	35.7%

17 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled ‘IPI premium credit’, in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to March 31, 2016 is R$ 17,961 (R$ 17,396 on December 31, 2015).

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

In thousands of Reais, unless stated otherwise

In recent months, the procedural status of this case has changed significantly. After a final and unappealable decision was delivered more than 10 years ago, the settlement and enforcement of the decision commenced, for which an expert report was prepared by a legal expert. The parties were notified of the amount calculated to state whether or not they accepted the expert calculation. The Company agreed with the calculations presented. The government, represented by the Prosecutions Department of the Ministry of Finance, did not state its position, thereby leading to tacit acceptance and preclusion. The case has therefore been sent the judge for sentencing and can no longer be contested. In 2015 the Company recognized the amount calculated by the legal expert of R$ 4,983. As the company believes that victory in this case is a foregone conclusion, it recorded the tax asset in June 2015, which restated up to March 31, 2016 stands at R$ 5,495 (R$ 5,322 as of December 31, 2015).

18 Contingent assets

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

19 Investment

a) Interest in subsidiaries

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

	Equity liquid	Net income do year	Percentage of interest	December 31, 2015	Changes n exchange	Net income Equity adjustments	March 31, 2016
Provision for devaluation of investments							
Portobello América Inc. (a)	(72,718)	(105)	100%	(79,677)	7,063	(105)	(72,719)
PBTech Ltda.	(1,585)	964	99.94%	(2,547)	-	963	(1,584)
Mineração Portobello Ltda.	(247)	54	99.76%	(302)	-	54	(248)
Companhia Brasileira de Cerâmica S/A	(892)	(872)	98.00%	(10,863)	-	(872)	(11,735)
				(93,389)	7,063	40	(86,286)
Investments - Interests in subsidiaries							
Portobello Shop S.A.	4,817	4,337	99.90%	480	-	4,337	4,817
				480	-	4,337	4,817
Total investment in subsidiaries				(92,909)	7,063	4,377	(81,469)

(a) On March 31, 2016 the Company presents provision for loss on investments of the subsidiary Portobello América Inc. in non-current liabilities. Management’s intention is to capitalize the subsidiary’s debt.

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

In thousands of Reais, unless stated otherwise

	Country of incorporation	Percentage interest	Assets	Liabilities	Revenue	Net income
December 31, 2015						
Portobello América Inc.	USA	100.00%	288	79,964	-	(88)
PBTech Ltda.	Brazil	99.94%	5,296	7,815	44,806	1,529
Portobello Shop S/A	Brazil	99.90%	23,148	22,668	64,693	20,612
Mineração Portobello Ltda.	Brazil	99.76%	1,527	1,829	5,699	(16)
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	27,643	11,731	62,311	(11,236)
March 31, 2016						
Portobello América Inc.	USA	100.00%	162	72,880	-	(105)
PBTech Ltda.	Brazil	99.94%	6,772	8,357	14,606	964
Portobello Shop S/A	Brazil	99.90%	29,331	24,514	14,885	4,337
Mineração Portobello Ltda.	Brazil	99.76%	2,271	2,518	1,853	54
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	6,097	1,454	(42)	(872)

b) Advance for future capital increase

The parent company PBG S.A. has an AFAC (advance for future capital increase) from the subsidiary Companhia Brasileira de Cerâmica of R$ 16,380 (R$ 27,321 as of December 31, 2015, classified in noncurrent assets.

c) Companhia Brasileira de Cerâmica

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

20 Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated	
		March 31, 2016			December 31, 2015	March 31, 2016	December 31, 2015
	Average annual depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Net value	Net value
Land		12,141	-	12,141	12,141	13,062	13,062
Buildings, Civil Works and Improvements	3%	199,389	(29,912)	169,477	164,853	167,919	163,773
Machinery and equipment	15%	497,368	(263,747)	233,621	224,665	233,621	224,665
Furniture and fixtures	10%	9,444	(8,037)	1,407	1,418	1,425	1,440
Computers	20%	18,182	(14,172)	4,010	4,123	4,030	4,147
Other PPE in progress	20%	208	(182)	26	30	7,652	5,494
Property, plant and equipment in progress		16,360	-	16,360	29,449	17,650	31,613
		753,092	(316,050)	437,042	436,679	445,359	444,194

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition (see note 31e).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the

In thousands of Reais, unless stated otherwise

Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2015.

b) Changes in the Property, Plant and Equipment

	Parent Company										
	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	March 31, 2016
Land	12,141	-	-	-	-	12,141	-	-	-	-	12,141
Buildings and improvements	100,944	-	69,163	(5,254)	-	164,853	-	6,320	(1,696)	-	169,477
Machinery and equipment	135,008	1,012	109,426	(20,462)	(319)	224,665	201	14,291	(5,536)	-	233,621
Furniture and fixtures	1,018	49	535	(184)	-	1,418	-	37	(48)	-	1,407
Computers	1,861	1,618	1,530	(886)	-	4,123	18	176	(307)	-	4,010
Other PPE in progress	41	-	-	(11)	-	30	-	-	(4)	-	26
Property, plant and equipment in progress	136,438	74,029	(181,018)	-	-	29,449	7,735	(20,824)	-	-	16,360
	387,451	76,708	(364)	(26,797)	(319)	436,679	7,954	-	(7,591)	-	437,042

	Consolidated										
	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	March 31, 2016
Land	13,062	-	-	-	-	13,062	-	-	-	-	13,062
Buildings and improvements	100,844	-	69,163	(6,234)	-	163,773	-	6,320	(2,174)	-	167,919
Machinery and equipment	135,008	1,012	109,426	(20,462)	(319)	224,665	201	14,291	(5,536)	-	233,621
Furniture and fixtures	1,041	52	535	(188)	-	1,440	-	37	(49)	(3)	1,425
Computers	1,891	1,622	1,530	(896)	-	4,147	24	170	(311)	-	4,030
Other PPE in progress	1,973	200	3,332	(11)	-	5,494	-	2,162	(4)	-	7,652
Property, plant and equipment in progress	138,766	77,326	(184,350)	-	(129)	31,613	9,017	(22,980)	-	-	17,650
	392,585	80,212	(364)	(27,791)	(448)	444,194	9,242	-	(8,074)	(3)	445,359

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

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2016	March 31, 2016	March 31, 2016
Cost of goods sold	6,837	4,638	6,837	4,638
Commercial expense	500	433	983	556
Administrative expense	254	218	254	222
	7,591	5,289	8,074	5,416

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In thousands of Reais, unless stated otherwise

21 Intangible assets

a) Breakdow

		Parent Company				Consolidated	
		March 31, 2016			December 31, 2015	March 31, 2016	December 31, 2015
	Average annual amortization rate	Cost	Accumulated amortization	Net value	Net value	Net value	Net value
Patents and trademarks	-	150	-	150	150	150	150
Software	20%	17,654	(12,714)	4,940	2,032	4,940	2,032
Mine exploration right	20%	1,000	(1,000)	-	773	1,058	1,164
Goodwill	-	-	-	-	-	7,039	7,039
Software under development	-	2,305	-	2,305	5,315	2,305	5,315
Management system (a)	21%	18,887	(10,335)	8,552	9,540	8,552	9,540
		39,996	(24,049)	15,947	17,810	24,044	25,240

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

b) Change in intangible assets

	Parent Company									
	December 31, 2014	Additions	Amortization	Transfer	December 31, 2015	Additions	Amortization	Transfer	Write-offs	March 31, 2016
Patents and trademarks	150	-	-	-	150	-	-	-	-	150
Software	139	1,802	(272)	363	2,032	-	(223)	3,131	-	4,940
Mine exploration right	50	1,015	(292)	-	773	-	(29)	-	(744)	-
Software under development	2,803	2,512	-	-	5,315	121	-	(3,131)	-	2,305
Management system	13,495	-	(3,955)	-	9,540	-	(988)	-	-	8,552
	16,637	5,329	(4,519)	363	17,810	121	(1,240)	-	(744)	15,947

	Consolidated									
	December 31, 2014	Additions	Amortiza tion	Transfer	December 31, 2015	Additions	Amortizat ion	Transfer	Write-offs	March 31, 2016
Patents and trademarks	150	-	-	-	150	-	-	-	-	150
Software	139	1,802	(272)	363	2,032	-	(223)	3,131	-	4,940
Mine exploration right	494	1,015	(345)	-	1,164	745	(107)	-	(744)	1,058
Goodwill	4,240	2,799	-	-	7,039	-	-	-	-	7,039
Software under development	2,803	2,512	-	-	5,315	121	-	(3,131)	-	2,305
Management system	13,495	-	(3,955)	-	9,540	-	(988)	-	-	8,552
	21,321	8,128	(4,572)	363	25,240	866	(1,318)	-	(744)	24,044

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

In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2016	March 31, 2016	March 31, 2016
Cost of goods sold	151	51	229	64
Commercial expense	704	704	704	704
Administrative expense	385	300	385	300
	1,240	1,055	1,318	1,068

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Software	824	1,099	1,069	1,059	849	40	-	-	-	-	4,940
Mine exploration right	329	426	38	38	38	38	38	38	38	37	1,058
Management system	3,174	3,673	1,692	13	-	-					8,552
	4,327	5,198	2,799	1,110	887	78	38	38	38	37	14,550

The brands and patents, goodwill and software items under development in the total amount of R$ 9,494 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

22 Trade payables and loan assignment

a) Trade accounts payable

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Domestic customers	103,829	96,740	108,965	111,427
Overseas customers	14,504	16,241	14,504	16,241
Decomposition of nominal value to present value	(52)	(316)	(52)	(316)
Current	118,281	112,665	123,417	127,352
Domestic market (a)	55,290	47,923	55,290	47,923
Non-current	55,290	47,923	55,290	47,923
	173,571	160,588	178,707	175,275

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

b) Supplier credit assignment

The Company made supplier credit assignments with first-rate financial institutions amounting to R$ 17,791 in 1Q16 and R$ 15,642 in 2015, in order to provide its partner suppliers more attractive credit facilities in order to maintain commercial relations.

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

In thousands of Reais, unless stated otherwise

23 Loans and financing

a) Loans and financing

	Currency	Maturities	Charges	Parent Company		Consolidated	
				March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Current							
Working Capital **(a)**	R$	Oct/2016	15.12% p.a.[1]	10,879	15,541	10,879	15,541
Financial lease (b)	R$	May/2018	11.48% p.a.	723	705	723	705
Banco do Nordeste S.A (c)	R$	Jun/2025	3.00% p.a.	9,495	9,015	9,495	9,015
BNDES (d)	R$	Mar/2016	- p.a.[1]	-	2,362	-	2,362
Law 4131 (e) - (note 7)	R$	Dec/2017	15.73% p.a.	15,146	14,488	15,146	14,488
Law 4131 (e) - (note 7)	USD	Aug/2016	15.71% p.a.[1]	12,346	24,482	12,346	24,482
NCE (f)	R$	Jan/2018	14.93% p.a.[1]	61,854	63,790	61,854	63,790
Prepayment (g)	USD	May/2018	5.16% p.a.+VC	4,462	4,896	4,462	4,896
PRODEC (h)	R$	Sep/2019	4.00% p.a.[1]	13,098	13,514	13,098	13,514
FINEP (i)	R$	May/2021	7.63% p.a.[1]	9,761	6,866	9,761	6,866
DEG (j)	USD	Oct/2021	5.71% p.a.+VC	12,233	12,497	12,233	12,497
FINAME (k)	R$	Aug/2023	3.00% p.a.[1]	423	415	423	415
ACC (l)	USD	Nov/2016	3.15% p.a.+VC	4,536	15,365	4,536	15,365
NCE (f) - (note 7)	USD	See i	15.40% p.a.	23,793	26,117	23,793	26,117
1st Series debentures (m)	R$	Nov/2022	17.69% p.a.	4,928	336	4,928	336
2nd Series debentures (n)	R$	Nov/2020	17.29% p.a.	4,758	325	4,758	325
Total current			12.52% p.a.[1]	188,435	210,714	188,435	210,714
Total local currency				131,065	127,357	131,065	127,357
Total foreign currency				57,370	83,357	57,370	83,357
Non-current							
Working Capital **(a)**	R$	Oct/2016	15.12% p.a.[1]	-	-	1,164	1,110
Financial lease (b)	R$	May/2018	11.48% p.a.	938	1,124	938	1,124
Banco do Nordeste S.A (c)	R$	Jun/2025	3.00% p.a.	78,364	76,446	78,364	76,446
Law 4131 (e) - (note 7)	R$	Dec/2017	15.73% p.a.	14,286	14,286	14,286	14,286
NCE (f)	R$	Jan/2018	14.93% p.a.[1]	38,472	48,716	38,472	48,716
Prepayment (g)	USD	May/2018	5.16% p.a.+VC	5,561	7,322	5,561	7,322
PRODEC (h)	R$	Sep/2019	4.00% p.a.[1]	35,188	33,934	35,188	33,934
FINEP (i)	R$	May/2021	7.63% p.a.[1]	28,307	19,986	28,307	19,986
DEG (j)	USD	Oct/2021	5.71% p.a.+VC	53,384	58,572	53,384	58,572
FINAME (k)	R$	Aug/2023	3.00% p.a.[1]	2,544	2,648	2,544	2,648
NCE (f) - (nota 7)	USD	See i	15.41% p.a.	17,794	26,032	17,794	26,032
1st Series debentures (m)	R$	Nov/2022	17.69% p.a.	98,481	98,419	98,481	98,419
2nd Series debentures (n)	R$	Nov/2020	17.29% p.a.	98,481	98,419	98,481	98,419
Total noncurrent			11.34% p.a.[1]	471,800	485,904	472,964	487,014
Total local currency				395,061	393,978	396,225	395,088
Total foreign currency				76,739	91,926	76,739	91,926
Grand Total			11.67% p.a.[1]	660,235	696,618	661,399	697,728
Total local currency				526,126	521,335	527,290	522,445
Total foreign currency				134,109	175,283	134,109	175,283

[1] Weighted average rate
VC - Exchange variance

f In thousands of Reais, unless stated otherwise

b) Contract details

Note	Contract	Date: Disbursement	Date: Maturity	Amount borrowed (R$ thousand)	Term (months)	Amortization	Grace Period (months)	Guarantees
(a)	Working Capital	set-15	out-16	R$ 20,000	13	Monthly		Receivables of Portobello SA at 20% of debit balance of contract
(b)	Financial lease	mai-15	mai-18	R$ 2,192	36	Monthly		Machinery and equipment
(c)	Banco do Nordeste	ago-14	jun-25	R$ 94,401	133	Monthly	24	Mortgage on property and machinery and equipment
	Contract entered into in 06/2013, R$ 147,700. The Bank released the 1st financing portion on 08/2014 in the amount of R$ 29,221 and the 2nd on01/2015 for R$ 45,765, the 3rd was released in 09/2015 for R$ 14,700, and the 4th on 03/2016 for R$ 4,713.							
(d)	BNDES	jan-13	jan-16	R$ 20,000	36	Monthly	13	Clean operation
	(Progeren)	mar-13	mar-16	R$ 10,000	36	Monthly	13	Receivables of Portobello SA at 50% of debit balance of contract
(e)	4131 Trade	dez-12	dez-17	R$ 50,000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		jul-15	jun-16	US$ 6,396	12	Quarterly	6	Clean operation
		set-15	ago-16	US$ 2,000	12	Quarterly	6	
(f)	Export Credit (NCE)	jan-13	dez-17	R$ 20,000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		abr-13	abr-16	R$ 30,000	36	Semi-annual	12	Receivables of Portobello SA at 20% of debit balance of contract
		mar-14	jan-17	R$ 15,000	35	Monthly	12	Receivables of Portobello SA at 50% of debit balance of contract
		mar-14	jan-17	R$ 13,300	35	Monthly	12	
		abr-14	mar-17	R$ 15,000	36	Monthly	12	
		mai-14	abr-17	R$ 15,000	35	Monthly	8	
		set-14	set-17	R$ 10,000	36	Quarterly	3	Clean operation
		nov-14	nov-17	US$ 15,000	36	Quarterly	12	Receivables of Portobello SA at 15% of debit balance of contract
		fev-15	jan-18	R$ 50,000	36	Quarterly	9	
(g)	Prepayment	jun-13	mai-18	US$ 5,000	60	Quarterly	15	Commercial pledge
(h)	PRODEC				48	Bullet	Bullet	-
	(Development Program of Empresa Catarinense) - Special Arrangement of Santa Catarina state obtained in July 2009. The balance is subject to the adjustment to present value, where the rate used for calculation purposes is the average of the working capital (12.58% per annum). The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008); with a grace period of 48 months, a term of 120 months and monetary restatement of 4% per annum and changes in the UFIR rate.							
(i)	Finep	jul-10	set-18	R$ 30,103	99	Monthly	24	Bank Guarantee
		All 5 financing portions have been released by the Bank, as follows: 1 - R$ 5,000 in 07/2010, 2 - R$ 5,100 in 08/2010, 3 - R$ 3,146 in 09/2010, 4 - R$ 5,572 in 12/2012 and 5th - R$ 11,282 in 08/2013.						
		jul-14	mai-21	R$ 25,107	84	Monthly	24	Bank Guarantee
		Contract entered into in 07/2014, for R$ 57,300, with Bank releasing 1st financing portion of R$ 12,627 the same month. The 2nd portion released on 01/2016 of R$ 12,479.						
(j)	DEG	mai-14	out-21	US$ 18,000	90	Semi-annual	23	Machinery and equipment and commercial papers
	This contract has covenants which were not performed, although the Company has obtained the waiver for 1Q16 and the balance is maintained in noncurrent.							
(k)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1,890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(l)	ACC	nov-15	nov-16	US$ 5,000	12	Bullet	Bullet	Clean operation
(m)	1st Series debenture	dez-15	nov-22	R$ 100,000	83	Semi-annual	24	Additional real and personal guarantees
(n)	2nd Series debenture	dez-15	nov-20	R$ 100,000	59	Semi-annual	24	Additional real and personal guarantees

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

The long-term loans have the following payment schedule:

	Parent Company		Consolidated	
Maturing April 01	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
2017	122,781	149,553	122,781	149,553
2018	101,466	98,435	102,630	99,545
2019 to 2025	247,553	237,916	247,553	237,916
	471,800	485,904	472,964	487,014

f In thousands of Reais, unless stated otherwise

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

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Reais	526,126	521,335	527,290	522,445
US Dollars	134,109	175,283	134,109	175,283
	660,235	696,618	661,399	697,728

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

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

Financial lease	March 31, 2016	December 31, 2015
Gross obligations (minimum payments)		
Less than one year	856	856
Total	856	856
Future financing charges	805	973
Present value of the Obligations	1,661	1,829
Present value of the Obligations		
Less than one year	723	705
Between one and five years	938	1,124
Total	1,661	1,829

c) Debentures

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

f In thousands of Reais, unless stated otherwise

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

Detail of operation by series		
Series	1st	2nd
CVM Registration No	480/09	
Assets Code	PTBL12	PTBL22
Issue Date	11/26/2015	
Maturity Date	11/26/2022	11/26/2020
Volume R$	100,000,000.00	100,000,000.00
No. Debentures	1,000	1,000
Nominal Unit Value R$	100,000.00	100,000.00
Means	Registered and book-entered	
Type	Additional real and personal guarantees	
Convertible	Not convertible into Issuer shares	
Restatement	There will be no monetary restatement of the nominal value	
Compensation	DI rate + 3.55% per annum (year of 252 days)	DI rate + 3.15% per annum (year of 252 days)
Payment of Compensation	Semi-annual, with first compensation date on 5/26/2016	
Amortisation	To be amortised in 11 (eleven) consecutive semi-annual payments commencing 24 (twenty-four) months as from the Issuance Date, with the first payment on November 26, 2017.	to be amortised in 7 (seven) consecutive semi-annual payments commencing 24 (twenty-four) months as from the Issuance Date, with the first payment on November 26, 2017.
Corporate Acts:	Board meeting held 11/17/2015	
Covenants	Division of Net Debt over EBITDA <= 3.35 times (2015), 3.00 (2016), 2.75 (2017), 2.65 (2018), 2.50 (2019, 2020 and 2021) and 3.00 (from 2022).	
	Division of Current assets over Current liabilities >= 1.15 times	

On March 31, 2016 the Net Debt over EBITDA ratios were not achieved in the debenture covenant calculation. However, a breach only arises when the covenant is not met in two consecutive quarters.

24 Financing of tax liabilities

			Parent Company		Consolidated	
	Financing application					
Tax liabilities	Date	Outstanding instalments	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
LAW 11941/09 (a)	Nov/09	103	81,218	81,937	81,772	82,495

The payment schedule for these commitments are as follows:

f In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
Maturity	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
2016	6,831	9,018	6,879	9,081
2017 to 2023 (*)	66,472	65,163	66,920	65,604
2024	7,915	7,756	7,973	7,810
	81,218	81,937	81,772	82,495
Current	9,205	9,018	9,270	9,081
Non-current	72,013	72,919	72,502	73,414

(*) Seven annual instalments of R$ 9,496 as of March 31, 2016 and R$ 9,309 as of December 31, 2015 for the Parent company and R$ 9,560 and R$ 9,372 respectively for Consolidated.

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

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

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

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

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

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

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

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

f In thousands of Reais, unless stated otherwise

In the remote chance the PGFN's decision is upheld by the highest court, which the Company believes to be remote based on the opinion of its legal advisers, the impact on the Company's net income would be a loss of R$ 22,421 as of March 31, 2016, considering the derecognition of the debt, the inexistence of benefits and maintaining the debits as a contingent liability, where any tax liability will be settled by the credits deriving from case 1998.34.00.029022-4, as mentioned in note 18.

26 Taxes and contributions

As of March 31, 2016, taxes, rates, and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Withholding Income Tax	1,355	2,251	1,629	2,660
ICMS	11,777	7,245	11,847	7,189
PIS/COFINS	286	-	989	455
Other	592	344	719	444
	14,010	9,840	15,184	10,748

27 Provision for contingencies

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

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

Amount provisioned for	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Civil	7,785	7,794	7,898	7,909
Labour claims	21,074	20,823	21,074	20,823
Tax	15,117	12,458	15,117	12,458
	43,976	41,075	44,089	41,190
Noncurrent	43,976	41,075	44,089	41,190

f In thousands of Reais, unless stated otherwise

As of March 31, 2016 there were no contingencies for which realization is expected in less than 12 months.

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

	Parent Company			Total
	Civil	Labor	Tax	
December 31, 2015	7,794	20,823	12,458	41,075
Debited (credited) to income statement:	235	944	2,659	3,838
Additional provisions	196	158	2,293	2,647
Reversals due to nonuse	(150)	(78)	-	(228)
Monetary restatement (note 34)	189	864	366	1,419
Reversals due to realization	(244)	(693)	-	(937)
March 31, 2016	7,785	21,074	15,117	43,976

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2015	7,909	20,823	12,458	41,190
Debited (credited) to income statement:	244	944	2,659	3,847
Additional provisions	197	158	2,293	2,648
Reversals due to nonuse	(150)	(78)	-	(228)
Monetary restatement (note 34)	197	864	366	1,427
Reversals due to realization	(255)	(693)	-	(948)
March 31, 2016	7,898	21,074	15,117	44,089

Comments on civil, labor and tax lawsuits:

Civil

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

Labor claims

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

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

Change to the criteria for correcting labor debits

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

Tax

a) INSS on Cooperatives

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

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

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

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

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

The Company filed a petition for a writ of mandamus with aims to change the calculation base for the PIS (Social Integration Program) and the COFINS (Social Security Financing Contribution) taxes upon the exclusion of the ICMS tax. The Federal Courts of Santa Catarina State rendered a merit judgment in favor of excluding the ICMS from the calculation base, and the amount as of March 31, 2016 is R$ 13,792 (R$ 11,475 as of December 31, 2015).

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

f In thousands of Reais, unless stated otherwise

c) PIS and COFINS on financial revenue

In September 2015 the Company filed a Writ of Mandamus in order to stay PIS/COFINS on financial revenue. The amounts are determined and paid monthly via court deposits. The balance of the provision as of March 31, 2016 is R$ 724 (R$ 382 as of December 31, 2015).

28 Lawsuits with possible loss

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

	Parent Company		Consolidated	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Civil	2,560	2,677	2,665	2,977
Labour claims	8,387	8,581	8,387	8,581
	10,947	11,258	11,052	11,558

a) Administrative Proceeding 10983.721445/2014-78

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

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

In thousands of Reais, unless stated otherwise

29 Employee benefits

29.1 Private pension plan

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

The main actuarial assumptions used were:

	Parent Company
	March 31, 2016 and 2015
Economic hypotheses	
Discount rate	6% p.a. (real)
Expected rate of return on assets	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years
Increase in social security benefits and limits	2% p.a. (real) from 48 years
Inflation	Disregarded
Capacity factor	
Salaries	100%
Benefits	100%
Demographic hypotheses	
Mortality table	AT 83
Mortality table of disabled people	Exp. IAPC
Disability rate table	Hunter with Álvaro Vindas

29.2 Employee benefit expenses

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Compensation	32,137	27,504	35,773	30,380
Benefits				
Pension plans	296	269	297	286
Government Severance	2,607	2,280	3,038	2,561
Other	4,002	3,551	4,264	3,785
Total	39,042	33,604	43,372	37,012

30 Long-term incentive

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

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

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

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

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

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

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

31 Shareholders' equity

a) Capital

As of March 31, 2016 the Company has a subscribed and paid-in capital of R$ 99,565 (R$ 99,565 on December 31, 2015) comprising 158,488,517 common nominative shares with no par value.

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

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

On March 31, 2016 there were 72,619,371 outstanding shares, equivalent to 45.82% of total shares issued (72,769,371 on December 31, 2015, equivalent to 45,91% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

b) Legal reserve

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

c) Profit retention reserve

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

d) Profits at the disposal of the AGM

The "Profit reserves to be allocated" as of March 31, 2016 amounts to R$ 38,010 refers to the remaining retained earnings balance for FY 2015, after allocation of 5% to the legal reserve and 25% minimum mandatory dividends.

At the General Meeting, Company management will propose to allocate the reserves in accordance with Article 199 of Law 6404/76 (Brazilian corporation law).

Following the allocation of the net income determined in FY 2015 in accordance with the law and the Company's bylaws, the balance of the profits reserves exceeded the share capital, which is why the company is proposing to allocate the surplus in the capital increase, to be resolved by the general meeting, in accordance with article 199 of Law 6404/76.

e) Equity evaluation adjustment - Deemed cost

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

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

The balance of the adjustment to company assets, net of deferred taxes, amounts to R$ 37,958 on March 31, 2016 (R$ 38,258 on December 31, 2015), the expense of depreciation of the re-appraisal, in the quarter ended March 31, 2016, was R$ 300 (R$ 618 on December 31, 2015), and the balance of deferred income tax and social contributions adjustments to equity evaluation recorded in non- current liabilities is R$ 19,554 (R$ 19,708 on December 31, 2015), see Note 16(b).).

In addition to the aforementioned deemed cost of R$ 37,958, the balance of the equity appraisal adjustment of R$ 149 charged to the item consists of the balances of accumulated translation adjustments of R$ 34,647 and other comprehensive income of R$ 3,460, both charged to items, as per the statement of changes in shareholders' equity.

Note to the financial statements

In thousands of Reais, unless stated otherwise

32 Revenue

The reconciliation of gross income to net income, presented in the statement of income for the quarter ended March 31, 2016, is as follows.

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Gross sales revenue	283,554	284,389	307,444	305,231
Deductions from gross revenue	(62,468)	(60,994)	(66,083)	(63,875)
Sales taxes	(53,488)	(54,544)	(56,630)	(57,092)
Returns	(8,980)	(6,450)	(9,453)	(6,783)
Net sales revenue	221,086	223,395	241,361	241,356
Domestic customers	187,576	195,405	202,493	211,730
Overseas customers	33,510	27,990	38,868	29,626

33 Expenses by nature

The cost of goods sold, selling expenses and administrative expenses for the quarter ended March 31, 2016 are as follow:

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Costs and expenses				
Cost of Goods and/or Services Sold	(151,754)	(150,714)	(151,789)	(150,165)
Selling Expenses	(48,876)	(35,611)	(61,146)	(44,873)
General and Administrative	(8,511)	(7,252)	(8,911)	(7,534)
	(209,141)	(193,577)	(221,846)	(202,572)
Breakdown of expenses by nature				
Changes in inventory of finished good and goods in progress (a)	1,779	(6,863)	1,757	(6,861)
Direct production costs (raw materials and consumables)	84,522	74,388	82,734	72,993
General production expenses (including maintenance)	6,444	10,979	6,443	10,979
Cost of goods resold	18,826	43,197	20,445	44,028
Expense on transportation of goods sold	1,804	1,194	1,809	1,194
Salaries, charges and employee benefits	48,330	37,923	53,749	42,076
Labor and outsourced services (c)	18,515	7,626	19,246	8,459
Amortization and depreciation	8,828	6,344	9,389	6,484
Rental and operating lease expenses	2,489	1,982	3,343	2,773
Sales commission	6,208	5,611	6,600	5,905
Advertising and marketing expenses	2,151	1,251	4,214	2,687
Other commercial expenses	7,645	8,649	10,384	10,485
Other administrative expenses	1,600	1,296	1,733	1,370
Total	209,141	193,577	221,846	202,572

(a) A variação nos estoques de produtos acabados e produtos elaboração é a diferença entre o custo do produto produzido e o custo do produto vendido, podendo ficar com saldo negativo pelas baixas de CPV referente produtos que foram produzidos periodos anteriores que contemplavam a conta de estoque.

(b) O crescimento desses gastos, ocorreram basicamente função da não adesão a tributação do INSS através da desoneração da folha de pagamento 2016. Até 2015 a Companhia tributava o INSS de acordo com as regras de desoneração da folha de pagamento, registrando os valores como dedução da receita bruta.

(c) O crescimento desses gastos referem-se a despesas com serviços logísticos dos novos centros de distribuição.

In thousands of Reais, unless stated otherwise

34 Other net operating income and expenses

Other individual and consolidated operating income and expenses for the quarter ended March 31, 2016 are as follows:

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Other operating revenue				
Service revenue	175	36	175	33
Other revenue	98	129	98	133
Total	273	165	273	166
Other operating expenses				
Provision for contingencies (note 27)	(407)	(492)	(426)	(534)
Provision for Long-term Incentive (note 30)	(392)	(802)	(392)	(931)
Provision for profit sharing (a)	(1,564)	(2,587)	(1,564)	(3,028)
Preoperating expenses Alagoas Plant	-	(1,453)	-	(3,602)
Idleness cost (b)	(4,391)	-	(4,391)	-
Other expenses	(266)	(219)	(354)	(183)
Total	(7,020)	(5,553)	(7,127)	(8,278)
Net total	(6,747)	(5,388)	(6,854)	(8,112)

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

(b) Expenses on adjusting production equipment in order to adjust production to demand in the North East market.

35 Financial income

The individual and consolidated financial income for the quarter ended March 31, 2016 is as follows:

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Finance income				
Interest	5,565	2,887	5,746	3,051
Asset restatement	2,482	2,473	2,482	2,473
Income from Swap Transactions (a)	-	7,840	-	7,840
Other	216	181	230	206
Total	8,263	13,381	8,458	13,570
Finance costs				
Interest	(8,901)	(7,985)	(9,007)	(8,041)
Financial charges on taxes	(1,680)	(1,594)	(1,695)	(1,606)
Breakdown of Discount for Provision for Contingencies	(1,419)	(1,008)	(1,424)	(1,011)
Income from Swap Transactions (a)	(7,976)	-	(7,976)	-
Provision for debenture interest	(9,034)	-	(9,034)	-
Income tax on interest and IOF	(520)	(2,558)	(536)	(2,561)
Other	(1,201)	(1,926)	(1,485)	(2,040)
Total	(30,731)	(15,071)	(31,157)	(15,259)
Net exchange variance				
Trade receivables and payables	(9,450)	8,311	(9,820)	8,311
Loans and financing	12,899	(20,526)	12,899	(20,526)
Total	3,449	(12,215)	3,079	(12,215)
Net total	(19,019)	(13,905)	(19,620)	(13,904)

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

In thousands of Reais, unless stated otherwise

36 Earnings per share

a) Basic

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

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Profit attributable to shareholders	(6,224)	10,784	(6,224)	10,784
Weighted average of common shares	158,489	158,489	158,489	158,489
Basic earnings per share	(0.0393)	0.0680	(0.0393)	0.0680

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

b) Diluted

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

37 Dividends

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

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

38 Segment reporting

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

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

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

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

In thousands of Reais, unless stated otherwise

Information per business segment, reviewed by the Executive Board:

	March 31, 2016			March 31, 2015		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	202,493	38,868	241,361	211,730	29,626	241,356
Cost of goods sold	(131,943)	(19,846)	(151,789)	(131,695)	(18,470)	(150,165)
Gross operating profit	70,550	19,022	89,572	80,035	11,156	91,191
Net operating income (expenses)	(68,003)	(8,908)	(76,911)	(54,100)	(6,419)	(60,519)
General, administrative and sales	(62,065)	(7,992)	(70,057)	(45,964)	(6,443)	(52,407)
Other net operating income (expenses)	(5,938)	(916)	(6,854)	(8,136)	24	(8,112)
Operating income before financial income/expenses	2,547	10,114	12,661	25,935	4,737	30,672
% over ROL	1%	26%	5%	12%	16%	13%

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

39 Commitments

a) Commitments for the acquisition of assets

Expenditures contracted on the balance sheet date but not yet incurred referring to Property, plant and equipment on March 31, 2016 totaled R$ 2,663.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on March 31, 2016 and December 31, 2015, amount to R$ 690 and R$ 699, respectively, for less than one year. For more than one year and less than five years, R$ 743 and R$ 904, respectively.

40 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On March 31, 2016, coverage for fire, lightning strikes and explosions of any nature was R$ 84,000, for windstorm and smoke with impact of vehicles, R$ 25,000, for loss of profit, R$ 51,115, and for electric damage, riots and civil liabilities, R$ 5,600. The policy is in force from April 14, 2015 to June 13, 2016.

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

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

41 Related companies and parties

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

In thousands of Reais, unless stated otherwise

Nature	Transactions with related parties	March 31, 2016	December 31, 2015
Assets			
Dividends receivable	Portobello Shop S.A.	14,850	14,850
Accounts receivable	Portobello América, Inc.	72,865	79,947
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	4,170	4,268
Trade receivables	Portobello Shop S.A.	75	48
Credits with Subsidiaries - Noncurrent		77,110	84,263
Credits with other related parties	Refinadora Catarinense S.A.	86,214	84,601
Liabilities			
Prepaid dividends	Portobello Shop S.A.	-	5,763
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,047	752
Accounts receivable net of advance	Solução Cerâmica Com. Ltda.	424	10
Accounts receivable net of advance	Flooring Revest. Cer. Ltda.	311	523
		1,782	1,285

Nature	Transactions with related parties	March 31, 2016	March 31, 2015
Revenue			
Sale of goods	Solução Cerâmica Com. Ltda.	5,045	4,785
Sale of goods	Flooring Revest. Cer. Ltda.	1,950	1,925
Sale of goods	PBTech Com. Serv. Cer. Ltda.	3,657	3,726
Expenses			
Purchases of goods	Mineração Portobello Ltda.	(1,788)	(1,394)
Rent	Gomes Participações Societárias Ltda.	(90)	(114)
		8,774	8,928

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

Related party transactions

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

Transactions with related parties	Nature	March 31, 2016	December 31, 2015	Nature	March 31, 2016	March 31, 2015
	Assets			Revenue		
Solução Cerâmica Com. Ltda.	Accounts receivable	675	361	Royalties	1,257	1,197
Flooring Revest. Cer. Ltda.	Accounts receivable	209	168	Royalties	505	516
		884	529		1,762	1,713

Note to the financial statements

In thousands of Reais, unless stated otherwise

Compensation of key management personnel

The compensation paid to key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended March 31, 2016 are:

	Parent Company		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Fixed compensation				
Salaries	3,079	2,586	3,450	3,059
Fees	1,150	1,078	1,150	1,078
Variable compensation	419	355	486	421
Short-term direct and indirect employee benefits				
Pension plans	234	217	234	229
Other	499	354	598	418
Severance benefits	-	51	-	51
	5,381	4,641	5,918	5,256

Report on the quarterly information review - ITR

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

Introduction

We have reviewed the interim, individual and consolidated financial statements of the company PBG S.A. ("Company"), contained in the Quarterly Information Form - IRT for the quarter ended March 31, 2016, consisting of the balance sheets as of March 31, 2016 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders' equity and statements of cash flows for the three- month period then ended, in addition to the notes to the financial statements.

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

Review scope

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

Conclusion about the individual interim information

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

Conclusion about the consolidated interim information

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

Report on the quarterly information review - ITR

Other matters

Statements of Added Value

We have also reviewed the individual and consolidated Statements of added value (DVA) for the three-month period ended March 31, 2016, prepared by Company management, the presentation of which in the interim information is required by the standards issued by the CVM - Brazilian Securities Commission applicable to the preparation of the Quarterly Information - ITR and is considered supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the same review procedures described above and based on our review we are not aware of any facts that lead us to believe they have not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Florianópolis, May 12, 2016

KPMG Auditores Independentes
CRC SC-000071/F-8

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

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

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

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 3/31/2016;

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 3/31/2016.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Vice-President

John Shojiro Suzuki - CFO and Investor Relations Officer

Mauro do Valle Pereira - Officer

Tijucas, May 12, 2016.