
PortobelloGrupo

Contents

Company Data / Capital Breakdown

Number of Shares (thousand)	Current Quarter 6/30/2017
Issued Capital	
Common	158,488
Preferred	0
Total	158,488
Treasury stock	
Common	0
Preferred	0
Total	0

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

Account Code	Account Description	Current Quarter 6/30/2017	Previous Year 12/31/2016
1	Total Assets	1,310,644	1,300,544
1.01	Current Assets	528,390	529,775
1.01.01	Cash and Cash Equivalents	84,438	100.085
1.01.03	Accounts Receivable	213,111	202,658
1.01.03.01	Trade receivables	213,111	202,658
1.01.04	Inventories	181,751	185,605
1.01.06	Recoverable Taxes	22,601	16,943
1.01.06.01	Current Taxes Recoverable	22,601	16,943
1.01.06.01.01	Income taxes and contributions recoverable	4,123	4,330
1.01.06.01.02	Other Current Taxes Recoverable	18,478	12,613
1.01.08	Other Current Assets	26,489	24,484
1.01.08.03	Other	26,489	24,484
1.01.08.03.01	Dividends Receivable	12,343	15,893
1.01.08.03.03	Advances to Suppliers	4,033	3,025
1.01.08.03.04	Other	10,113	5,566
1.02	Noncurrent Assets	782,254	770,769
1.02.01	Long-Term Assets	330,373	330,824
1.02.01.08	Related-party Credits	163,080	158,473
1.02.01.08.02	Credit with Subsidiaries	70,631	69,050
1.02.01.08.04	Other Related-party Credits	92,449	89,423
1.02.01.09	Other Noncurrent Assets	167,293	172,351
1.02.01.09.03	Judicial Deposits	87,312	81,693
1.02.01.09.04	Receivables - Eletrobrás	32,208	32,208
1.02.01.09.05	Recoverable Taxes	5,732	6,124
1.02.01.09.06	Tax Asset	28,337	26,735
1.02.01.09.07	Actuarial Asset	4,369	4,369
1.02.01.09.08	Short-term investments	6,736	6,451
1.02.01.09.09	Advance for future capital increase	0	13,976
1.02.01.09.10	Other	2,599	795
1.02.02	Investment	22,506	1,696
1.02.02.01	Equity Interests	22,506	1,696
1.02.02.01.02	Interests in Subsidiaries	22,229	1,454
1.02.02.01.04	Other Equity Interests	277	242
1.02.03	Property, plant and equipment	418,262	425,256
1.02.04	Intangible assets	11,113	12,993

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

Account Code	Account Description	Current Quarter 6/30/2017	Previous Year 12/31/2016
2	Total Liabilities	1,310,644	1,300,544
2.01	Current Liabilities	431,589	395,330
2.01.01	Social and labor obligations	33,639	24,382
2.01.02	Trade payables	105,832	98,557
2.01.03	Tax Obligations	24,664	23,927
2.01.03.01	Federal Tax Liabilities	24,664	23,927
2.01.03.01.02	Financing of Taxes	10,129	9,788
2.01.03.01.03	Taxes, Duties and Contributions	14,535	14,139
2.01.04	Loans and Financing	207,285	197,004
2.01.04.01	Loans and Financing	158,695	171,249
2.01.04.02	Debentures	48,590	25,755
2.01.05	Other liabilities	54,333	51,460
2.01.05.02	Other	54,333	51,460
2.01.05.02.04	Loans Assignment Suppliers	22,409	21,522
2.01.05.02.05	Customer Advances	15,912	12,699
2.01.05.02.06	Dividends Payable	354	879
2.01.05.02.08	Other	15,658	16,360
2.01.06	Provisions	5,836	0
2.01.06.02	Other Provisions	5,836	0
2.01.06.02.06	Provision for profit-sharing	5,836	0
2.02	Noncurrent Liabilities	599,881	666,766
2.02.01	Loans and Financing	339,827	388,468
2.02.01.01	Loans and Financing	188,815	214,424
2.02.01.02	Debentures	151,012	174,044
2.02.02	Other liabilities	139,455	137,864
2.02.02.02	Other	139,455	137,864
2.02.02.02.03	Trade payables	73,465	68,990
2.02.02.02.06	Financing of Taxes	65,990	68,874
2.02.03	Deferred Taxes	18,564	7,603
2.02.03.01	Deferred Income and Social Contribution Taxes	18,564	7,603
2.02.04	Provisions	102,035	132,831
2.02.04.02	Other Provisions	102,035	132,831
2.02.04.02.04	Provision for devaluation of investments	67,682	74,515
2.02.04.02.05	Provisions for Contingencies	27,040	51,004
2.02.04.02.06	Provision for Long-term Incentive	7,313	7,312
2.03	Shareholders’ Equity	279,174	238,448
2.03.01	Realized Capital	130,000	119,565
2.03.04	Profit Reserves	110,619	121,129
2.03.04.01	Statutory Reserve	15,219	15,219
2.03.04.05	Profit Retention Reserve	95,400	103,197
2.03.04.10	Unallocated Profit Reserve	0	2,713
2.03.05	Retained Earnings/Accumulated Losses	42,400	0
2.03.08	Other Comprehensive Income	-3,845	-2,246

a) Individual Financial Statements / Income Statement - (reais thousand)

Account Code	Account Description	Current Quarter 4/1/2017 to 6/30/2017	Accrued Value of the Current Year 1/1/2017 to 6/30/2017	Same Quarter of the Prior Year 4/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2016 to 6/30/2016
3.01	Revenue from goods sold and services rendered	235,871	449,084	233,480	454,566
3.02	Cost of goods and/or services sold	-149,025	-287,971	-168,334	-320,088
3.03	Gross Profit	86,846	161,113	65,146	134,478
3.04	Operating Income/Expenses	-48,930	-82,954	-48,679	-108,436
3.04.01	Sales Expenses	-52,086	-99,161	-48,235	-97,111
3.04.02	General and Administrative Expenses	-8,729	-16,839	-9,540	-18,051
3.04.04	Other Operating Income	8,890	29,409	1,830	2,103
3.04.05	Other Operating Expenses	-6,608	-14,993	210	-6,810
3.04.06	Equity in Net Income of Subsidiaries	9,603	18,630	7,056	11,433
3.05	Earnings before financial income/loss and tax	37,916	78,159	16,467	26,042
3.06	Financial Income/Loss	-10,193	-25,466	-18,529	-37,548
3.06.01	Financial Revenue	9,412	17,911	9,622	21,334
3.06.01.01	Financial Revenue	7,853	16,874	7,904	16,167
3.06.01.02	Net Exchange Variance	1,559	1,037	1,718	5,167
3.06.02	Financial Expenses	-19,605	-43,377	-28,151	-58,882
3.06.02.01	Financial Expenses	-19,605	-43,377	-28,151	-58,882
3.07	Earnings before tax on net income	27,723	52,693	-2,062	-11,506
3.08	Income and social contribution taxes on profit	-5,855	-10,961	6,096	9,316
3.08.01	Current	0	0	0	-1,150
3.08.02	Deferred charges	-5,855	-10,961	6,096	10,466
3.09	Net Income from Continued Operations	21,868	41,732	4,034	-2,190
3.11	Net Income/Loss for the Period	21,868	41,732	4,034	-2,190
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common	0.13798	0.26331	0.02545	-0.01382
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common	0.13798	0.26331	0.02545	-0.01382

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

Account Code	Account Description	Current Quarter 4/1/2017 to 6/30/2017	Accrued Value of the Current Year 1/1/2017 to 6/30/2017	Same Quarter of the Prior Year 4/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2016 to 6/30/2016
4.01	Net Income for the Period	21,868	41,732	4,034	-2,190
4.02	Other Comprehensive Income	-2,860	-1,006	7,135	14,198
4.02.01	Exchange variance of Overseas Subsidiary	-2,860	-1,006	7,135	14,198
4.03	Comprehensive Income for the Period	19,008	40,726	11,169	12,008

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

Account Code	Account Description	Accrued in Current Period 1/1/2017 to 6/30/2017	Accrued from Previous Year 1/1/2016 to 6/30/2016
6.01	Net Cash from Operating Activities	32,819	14,887
6.01.01	Cash Provided by Operating Activities	58,491	14,626
6.01.01.01	Profit/Loss for the year before tax	52,693	-11,506
6.01.01.02	Depreciation and Amortization	18,185	17,951
6.01.01.03	Equity in net income of subsidiaries and associated companies	-18,630	-11,433
6.01.01.04	Unrealized exchange variance	-613	-9,826
6.01.01.05	Provision for Inventory at Market Value	-616	1,136
6.01.01.06	Allowance for Doubtful Accounts	674	1,471
6.01.01.07	Provision for Contingencies	-22,115	9,496
6.01.01.08	Provision for labor obligations	-8,488	-8,744
6.01.01.09	Provision for profit-sharing	5,837	-2,679
6.01.01.10	Other Provisions	2,345	-1,923
6.01.01.11	Restatement of Tax Assets	-1,602	-2,296
6.01.01.12	Restatement of Credits with other related parties	-3,026	-3,335
6.01.01.13	Financial charges with financed taxes	2,598	3,240
6.01.01.14	Interest on loans provisioned for	28,164	31,706
6.01.01.17	Other	3,085	1,368
6.01.02	Changes in Assets and Liabilities	2,760	30,307
6.01.02.01	(Increase)/Decrease in Accounts Receivable	-11,127	-27,607
6.01.02.02	Increase/(Decrease) in Customer Advances	3,213	10
6.01.02.04	(Increase)/decrease in inventory	4,470	-3,367
6.01.02.05	(Increase)/decrease in judicial deposits	-5,619	-12,970
6.01.02.07	(Increase)/ Decrease in Recoverable Taxes	-5,473	4,369
6.01.02.08	(Increase)/Decrease in restricted short-term investments	-285	14,909
6.01.02.09	(Increase)/(Decrease) in other assets	-6,351	2,690
6.01.02.10	Increase/(decrease) in accounts payable	12,637	22,547
6.01.02.11	(Increase)/decrease in advance to suppliers	-1,008	379
6.01.02.12	(Increase)/Decrease in Provisions for Contingencies	-1,849	-1,478
6.01.02.13	Increase (decrease) in financing	-5,141	-4,718
6.01.02.14	Increase/(decrease) in tax and labor obligations	22,340	27,616
6.01.02.16	Increase/(decrease) in other accounts payable	-3,047	7,927
6.01.03	Other	-28,432	-30,046
6.01.03.01	Interest Paid	-28,432	-30,046
6.02	Net Cash from Investment Activities	-6,372	3,167
6.02.01	Acquisition of property, plant and equipment	-8,541	-14,467
6.02.02	Acquisition of intangible assets	-770	-546
6.02.03	Dividends Received	3,550	3,600
6.02.04	(Concession)/Receipt of Credits with Related Parties	-576	1,535
6.02.05	Receipt on sale of permanent assets	-35	0
6.02.07	Advance for Future Capital Increase	0	13,045
6.03	Net Cash from Financing Activities	-42,094	-17,600
6.03.01	Obtainment of loans and financings	33,415	102,906
6.03.02	Payment of loans and financings	-74,984	-120,506
6.03.04	Dividends paid	-525	0

Individual Financial Statements / Statement of Cash Flows – Indirect Method

(Thousands of Reais)

Account Code	Account Description	Accrued in Current Period 1/1/2017 to 6/30/2017	Accrued from Previous Year 1/1/2016 to 6/30/2016
6.5	Increase (Decrease) in Cash and Cash Equivalents	-15,647	454
6.5.1	Opening Balance of Cash and Cash Equivalents	100,085	81,761
6.5.2	Closing Balance of Cash and Cash Equivalents	84,438	82,215

c) Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2017 to 6/30/2017 (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	119,565	0	121,129	0	-2,246	238,448
5.03	Adjusted Opening Balances	119,565	0	121,129	0	-2,246	238,448
5.04	Capital Transactions with Partners	0	0	-75	75	0	0
5.04.07	Interest on Shareholders' Equity	0	0	-75	75	0	0
5.05	Total Comprehensive Income	0	0	0	42,325	-1,599	40,726
5.05.01	Net income for the period	0	0	0	41,732	0	41,732
5.05.02	Other Comprehensive Income	0	0	0	593	-1,599	-1,006
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	593	-593	0
5.05.02.07	Exchange variance of Overseas Subsidiary	0	0	0	0	-1,006	-1,006
5.06	Internal Changes in Shareholders' Equity	10,435	0	-10,435	0	0	0
5.06.04	Capital increase	10,435	0	-10,435	0	0	0
5.07	Closing Balances	130,000	0	110,619	42,400	-3,845	279,174

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

Account Code	Account Description	Paid-in share capital	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	-1,590	13,598	12,008
5.05.01	Net income for the period	0	0	0	-2,190	0	-2,190
5.05.02	Other Comprehensive Income	0	0	0	600	13,598	14,198
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	600	-600	0
5.05.02.07	Exchange variance of Overseas Subsidiary	0	0	0	0	14,198	14,198
5.06	Internal Changes in Shareholders' Equity	20,000	0	-20,883	0	0	-883
5.06.04	Capital Increase	20,000	0	-20,000	0	0	0
5.06.05	Interest on Shareholders' Equity	0	0	-883	0	0	-883
5.07	Closing Balances	119,565	0	118,310	-1,590	6,686	242,971

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

Account Code	Account Description	Accrued in Current Period 1/1/2017 to 6/30/2017	Accrued from Previous Year 1/1/2016 to 6/30/2016
7.01	Revenue	557,510	571,183
7.01.01	Sales of Goods, Products and Services	555,364	567,307
7.01.02	Other Revenue	901	2,677
7.01.03	Revenue relating to construction of company assets	1,919	2,670
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-674	-1,471
7.02	Consumables acquired from third parties	-246,716	-303,840
7.02.01	Cost of goods and services sold	-193,193	-224,087
7.02.02	Material, Energy, Outsourced Services and Other	-53,337	-81,265
7.02.03	Loss/Recovery of Assets	-186	1,512
7.03	Gross Added Value	310,794	267,343
7.04	Withholding	-18,185	-17,951
7.04.01	Depreciation, Amortization and Depletion	-18,185	-17,951
7.05	Net Added Value Produced	292,609	249,392
7.06	Transferred Added Value	44,780	63,879
7.06.01	Equity in Net Income of Subsidiaries	18,630	11,433
7.06.02	Financial Revenue	26,150	52,446
7.07	Total Added Value to be Distributed	337,389	313,271
7.08	Distribution of Added Value	337,389	313,271
7.08.01	Personnel	101,237	96,467
7.08.01.01	Direct Remuneration	85,782	81,611
7.08.01.02	Benefits	10,039	9,251
7.08.01.03	F.G.T.S.	5,416	5,605
7.08.02	Taxes, Duties and Contributions	137,230	123,867
7.08.02.01	Federal	65,379	51,741
7.08.02.02	State	71,299	71,693
7.08.02.03	Municipal	552	433
7.08.03	Interest Expenses	57,190	95,127
7.08.03.01	Interest	51,616	89,994
7.08.03.02	Rent	5,574	5,133
7.08.04	Interest earnings	41,732	-2,190
7.08.04.03	Retained Earnings/Loss for the Period	41,732	-2,190

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

Account Code	Account Description	Current Quarter 6/30/2017	Previous Year 12/31/2016
1	Total Assets	1,253,835	1,237,360
1.01	Current Assets	547,021	535,369
1.01.01	Cash and Cash Equivalents	98,389	105,745
1.01.03	Accounts Receivable	227,126	215,379
1.01.03.01	Trade receivables	227,126	215,379
1.01.04	Inventories	181,939	185,880
1.01.06	Recoverable Taxes	24,379	19,079
1.01.06.01	Current Taxes Recoverable	24,379	19,079
1.01.06.01.01	Income taxes and contributions recoverable	4,201	5,017
1.01.06.01.02	Other Current Taxes Recoverable	20,178	14,062
1.01.08	Other Current Assets	15,188	9,286
1.01.08.03	Other	15,188	9,286
1.01.08.03.03	Advances to Suppliers	2,318	2,637
1.01.08.03.04	Other	12,870	6,649
1.02	Noncurrent Assets	706,814	701,991
1.02.01	Long-Term Assets	260,294	247,847
1.02.01.08	Related-party Credits	92,449	89,423
1.02.01.08.04	Other Related-party Credits	92,449	89,423
1.02.01.09	Other Noncurrent Assets	167,845	158,424
1.02.01.09.03	Judicial Deposits	87,342	81,742
1.02.01.09.04	Receivables - Eletrobrás	32,208	32,208
1.02.01.09.05	Recoverable Taxes	5,732	6,124
1.02.01.09.06	Tax Asset	28,337	26,735
1.02.01.09.07	Actuarial Asset	4,369	4,369
1.02.01.09.08	Short-term Investments	6,736	6,451
1.02.01.09.09	Deferred Income and Social Contribution Taxes	522	0
1.02.01.09.10	Other	2,599	795
1.02.02	Investment	277	243
1.02.02.01	Equity Interests	277	243
1.02.02.01.04	Other Equity Interests	277	243
1.02.03	Property, plant and equipment	426,560	433,348
1.02.04	Intangible assets	19,683	20,553

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

Account Code	Account Description	Current Quarter 6/30/2017	Previous Year 12/31/2016
2	Total Liabilities	1,253,835	1,237,360
2.01	Current Liabilities	440,826	409,155
2.01.01	Social and labor obligations	37,441	27,155
2.01.02	Trade payables	108,196	102,929
2.01.03	Tax Obligations	27,418	25,188
2.01.03.01	Federal Tax Liabilities	27,418	25,188
2.01.03.01.01	Income taxes and contributions payable	2,105	311
2.01.03.01.02	Financing of Taxes	10,199	9,857
2.01.03.01.03	Taxes, Duties and Contributions	15,114	15,020
2.01.04	Loans and Financing	207,285	197,004
2.01.04.01	Loans and Financing	158,695	171,249
2.01.04.02	Debentures	48,590	25,755
2.01.05	Other liabilities	54,650	56,879
2.01.05.02	Other	54,650	56,879
2.01.05.02.04	Loans Assignment Suppliers	22,409	21,522
2.01.05.02.05	Customer Advances	16,123	17,977
2.01.05.02.06	Dividends Payable	370	915
2.01.05.02.08	Other	15,748	16,465
2.01.06	Provisions	5,836	0
2.01.06.02	Other Provisions	5,836	0
2.01.06.02.06	Provisions for profit-sharing	5,836	0
2.02	Noncurrent Liabilities	533,808	589,746
2.02.01	Loans and Financing	340,961	389,657
2.02.01.01	Loans and Financing	189,949	215,613
2.02.01.02	Debentures	151,012	174,044
2.02.02	Other liabilities	139,903	138,332
2.02.02.02	Other	139,903	138,332
2.02.02.02.03	Trade payables	73,465	68,990
2.02.02.02.06	Financing of Taxes	66,438	69,342
2.02.03	Deferred Taxes	18,564	3,250
2.02.03.01	Deferred Income and Social Contribution Taxes	18,564	3,250
2.02.04	Provisions	34,380	58,507
2.02.04.02	Other Provisions	34,380	58,507
2.02.04.02.05	Provision for Contingencies	27,067	51,195
2.02.04.02.06	Provision for Long-term Incentive	7,313	7,312
2.03	Consolidated Shareholders’ Equity	279,201	238,459
2.03.01	Realized Capital	130,000	119,565
2.03.04	Profit Reserves	110,619	121,129
2.03.04.01	Statutory Reserve	15,219	15,219
2.03.04.05	Profit Retention Reserve	95,400	103,197
2.03.04.10	Unallocated Profit Reserve	0	2,713
2.03.05	Retained Earnings/Accumulated Losses	42,400	0
2.03.08	Other Comprehensive Income	-3,845	-2,246
2.03.09	Minority Interests	27	11

e) Consolidated Statements / Income Statement - (reais thousand)

Account Code	Account Description	Current Quarter 4/1/2017 to 6/30/2017	Accrued Value of the Current Year 1/1/2017 to 6/30/2017	Same Quarter of the Prior Year 4/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2016 to 6/30/2016
3.01	Revenue from goods sold and services rendered	258,528	494,162	256,575	497,936
3.02	Cost of goods and/or services sold	-149,831	-289,588	-169,517	-321,306
3.03	Gross Profit	108,697	204,574	87,058	176,630
3.04	Operating Income/Expenses	-68,436	-121,436	-66,352	-143,263
3.04.01	Sales Expenses	-62,407	-119,093	-59,609	-120,755
3.04.02	General and Administrative Expenses	-8,844	-17,119	-9,705	-18,616
3.04.04	Other Operating Income	9,360	29,907	2,956	3,229
3.04.05	Other Operating Expenses	-6,545	-15,131	6	-7,121
3.05	Earnings before financial income/loss and tax	40,261	83,138	20,706	33,367
3.06	Financial Income/Loss	-10,095	-25,540	-18,873	-38,493
3.06.01	Financial Revenue	9,669	18,315	9,952	21,489
3.06.01.01	Financial Revenue	8,105	17,267	8,160	16,618
3.06.01.02	Net Exchange Variance	1,564	1,048	1,792	4,871
3.06.02	Financial Expenses	-19,764	-43,855	-28,825	-59,982
3.06.02.01	Financial Expenses	-19,764	-43,855	-28,825	-59,982
3.07	Earnings before tax on net income	30,166	57,598	1,833	-5,126
3.08	Income and social contribution taxes on profit	-8,290	-15,850	2,207	2,946
3.08.01	Current	-2,435	-4,889	-3,889	-7,520
3.08.02	Deferred charges	-5,855	-10,961	6,096	10,466
3.09	Net Income from Continued Operations	21,876	41,748	4,040	-2,180
3.11	Consolidated Net Income/Loss for the Period	21,876	41,748	4,040	-2,180
3.11.01	Attributed to Partners of the Parent Company	21,868	41,732	4,034	-2,190
3.11.02	Attributed to Minority Partners	8	16	6	10
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common	0.13798	0.26331	0.02545	-0.01382
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common	0.13798	0.26331	0.02545	-0.01382

Consolidated Statements - Comprehensive Income Statement - (Reais thousand)

Account Code	Account Description	Current Quarter 4/1/2017 to 6/30/2017	Accrued Value of the Current Year 1/1/2017 to 6/30/2017	Same Quarter of the Prior Year 4/1/2016 to 6/30/2016	Accrued Value of the Prior Year 1/1/2016 to 6/30/2016
4.01	Consolidated Net Income for the Period	21,876	41,748	4,040	-2,180
4.02	Other Comprehensive Income	-2,860	-1,006	7,135	14,198
4.02.01	Exchange variance of Overseas Subsidiary	-2,860	-1,006	7,135	14,198
4.03	Consolidated Comprehensive Income for the Period	19,016	40,742	11,175	12,018
4.03.01	Attributed to Partners of the Parent Company	19,008	40,726	11,169	12,008
4.03.02	Attributed to Minority Partners	8	16	6	10

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

Account Code	Account Description	Accrued in Current Period 1/1/2017 to 6/30/2017	Accrued from Previous Year 1/1/2016 to 6/30/2016
6.01	Net Cash from Operating Activities	46,810	38,406
6.01.01	Cash Provided by Operating Activities	82,629	33,017
6.01.01.01	Profit/Loss for the year before tax	57,598	-5,126
6.01.01.02	Depreciation and Amortization	19,676	19,133
6.01.01.04	Unrealized exchange variance	-614	-9,856
6.01.01.05	Provision for Inventory at Market Value	-616	1,136
6.01.01.06	Allowance for Doubtful Accounts	674	1,555
6.01.01.07	Provision for Contingencies	-22,276	9,534
6.01.01.08	Provision for labor obligations	-9,176	-9,252
6.01.01.09	Provision for profit-sharing	5,837	-2,919
6.01.01.10	Other Provisions	2,345	-1,849
6.01.01.11	Restatement of Tax Assets	-1,602	-2,296
6.01.01.12	Restatement of Credits with other related parties	-3,026	-3,335
6.01.01.13	Financial charges with financed taxes	2,615	3,262
6.01.01.14	Interest on loans provisioned for	28,109	31,659
6.01.01.17	Other	3,085	1,371
6.01.02	Changes in Assets and Liabilities	-4,539	38,876
6.01.02.01	(Increase)/Decrease in Accounts Receivable	-12,421	-10,713
6.01.02.02	Increase/(Decrease) in Customer Advances	-1,854	4,070
6.01.02.04	(Increase)/decrease in inventory	4,557	-3,510
6.01.02.05	(Increase)/decrease in judicial deposits	-5,600	-12,980
6.01.02.07	(Increase)/Decrease in recoverable taxes	-5,724	4,421
6.01.02.08	(Increase)/Decrease in restricted short-term investments	-285	14,909
6.01.02.09	(Increase)/(Decrease) in other assets	-8,025	1,603
6.01.02.10	Increase/(decrease) in accounts payable	10,629	11,566
6.01.02.11	(Increase)/decrease in advance to suppliers	319	659
6.01.02.12	(Increase)/Decrease in Provisions for Contingencies	-1,852	-1,489
6.01.02.13	Increase (decrease) in financing	-5,177	-4,750
6.01.02.14	Increase/(decrease) in tax and labor obligations	23,956	27,428
6.01.02.16	Increase/(decrease) in other accounts payable	-3,062	7,662
6.01.03	Other	-31,280	-33,487
6.01.03.01	Interest Paid	-28,432	-30,046
6.01.03.02	Income and social contribution taxes paid	-2,848	-3,441
6.02	Net Cash from Investment Activities	-12,052	-17,407
6.02.01	Acquisition of property, plant and equipment	-10,020	-16,116
6.02.02	Acquisition of intangible assets	-1,998	-1,291
6.02.04	Receipt on sale of permanent assets	-34	0
6.03	Net Cash from Financing Activities	-42,114	-17,547
6.03.01	Obtainment of loans and financings	33,415	102,960
6.03.02	Payment of loans and financings	-74,984	-120,506
6.03.04	Dividends paid	-545	-1
6.05	Increase (Decrease) in Cash and Cash Equivalents	-7,356	3,452
6.05.01	Opening Balance of Cash and Cash Equivalents	105,745	87,664
6.05.02	Closing Balance of Cash and Cash Equivalents	98,389	91,116

g) Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2017 to 6/30/2017 (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	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	119,565	0	121,129	0	-2,246	238,448	11	238,459
5.03	Adjusted Opening Balances	119,565	0	121,129	0	-2,246	238,448	11	238,459
5.04	Capital Transactions with Partners	0	0	-75	75	0	0	0	0
5.04.07	Interest on Shareholders' Equity	0	0	-75	75	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	42,325	-1,599	40,726	16	40,742
5.05.01	Net income for the period	0	0	0	41,732	0	41,732	16	41,748
5.05.02	Other Comprehensive Income	0	0	0	593	-1,599	-1,006	0	-1,006
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	593	-593	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-1,006	-1,006	0	-1,006
5.06	Internal Changes in Shareholders' Equity	10,435	0	-10,435	0	0	0	0	0
5.06.04	Capital Increase	10,435	0	-10,435	0	0	0	0	0
5.07	Closing Balances	130,000	0	110,619	42,400	-3,845	279,174	27	279,201

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856
5.03	Adjusted Opening Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856
5.05	Total Comprehensive Income	0	0	0	-1,590	13,598	12,008	10	12,018
5.05.01	Net income for the period	0	0	0	-2,190	0	-2,190	10	-2,180
5.05.02	Other Comprehensive Income	0	0	0	600	13,598	14,198	0	14,198
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	600	-600	0	0	0
5.05.02.07	Exchange variance of Overseas Subsidiary	0	0	0	0	14,198	14,198	0	14,198
5.06	Internal Changes in Shareholders' Equity	20,000	0	-20,883	0	0	-883	0	-883
5.06.04	Capital increase	20,000	0	-20,000	0	0	0	0	0
5.06.05	Interest on Shareholders' Equity	0	0	-883	0	0	-883	0	-883
5.07	Closing Balances	119,565	0	118,310	-1,590	6,686	242,971	20	242,991

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

Account Code	Account Description	Accrued in Current Period 1/1/2017 to 6/30/2017	Accrued from Previous Year 1/1/2016 to 6/30/2016
7.01	Revenue	607,149	621,271
7.01.01	Sales of Goods, Products and Services	608,864	619,931
7.01.02	Other Revenue	-2,960	225
7.01.03	Revenue relating to construction of company assets	1,919	2,670
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-674	-1,555
7.02	Consumables acquired from third parties	-253,523	-314,380
7.02.01	Cost of goods and services sold	-194,242	-224,790
7.02.02	Material, Energy, Outsourced Services and Other	-58,835	-91,102
7.02.03	Loss/Recovery of Assets	-446	1,512
7.03	Gross Added Value	353,626	306,891
7.04	Withholding	-19,676	-19,133
7.04.01	Depreciation, Amortization and Depletion	-19,676	-19,133
7.05	Net Added Value Produced	333,950	287,758
7.06	Transferred Added Value	26,555	52,747
7.06.02	Financial Revenue	26,555	52,747
7.07	Total Added Value to be Distributed	360,505	340,505
7.08	Distribution of Added Value	360,505	340,505
7.08.01	Personnel	111,329	106,471
7.08.01.01	Direct Remuneration	94,564	90,270
7.08.01.02	Benefits	10,679	9,804
7.08.01.03	F.G.T.S.	6,086	6,397
7.08.02	Taxes, Duties and Contributions	148,022	138,122
7.08.02.01	Federal	75,990	65,745
7.08.02.02	State	71,457	71,913
7.08.02.03	Municipal	575	464
7.08.03	Interest Expenses	59,406	98,092
7.08.03.01	Interest	52,103	91,249
7.08.03.02	Rent	7,303	6,843
7.08.04	Interest earnings	41,748	-2,180
7.08.04.03	Retained Earnings/Loss for the Period	41,732	-2,190
7.08.04.04	Minority interests in retained earnings	16	10

COMMENT ON THE CONSOLIDATED PERFORMANCE IN 2Q17

PBG S.A. (BM&FBovespa: PTBL3 NM), the new name of Portobello S.A., hereby presents its results for the quarter ended June 30, 2017. 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

- **GROSS REVENUE** of R$ **618** million in 1H17, **similar** to 1H16;
- **GROSS PROFIT** of **R$ 109 million** in 2Q17 and **R$ 205 million** in 1H17**, 25% more** than in 2Q16 and **16% more** than 1H16 respectively.
- The **GROSS MARGIN** exceeded the quarterly *record* of 1Q17, reaching **42%** in 2Q17. The Company's **best** quarterly margin in 15 years;
- **EBITDA** reached **R$ 50 MILLION IN 2Q17** with an EBITDA margin of 19% and **R$ 103 MILLION**, with an EBITDA margin of 21% in 1H17.
- **NET INCOME** of **R$ 42 million** in 2H17;
- **Decrease** in the net **DEBT** of R$ 42 million, **9%** less than in 2Q16, with a significant **reduction** in the ratio between **Net Debt/EBITDA** from 3.4x (in 2Q16) to **2.6x** (in 2Q17).

MANAGEMENT COMMENTS

The second quarter of 2017 presented a performance similar to that in the first quarter, with net earnings growing at the same pace. Despite an improvement in consumption forecasts, the market is still sluggish. The growth in the Company’s profitability is due to a realistic strategy based on differentials and internal earnings levers given the uncertain and volatile domestic economy.

Sales in 2Q17 amounted to R$ 321 million, virtually unchanged on 2Q16. According to Abramat, the deflated sales in the finishing materials market contracted by 6.3% between 2Q17 and 2Q16, which shows the Company made a market share gain in the sector.

The Company's commercial strategy in the domestic market in 2017 continues to be focusing on a mix of more profitable products, even if this results in a smaller sales volume. Because of this, despite the fact domestic revenue contracted by 3%, the consolidated gross margin rose by 8% between 2Q17 and 2Q16. There was 21% growth in the external market in reais directly impacted by the increase in exports. Sales amounted to USD 15 million in the first quarter of 2017 and USD 28 million in the half, an increase of 31% over 1H16.

Cash generation as measured by EBITDA amounted to R$ 50 million and net income R$ 22 million in 2Q17. In June the Company closed the half with an EBITDA of R$ 103 million, 96% more than in the same period the previous year. The EBITDA margin amounted to 21% in 1H17, 10% more than in 1H16, as a result of the higher gross margin, improvement in expenses management and adaptation of new businesses to the current situation.

The network of Portobello Shop franchises currently stands at 148 stores. In this segment, proprietary stores matured further and made progress in their franchise laboratory role.

The Pointer brand saw revenue rise and gross margins improve. The business helped drive sales in the period and is showing signs of progress to achieve financial equilibrium. In June the plant in Alagoas resumed production and is currently operating at full production capacity.

Manufacturing costs at the plant in Tijucas benefited from the fall in natural gas prices at the start of the year. On top of this, the plant is maintaining its ongoing manufacturing streamlining initiatives.

The positive result in the second quarter was in line with management expectations. The strong performance by margins and rationalization of expenses demonstrate the Company’s confidence in its strategy, business model, management and competitive edges. The return of the debt to healthy levels is also helping diminish financial leverage.

The Company only accordingly closes the first half confident and reasserts that the gains of a competitive and properly structured company will be tangible in the course of 2017.

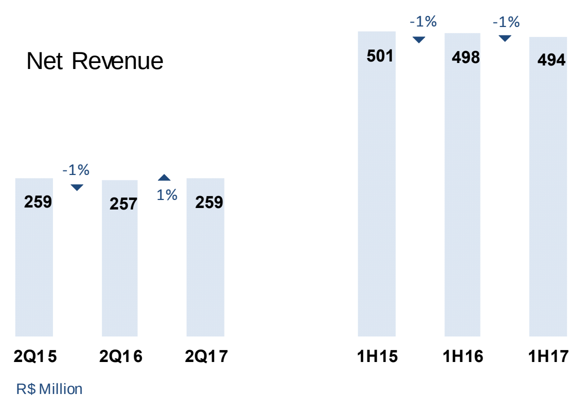
PBG S.A and subsidiaries

Management Report
In thousands of Reais, unless stated otherwise

ECONOMIC AND FINANCIAL PERFORMANCE

	R$ thousand	2Q15	2Q16	2Q17	▲%	1H15	1H16	1H17	▲%
PERFORMANCE	**Gross revenue**	**328,744**	**328,957**	**321,485**	**-2%**	**633,975**	**636,401**	**617,688**	**-3%**
	Net revenue	259,308	256,575	258,528	1%	500,664	497,936	494,162	-1%
	Gross profit	**98,433**	**87,058**	**108,697**	**25%**	**189,624**	**176,630**	**204,574**	**16%**
	Gross margin	38.0%	33.9%	42.0%	8,1 p.p.	37.9%	35.5%	41.4%	5,9 p.p.
	EBIT	**36,154**	**20,706**	**40,261**	**94%**	**66,826**	**33,367**	**83,138**	**149%**
	EBIT Margin	13.9%	8.1%	15.6%	7,5 p.p.	13.3%	6.7%	16.8%	10,1 p.p.
	Finance income	(12,269)	(18,873)	(10,095)	-47%	(26,173)	(38,493)	(25,540)	-34%
	Net income	**14,235**	**4,040**	**21,876**	**441%**	**25,024**	**(2,180)**	**41,748**	**-2015%**
	Net Margin	5.5%	1.6%	8.5%	6.9 p.p.	5.0%	-0.4%	8.4%	8.9 p.p.
	EBITDA	**43,938**	**30,447**	**50,094**	**65%**	**81,094**	**52,500**	**102,814**	**96%**
	EBITDA Margin	*16.9%*	*11.9%*	*19.4%*	7.5 p.p.	*16.2%*	*10.5%*	*20.8%*	10.3 p.p.
INDICATORS	Current liquidity					*0.9*	*1.0*	*1.2*	0.21
	Net debt					480,652	469,156	427,309	-9%
	Net debt/EBITDA					*2.6*	*3.4*	*2.6*	(0.82)
	Net debt / SE					*2.1*	*1.9*	*1.5*	(0.40)
PTBL3	Price at close					2.97	2.31	3.11	35%
	Market value					470,711	366,108	492,899	

Net Revenue



Consolidated net revenue amounted to R$ 259 million in 2Q17 and R$ 494 million YTD, a performance which is virtually unchanged on the same period the previous year.

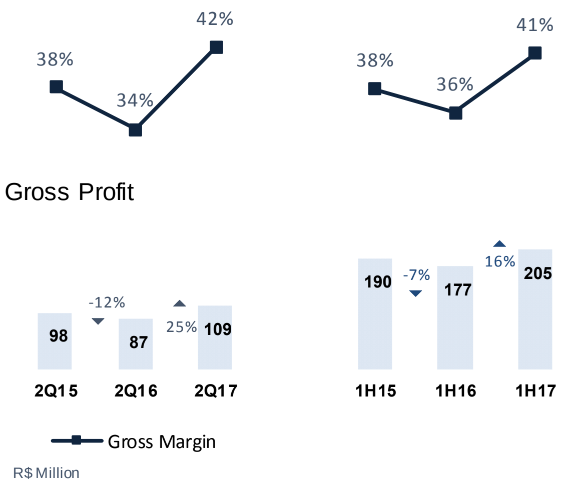
Domestic net revenue accounted for 81% of the total and declined 3% over 2Q16. This contraction was in line with the market's performance. According to ABRAMAT, gross sales in the domestic finishing materials market contracted by 6.3% in 2Q17 (deflated) compared with 2Q16.

In thousands of Reais, unless stated otherwise

Overseas sales rose by 21% in 2Q16. Exports in this quarter amounted to 15 million US dollars and 28 million US dollars in the half (31% more than in 2H16), where in June sales were 4% greater than in March, breaking the historic record of exports for the second time this year.

	2Q15	2Q16	2Q17	▲%	1H15	1H16	1H17	▲%
Net revenue	**259,308**	**256,575**	**258,528**	**1%**	**500,664**	**497,936**	**494,162**	**-1%**
Domestic Market	226,385	216,002	209,310	-3%	438,115	418,495	404,106	-3%
Overseas Market	32,923	40,573	49,218	21%	62,549	79,441	90,056	13%

Gross Profit



The gross profit amounted to R$ 109 million in the second quarter of 2017, grew by 25% over the second quarter of 2016. The gross margin presented a gain of 8% due to a sales mix of products with greater profitability. The constant increase in the margin resulted from efforts to qualify sales with more profitable products with higher added value. The record in 1Q17 was broken in this quarter.

Operating Income

Selling expenses totaled R$ 62 million in 2Q17 against R$ 119 million in 1H17, remaining virtually unchanged on the expenses in 1H16. This is primarily a reflection of the greater efficiency in expenses incurred on logistics operators and adaptation of the operating capacity. Freight and logistical structure expenses accounted for approximately 16% of commercial expenses. The Company believes that building a more efficient distribution network is an important advantage for positioning the company in the market by enhancing service quality.

As regards net revenue, selling expenses amounted to 24% in 2Q17 and 1H17, relatively unchanged on the previous year. The Company believes that this is the correct value to support its current operation.

PBG S.A and subsidiaries

Management Report

In thousands of Reais, unless stated otherwise

	2Q15	2Q16	%RL	2Q17	%RL	▲%	1H15	1H16	%RL	1H17	%RL	▲%
Operating expenses	**(62,279)**	**(66,352)**	**26%**	**(68,436)**	**26%**	**3%**	**(122,798)**	**(143,263)**	**29%**	**(121,436)**	**25%**	**-15%**
Sales	(49,592)	(59,609)	23%	(62,407)	24%	5%	(94,465)	(120,755)	24%	(119,093)	24%	-1%
General and administrative	(9,269)	(9,705)	4%	(8,844)	3%	-9%	(16,803)	(18,616)	4%	(17,119)	3%	-8%
Other income (expenses)	(3,418)	2,962	-1%	2,815	-1%	-5%	(11,530)	(3,892)	1%	14,776	-3%	

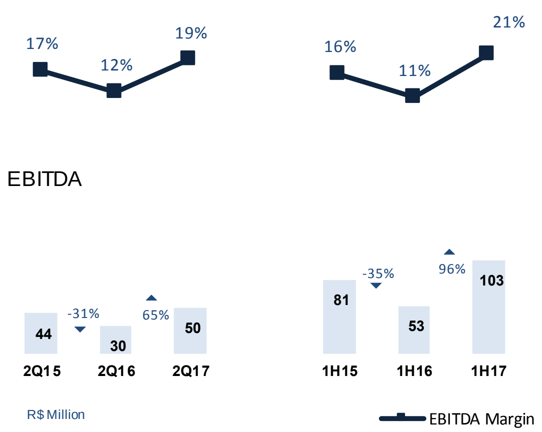
Administrative expenses amounted to R$ 9 million in 2Q17, 9% less than in the same period of 2016. Net revenue fell from 4% in 2Q16 to 3% in 2Q17, mainly due to adaptation of the structure to the Pointer/Alagoas operation and revision of the expenses structure at the end of 2016.

Other operating revenue/expenses in 2Q17 were positively affected by the favorable decision in the tax proceeding about the right to recover overpaid amounts of Pis (semiannual payment of Pis) in the amount of 8 million. There was also a gain in a civil proceeding in progress since 2001, which resulted in R$ 2 million being reversed against other operating revenue and R$ 3 million in financial revenue.

Other operating revenue/expenses in 2Q17 were also negatively impacted by the idleness cost of R$ 3,3 million, as a result of adapting production to the sales volumes of the plant in the north-east of Brazil. Following its initiation in June, the plant is now back at 100% production capacity.

EBITDA

The Company closed the first half with an EBITDA of R$ 103 million, an increase of 96% over the same period of 2016 and a margin of 21%.



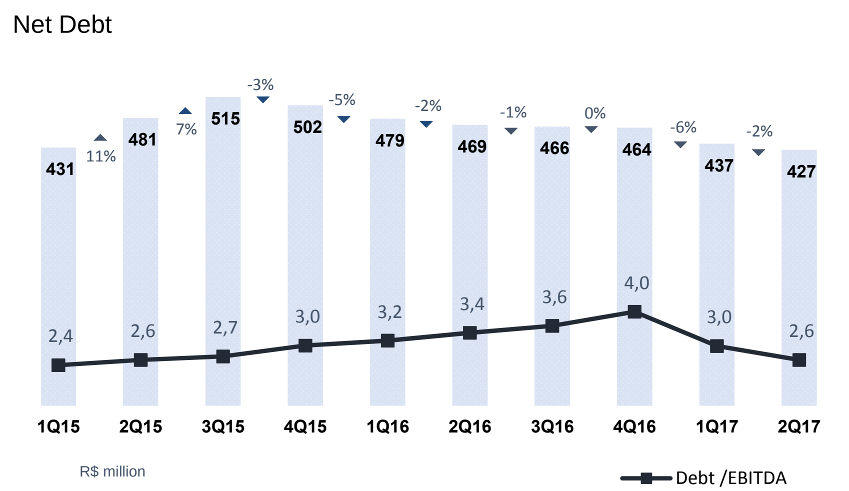
	2Q15	2Q16	2Q17	%RL	▲%	1H15	1H16	1H17	%RL	▲%
Net income	14,235	4,040	21,876	8%	441%	25,024	(2,180)	41,748	8%	
(+) Financial income/expense	12,269	18,873	10,095	4%	-47%	26,173	38,493	25,540	5%	-34%
(+) Depreciation and amortization	7,784	9,741	9,833	4%	1%	14,268	19,133	19,676	4%	3%
(+) Profit taxes	9,650	(2,207)	8,290	3%		15,629	(2,946)	15,850	3%	
EBITDA	**43,938**	**30,447**	**50,094**	**19%**	**65%**	**81,094**	**52,500**	**102,814**	**21%**	**96%**

In thousands of Reais, unless stated otherwise

Net Income

2Q17 reported net income of R$ 22 million. The Company closes the half with a positive income of R$ 42 million, a notable improvement on the same period the previous year.

INDEBTEDNESS / CAPITAL STRUCTURE

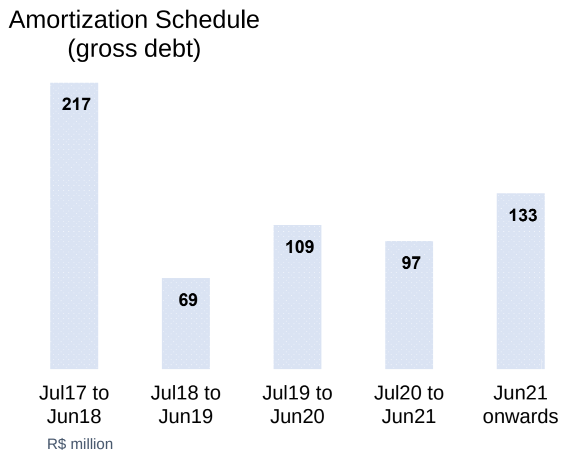


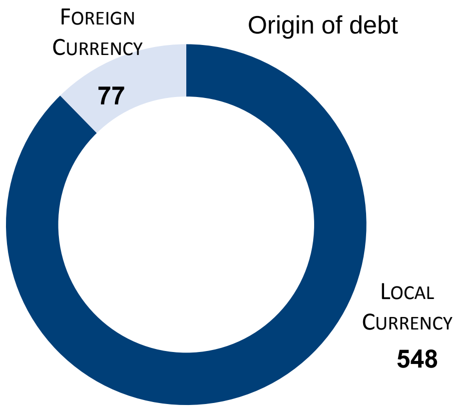
The Company's net debt was R$ 427 million at the end of June 2017, equal to 2.6x the EBITDA of the past 12 months and 1.5x the shareholders' equity. The lowest ratio between Net Debt / Ebitda for the last 2 years was observed in 2Q17 and net debt reached the levels of 1Q15.

In June 2017 a waiver was secured for the covenants not achieved in the financing loan from DEG. In respect of its debentures the Company closed the period in compliance with the covenants, be those approved during the renegotiation in August or those originally defined in the issuance deed.

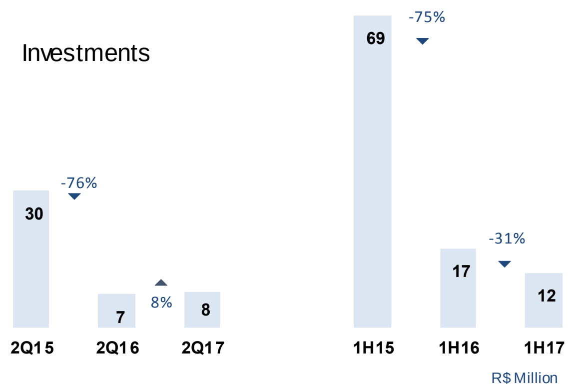
	Jun-15	Jun-16	Jun-17	▲R$
Bank Debt	516,565	658,596	548,246	(110,350)
Tax Debt	83,552	81,007	76,637	(4,370)
(=) Gross debt	**600,117**	**739,603**	**624,883**	**(114,720)**
(+) Cash and cash equivalents	(27,133)	(182,511)	(105,125)	77,386
(+) Related-party credits	(92,332)	(87,936)	(92,449)	(4,513)
(=) Net debt	**480,652**	**469,156**	**427,309**	**(41,847)**
EBITDA (last 12 months)	186,298	138,175	165,626	27,451
Net debt / EBITDA	*2.6*	*3.4*	*2.6*	
Net debt / SE	*2.1*	*1.9*	*1.5*	

The balance of the gross debt matures 35% short-term and 65% long-term.





INVESTMENTS



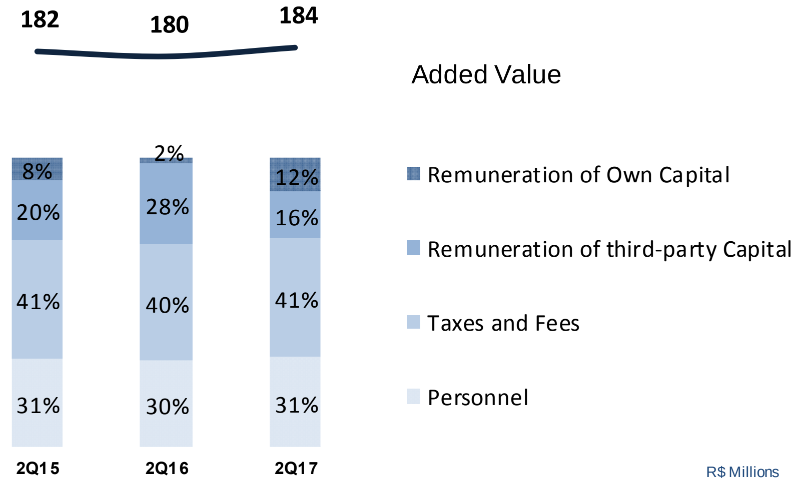
In 2Q17 investment in fixed assets remained modest, amounting to R$ 8 million, accumulating R$ 12 million in the half. R$ 8 million (65%) of this amount was incurred on preparing the manufacturing plant in Tijucas to produce products with higher added value. The other investments were allocated to proprietary stores (20%), adaptations to the Alagoas manufacturing facility (6%) and systems (5%).

SHAREHOLDER PAYMENTS AND MEETING RESOLUTIONS

Proceeds were distributed on June 01, 2017 of R$ 505 thousand for FY 2016 in the form of interest on shareholders' equity, as resolved by the Annual General Meeting held April 28, 2017. The amount represents the minimum dividends of 25% and the total compensation of the shareholders for FY 2016 represented a yield (dividend per share divided by the final share price) of 0.16%.

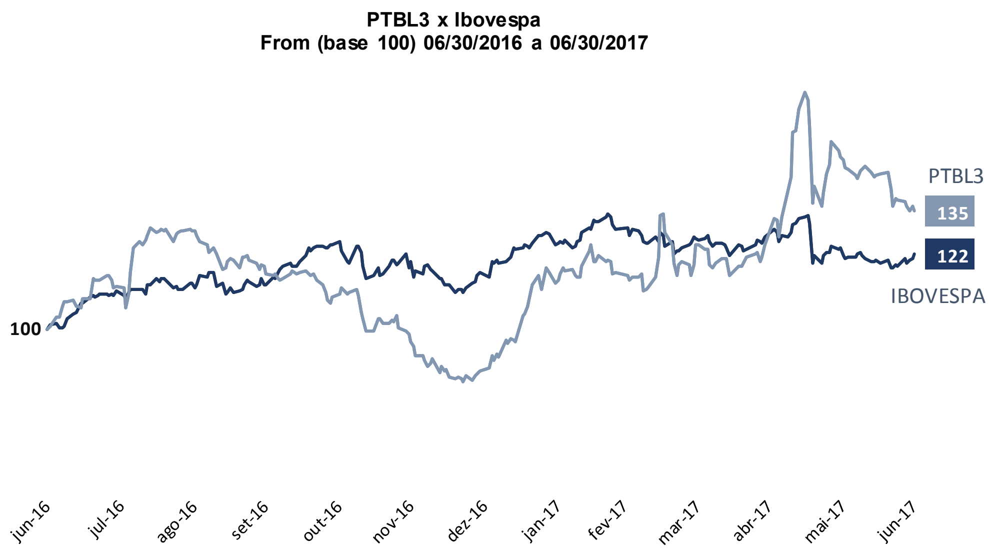
ADDED VALUE

The added value in 2Q17 was R$ 184 million (R$ 180 million in 2Q16). Of this amount, 41% was allocated to taxes, 31% to personnel, 17% to outsourced personnel and 11% retained as profit for the period.



SHARE PERFORMANCE PTBL3

The common shares issued by PBG S.A., traded on BM&FBovespa under the code PTBL3, closed the last auction of June 2017 at R$ 3.11, resulting in a valuation of 35% in the last 12 months, while Ibovespa rose 22%.



The average financial volume traded in the last twelve was R$ 26 million, up by 282% on the R$ 6.6 million in the same period last year. At the end of 2Q17, PBG S.A. had a market value equal to R$ 493 million (R$ 366 million as of June 2016).

OUTLOOK

- After two years of a deep recession, 2017 began with an expected gradual stabilization of the sector and GDP growth, in addition to lower inflation and consequently lower interest rates;
- The construction materials market has been stabilizing and beginning to present signs of a recovery in retail. In engineering the sector is still showing signs of the recession;
- Internally the company is maintaining its focus on qualifying the sales mix in order to boost margins;
- It is maintaining the careful control of costs and expenses. The improvement in manufacturing costs caused by lower natural gas prices is expected to last throughout 2017;
- Portobello Shop is continuing to implement the expansion strategy of its sales and exhibitions for 2017, the target is to increase the number of units in the network by 6%;
- The plant in Alagoas and the Pointer brand are still being adapted to the current market reality. The business is expected to achieve greater profitability despite the forecast of a slower recovery for the market in the north-east.
- Management will maintain its efforts to reduce debts and improve the debt/Ebitda ratio. The initiatives are aimed to ensure the disciplined management of cash, reduction of working capital and preservation of liquidity;
- Initiatives are being maintained to increase the profitability of existing assets and no major investments are projected for 2017;
- The Company remains confident in its competitive edges and reiterates its endeavors to improve earnings.

INDEPENDENT AUDIT

PBG S.A.'s policy in relation to its independent auditors regarding services provided not related to the independent audit of the financial statements is underpinned by principles that uphold professional independence. These principles state that the auditor should not check their own work, carry out managerial activities or serve as an attorney for their client. In the second quarter of 2017 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

PBG S.A and subsidiaries

Management Report
In thousands of Reais, unless stated otherwise

TELECONFERENCE WITH WEBCAST

A teleconference in Portuguese will take place on Thursday, August 10, 2017 at 10 AM to present the earnings figures for the second quarter of 2017.

Connection details: Tel.: +55 11 3193-1001 Password: PORTOBELLO

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.ri.portobello.com.br/).

Statement of Financial Position

Assets	30/Jun/17	31/Dec/16	Liabilities	30/Jun/17	31/Dec/16
Current	**547,021**	**535,369**	**Current**	**440,826**	**409,155**
Cash and cash equivalents	98,389	105,745	Loans/debentures	207,285	197,004
Accounts Receivable	227,126	215,379	Trade payables and loan assignment	130,605	124,451
Inventories	181,939	185,880	Taxes and social contributions	27,418	25,188
Recoverable Taxes	24,379	19,079	Social and labor obligations	37,441	27,155
Prepaid expenses	5,426	1,995	Customer Advances	16,123	17,977
Other	9,762	7,291	Dividends payable	370	915
			Other	21,584	16,465
Noncurrent	**706,814**	**701,991**	**Noncurrent**	**533,808**	**589,746**
Noncurrent Assets	**260,294**	**247,847**	Loans/debentures	340,961	389,657
Judicial Deposits	87,342	81,742	Trade payables	73,465	68,990
Recoverable Taxes	5,732	6,124	Deferred IR and CS	18,564	3,250
Tax Asset	28,337	26,735	Financing of Taxes	66,438	69,342
Related-party credits	92,449	89,423	Provisions	34,380	58,507
Eletrobras Receivables	32,208	32,208			
Other noncurrent assets	14,226	11,615			
			Shareholders' Equity	**279,201**	**238,459**
Investment	**277**	**243**	Capital	130,000	119,565
Property, plant and equipment	**426,560**	**433,348**	Profit Reserves	110,619	121,129
Intangible assets	**19,683**	**20,553**	Other Comprehensive Income	(3,845)	(2,246)
			Retained Earnings	42,400	-
			Minority interest	27	11
Total Assets	**1,253,835**	**1,237,360**	**Total Liabilities**	**1,253,835**	**1,237,360**

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

1 Reporting entity

PBG S.A., herein also referred to as "Company" or "Parent Company", is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under the code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011 and amended on August 17, 2015, and holds on June 30, 2017 54% of the company's shares. The remaining 46% of the shares are held by several shareholders.

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

In addition, the Company holds shareholding interest in subsidiaries: (i) Portobello Shop, administrator of the networks of Portobello Shop and Empório Portobello store franchises, with a network of 148 franchised stores specializing in ceramic coating and tiles; (ii) PBTech which is tasked with managing the Portobello Shop proprietary stores and currently manages six stores; (iii) Mineração Portobello which is tasked with supplying part of the raw material used to produce the ceramic coatings; (iv) Companhia Brasileira de Cerâmica, based in the north-east of Brazil, which is currently unoperational; (v) Portobello América which was founded to sell the Portobello products in the US market and which is currently inactive.

2 Presentation of the interim information

a) Statement of compliance with IFRS and CPC standards

These interim financial statements include:

- Consolidated financial statements 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 under BR GAAP is the reason why the statements are not being presented in dual compliance.

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

The individual and consolidated interim quarterly information was authorized for issuance by the Board of Directors on August 3, 2017.

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

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017.

- Disclosure Initiative (Amendments to CPC 26 / IAS 7 and CVM Resolution 761/2016)

The amendments require additional disclosures that enable users of financial statements to understand and evaluate changes in liabilities arising from financing activities. The Company did not adopt these amendments when preparing these financial statements and does not plan to adopt these standards early.

- Financial instruments (CPC 38/ IFRS 9)

The amendment includes new logical models for classification and measurement of financial instruments, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard carries over from IAS 39 the requirements for recognition and derecognition of financial assets and financial liabilities.
The actual impact of this adoption on the Company's financial statements in 2018, when it comes into force, cannot be reliably estimated because it will be dependent on the Company's situations and the economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require a revision of the accounting processes and internal controls related to reporting financial instruments. The Company has not yet conducted a preliminary assessment of the possible effects from the implementation of the aforementioned pronouncement.

- 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.

3 Significant accounting policies

Accounting practices and calculation methods adopted in the preparation of quarterly information as of June 30, 2017 are the same as those used in the preparation of the financial statements for the year ended December 31, 2016, and the content and values of certain explanatory notes which did not require significant updates, have not been repeated in the notes. These financial statements should therefore be read together.

4 Critical accounting estimates and judgments

The main judgments and uncertainties in the estimates used in applying accounting practices are the same as those detailed in the financial statements for the year ended December 31, 2016.

5 Financial risk management

5.1 Financial risk factors

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

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

In thousands of reais, except when stated otherwise

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. The exchange rates derive from future commercial transactions, assets and liabilities recognized and net investments in overseas operations.

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

	In Brazilian reais			
	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Accounts receivable	60,140	43,969	60,140	43,969
Current account	7,558	1,186	7,558	1,186
Credit with subsidiaries	67,732	66,727	-	-
Assets exposed	135,430	111,882	67,698	45,155
Provision for devaluation of investments	(67,682)	(66,647)	-	-
Accounts payable, net of advances	(8,507)	(9,317)	(8,507)	(9,317)
Loans and financing	(60,448)	(77,402)	(60,448)	(77,402)
(-) Swap	11,052	21,778	11,052	21,778
Liabilities exposed	(125,585)	(131,588)	(57,903)	(64,941)
Net exposure	9,845	(19,706)	9,795	(19,786)

	In Euros				In Dollars			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Accounts receivable	551	367	551	367	12,535	9,887	12,535	9,887
Current account	-	-	-	-	2,285	364	2,285	364
Credit with subsidiaries	-	-	-	-	20,474	20,474	-	-
Provision for devaluation of investments	-	-	-	-	(20,459)	(20,448)	-	-
Accounts payable, net of advances	(655)	(282)	(655)	(282)	(1,860)	(2,567)	(1,860)	(2,567)
Loans and financing	-	-	-	-	(18,272)	(23,750)	(18,272)	(23,750)
(-) Swap	-	-	-	-	3,341	19,624	3,341	19,624
	(104)	85	(104)	85	(1,956)	3,584	(1,971)	3,558

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.

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

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, such as 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.

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

b) Credit risk

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

c) Liquidity risk

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

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

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

	Parent Company							
	June 30, 2017				December 31, 2016			
	* 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	206,534	751	105,832	10,129	196,975	782	98,557	9,788
Between one and two years	159,011	-	73,465	20,840	224,882	349	68,990	20,158
Between two and five years	162,065	-	-	31,260	146,726	-	-	30,237
Over five years	25,043	-	-	13,890	25,134	-	-	18,479
	552,652	751	179,297	76,119	593,717	1,131	167,547	78,662

The difference between the loans and debentures total presented in this table and the statement of financial position is due to the Prodec AVP, see note 22a).

	Consolidated							
	June 30, 2017				December 31, 2016			
	* 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	206,534	751	108,196	10,199	196,975	782	102,929	9,857
Between one and two years	160,145	-	73,465	20,982	226,071	349	68,990	20,296
Between two and five years	162,065	-	-	31,473	146,726	-	-	30,444
Over five years	25,043	-	-	13,983	25,134	-	-	18,602
	553,786	751	181,661	76,637	594,906	1,131	171,919	79,199

* The difference between the loans and debentures total presented in this table and the statement of financial position is due to the Prodec AVP, see note 22a).

In thousands of reais, except when stated otherwise

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 June 30, 2017 Management considered CDI rate at 10.14% and Selic of 10.25% 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:

	Consolidated in Reais							
	June 30, 2017	Risk	Probable		Possible (25%)*		Remote (50%)*	
Operation			%	R$	%	R$	%	R$
Investments (yielding 103.8% of CDI)	85,397	Write-off of CDI	10.14%	8,988	7.61%	6,741	5.07%	4,494
	85,397			8,988		6,741		4,494
Operation								
Loans - Export credit note	(101,731)	Increase in CDI	10.14%	(10,316)	12.68%	(12,894)	15.21%	(15,473)
Loans - Trade 4131 Swap	(7,191)	Increase in CDI	10.14%	(729)	12.68%	(911)	15.21%	(1,094)
Debentures	(199,602)	Increase in CDI	10.14%	(20,240)	12.68%	(25,300)	15.21%	(30,359)
Financing taxes	(76,637)	Increase in Selic	10.25%	(7,855)	12.81%	(9,819)	15.38%	(11,783)
	(385,161)			(39,140)		(48,924)		(58,709)

*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 June 30, 2017 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these quarterly information as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais						
	June 30, 2017	Probable		Possible (25%)*		Remote (50%)*	
		Rate USD	Gain (Loss)	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Accounts receivable	60,140	3.520	4,814	4.400	13,982	5.280	28,807
Current account	7,558	3.520	484	4.400	1,757	5.280	3,620
Accounts payable, net of advances	(8,507)	3.520	(681)	4.400	(1,978)	5.280	(4,075)
Loans and financing	(60,448)	3.520	(4,839)	4.400	(14,054)	5.280	(28,955)
(-) Swap	11,052	3.520	885	4.400	2,570	5.280	5,294
Net exposure	9,795	3.520	663	4.400	2,277	5.280	4,691

*Possible and remote scenarios calculated at the probable rate, based on the Bacen Focus Report dated July 17, 2017.

In thousands of reais, except when stated otherwise

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 June 30, 2017 can be summarized as follows:

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Loans and financing	547,112	585,472	548,246	586,661
Financing of taxes	76,119	78,662	76,637	79,199
Less: Cash and cash equivalents	(84,438)	(100,085)	(98,389)	(105,745)
Credits with other related parties	(92,449)	(89,423)	(92,449)	(89,423)
Short-term Investments	(6,736)	(6,451)	(6,736)	(6,451)
Net debt	439,608	468,175	427,309	464,241
Total shareholders' equity	279,174	238,448	279,201	238,459
Total capital	718,782	706,623	706,510	702,700
Financial leverage index (%)	61	66	60	66

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Assets, loans and receivables				
Cash and cash equivalents	84,438	100,085	98,389	105,745
Trade receivables	213,111	202,658	227,126	215,379
Credits with other related parties	92,449	89,423	92,449	89,423
Assets stated at fair value through profit or loss				
Short-term investments	6,736	6,451	6,736	6,451
Derivatives	197	-	197	-
	396,931	398,617	424,897	416,998
Liabilities, other financial liabilities				
Trade payables and assignment	128,241	120,079	130,605	124,451
Loans/debentures	547,112	585,472	548,246	586,661
Financing of taxes	76,119	78,662	76,637	79,199
Derivatives	-	2,452	-	2,452
	751,472	786,665	755,488	792,763

In thousands of reais, except when stated otherwise

6 Cash and cash equivalents

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Current account	9,852	6,211	12,992	11,172
Short-term investments	74,586	93,874	85,397	94,573
	84,438	100,085	98,389	105,745

The short-term investments designated as cash equivalents denote interests in investment funds. The average yield of the fund in June 2017 was equal to 103.8% 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 and noncurrent 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 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.

The fair value of the gains and losses of the swap transactions was recorded net under "Other" in current liabilities at June 30, 2017 and December 31, 2016.

Contracts	Maturity	Notional Value	June 30, 2017	December 31, 2016
a) Law 4131	Dec-17	7,190	(10)	(55)
b) Export Credit	nov-17	11,052	(717)	(2,200)
		18,242	(727)	(2,255)

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

In thousands of reais, except when stated otherwise

8 Trade receivables

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Third-party accounts receivable:				
Domestic sales	154,355	158,989	168,370	171,710
Overseas sales	60,140	43,969	60,140	43,969
	214,495	202,958	228,510	215,679
Accounts receivable from related parties:				
Entities related to management	2,138	2,548	2,138	2,548
	2,138	2,548	2,138	2,548
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(3,522)	(2,848)	(3,522)	(2,848)
	(3,522)	(2,848)	(3,522)	(2,848)
	213,111	202,658	227,126	215,379

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

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

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

	Parent Company							
	June 30, 2017	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Neither past due nor impaired	209,520	209,019	-	501	191,258	191,258	-	-
Up to 30 days overdue	2,137	-	1,964	173	5,733	-	5,733	-
31 to 90 days overdue	1,515	-	1,330	185	2,011	-	1,908	103
91 to 180 days overdue	814	-	125	689	1,251	-	824	427
181 to 360 days overdue	1,705	-	662	1,043	4,388		2,904	1,484
More than 360 days overdue	942	-	11	931	865	-	31	834
	216,633	209,019	4,092	3,522	205,506	191,258	11,400	2,848

	Consolidated							
	June 30, 2017	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Neither past due nor impaired	222,587	222,086	-	501	203,154	203,154	-	-
Up to 30 days overdue	2,470	-	2,297	173	6,144	-	6,144	-
31 to 90 days overdue	1,961	-	1,776	185	2,191	-	2,088	103
91 to 180 days overdue	842	-	153	689	1,298	-	871	427
181 to 360 days overdue	1,846	-	803	1,043	4,570		3,086	1,484
More than 360 days overdue	942	-	11	931	870	-	36	834
	230,648	222,086	5,040	3,522	218,227	203,154	12,225	2,848

In thousands of reais, except when stated otherwise

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 22. Its sum is calculated based on a percentage of the residual balance of the debt. On June 30, 2017, the total amount of accounts receivable pledged as collateral was R$ 68,277 (R$ 83,642 on December 31, 2016).

9 Inventories

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Finished goods	152,517	152,789	152,705	153,064
Work in progress	5,968	6,279	5,968	6,279
Raw materials and consumables	30,428	31,693	30,428	31,693
Provision for valuation of inventory at realizable value	(8,880)	(9,496)	(8,880)	(9,496)
Imports in transit	1,718	4,340	1,718	4,340
	181,751	185,605	181,939	185,880

10 Advance to suppliers

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Domestic market	2,758	2,428	1,043	2,040
Overseas market	1,275	597	1,275	597
	4,033	3,025	2,318	2,637

11 Recoverable taxes

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Current				
ICMS	5,974	8,060	6,443	8,524
IPI (a)	2,569	1,948	2,917	2,295
IRRF/CSRF	1,023	-	1,069	-
IRPJ/CSLL	4,123	4,330	4,201	5,017
PIS/COFINS (b)	8,735	-	9,430	427
INSS	-	2,496	-	2,496
Other	177	109	319	320
	22,601	16,943	24,379	19,079
Non-current *				
ICMS	3,040	3,051	3,040	3,051
PIS/COFINS	2,692	3,073	2,692	3,073
	5,732	6,124	5,732	6,124

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

a) Reduction of IPI rate percentages

The decrease in percentages of the rates of IPI (excise tax) levied on the products produced and sold by the Company is permitted by Decree no. 8950 issued December 29, 2016, which establishes a 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.

b) Semiannual payment of Pis

In May 2017 the Company recognized the recoverable asset referring to the semiannual payment of PIS of R$ 8,735. The recognition is based on the final and unappealable decision dated May 26, 2017, by which the Company obtained a favorable decision at the Federal High Court - STF to recover overpayments of Pis. The Company is making arrangements for the offsetting requirements.

12 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.

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 June 30, 2017, these credits that also originate in proceeding 87.00.00967-9, represent R$ 92,449 (R$ 89,423 on December 31, 2016) 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. The amount of R$ 2,167 was also received in September 2016, on top of instalment 04. Instalments 05 and 06 have now been deposited for Refinadora, although the pass-through depends on the release permit, which is in progress.

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

13 Judicial deposits

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

In thousands of reais, except when stated otherwise

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

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Civil (a)	73,537	69,043	73,537	69,061
Labor	8,032	8,111	8,032	8,111
Tax	5,743	4,539	5,773	4,570
	87,312	81,693	87,342	81,742

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.

14 Receivables from 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.

This proceeding was ruled to have grounds in 2005, and in 2006 the Company filed the enforcement proceeding and recognized the amount calculated by the court expert, restating it by the INPC (National Consumer Price Index) plus 12% p.a. After this period the calculation was subject to revisions conducted by the accounting experts of the federal courts.

In 2014, Eletrobrás was ordered to pay out R$ 35,395 calculated by the experts and valid as of August 2013. The Company contested the decision, requesting the calculations be changed and the criteria established to quantify the award amount due to disagreements between the parties. Based on the situation, in July 2014 the Company decided to stop restating the asset until a new decision about the value and criteria used in this process, maintaining the restated carrying amount at R$ 48,621.

After the enforcement of the award had been made final and unappealable in August 2014, an accounting expert was hired to quantify the credit, which will be subject to a future enforcement proceeding. The figure produced by the expert report was R$ 16,413 less than that recognized by the Company. The balance was written off in 2016, and restatement of R$ 9,562 was reversed against finance income and R$ 6,851 recognized in other operating expenses. The Company therefore opted to stop restating the balance due to uncertainty about which rate to use, maintaining the value of the asset as of June 30, 2017 at R$ 32,208 (R$ 32,208 as of December 31, 2016).

15 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:

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017
In thousands of reais, except when stated otherwise

	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Income tax	2,912	4,137	2,986	4,716	-	-	(1,545)	(227)
Social contribution	1,211	193	1,215	301	-	-	(560)	(84)
	4,123	4,330	4,201	5,017	-	-	(2,105)	(311)

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

b) Deferred income and social contribution taxes

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

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Tax loss carryforwards	8,497	7,393	8,492	11,741
Temporary differences assets	26,753	35,295	27,280	35,300
Exchange variance on cash basis	4,294	6,207	4,294	6,207
Provision for adjustment to market value	2,144	2,494	2,144	2,494
Provision for contingencies	8,061	8,914	8,061	8,914
Provision for PIS and COFINS with reduced ICMS base	-	7,969	-	7,969
Provision for profit-sharing and Long-term Incentive	4,470	2,486	4,470	2,486
Other temporary asset differences	7,784	7,225	8,311	7,230
Temporary differences liabilities	(53,814)	(50,291)	(53,814)	(50,291)
Portobello previdência	(1,485)	(1,485)	(1,485)	(1,485)
Realization of the revaluation reserve	(18,786)	(19,091)	(18,786)	(19,091)
Eletrobrás Receivables	(10,951)	(10,951)	(10,951)	(10,951)
Contingent asset - Semiannual payment of Pis	(2,970)		(2,970)	
Contingent asset - IPI credit premium - stage II	(9,635)	(9,090)	(9,635)	(9,090)
Adjustment to present value	(2,138)	(3,187)	(2,138)	(3,187)
Depreciation adjustment (to useful life of assets)	(7,849)	(6,487)	(7,849)	(6,487)
Deferred income and social contribution liabilities, net	(18,564)	(7,603)	(18,042)	(3,250)
Noncurrent assets	-	-	522	-
Noncurrent liabilities	(18,564)	(7,603)	(18,564)	(3,250)
Deferred income and social contribution liabilities, net	(18,564)	(7,603)	(18,042)	(3,250)

In thousands of reais, except when stated otherwise

The net changes in income tax and social contribution at June 30, 2017 were as follows:

	Parent Company	Consolidated
At December 31, 2016	(7,603)	(3,250)
Tax loss carryforwards	1,104	(3,249)
Temporary differences assets	(8,542)	(8,020)
Temporary differences liabilities	(3,828)	(3,828)
Revaluation reserve	305	305
At June 30, 2017	(18,564)	(18,042)

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

	Parent Company	Consolidated
	June 30, 2017	June 30, 2017
Deferred tax asset debited (Credited) to net income		
Tax loss carryforwards	1,104	1,104
Tax credits	-	(4,353)
Exchange variance on cash basis	(1,913)	(1,913)
Provision for adjustment to market value	(350)	(350)
Provision for contingencies	(853)	(853)
Provision for PIS and COFINS with reduced ICMS base	(7,969)	(7,969)
Provision for profit-sharing and Long-term Incentive	1,984	1,984
Other temporary asset differences	559	1,081
	(7,438)	(11,269)
Realization of the revaluation reserve	305	305
Contingent asset - Semiannual payment of Pis	(2,970)	(2,970)
Contingent asset - IPI credit premium - stage II	(545)	(545)
Adjustment to present value	1,049	1,049
Depreciation adjustment (to useful life of assets)	(1,362)	(1,362)
	(3,523)	(3,523)
	(10,961)	(14,792)

In thousands of reais, except when stated otherwise

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

Income and social contribution tax expenses are as follow:

Changes in the 2nd quarter

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net income before income	27,723	(2,062)	30,166	1,833
Tax calculated at the statutory rates - 34%	(9,426)	701	(10,256)	(623)
Equity income of subsidiaries	3,265	2,399	-	-
Expenses nondeductible for tax purposes	306	1,787	306	1,685
Depreciation of revalued assets	(153)	(154)	(153)	(309)
Tax credits on tax losses and temporary differences	6,008	(4,733)	7,668	(4,642)
Current income tax for the year	-	-	(2,435)	(3,889)
Recording of deferred income and social contribution taxes	(5,855)	6,096	(5,855)	6,096
Income tax and social contribution expenses	(5,855)	6,096	(8,290)	2,207
Effective rate	21.1%	-	27.5%	-

Changes in the 1st half

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net income before income	52,693	(11,506)	57,598	(5,126)
Tax calculated at the statutory rates - 34%	(17,915)	3,912	(19,583)	1,743
Equity income of subsidiaries	6,334	3,887	-	-
Nondeductible expenses	620	1,684	620	1,582
Depreciation of revalued assets	(305)	(308)	(305)	(463)
Tax credits on tax losses and temporary differences	11,266	(10,325)	14,379	(10,382)
Current income tax for the year	-	(1,150)	(4,889)	(7,520)
Recording of deferred income and social contribution taxes	(10,961)	10,466	(10,961)	10,466
Income tax and social contribution expenses	(10,961)	9,316	(15,850)	2,946
Effective rate	20.8%	-	27.5%	-

16 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled ‘IPI premium credit’, in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. the amount recognized in November 2009, restated as of June 30, 2017 is R$ 21,033 (R$ 19,843 as of December 31, 2016).

This concerns proceeding 1984.00.020114-0 for the period December 7, 1979 to March 31, 1981. 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

In thousands of reais, except when stated otherwise

Department of the Ministry of Finance, did not state its position, thereby leading to tacit acceptance and preclusion. The case has therefore been sent the judge for sentencing and can no longer be contested. In 2015 the Company recognized the amount calculated by the legal expert of R$ 4,983. As the company believes that victory in this case is a foregone conclusion, it recorded the tax asset in June 2015, which restated up to June 30, 2017 stands at R$ 7,304 (R$ 6,891 as of December 31, 2016).

The tax asset as of June 30, 2017 is R$ 28,337 (R$ 26,735 as of December 31, 2016).

17 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. The company is enforcing the award. 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, as of 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.

18 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".

	Country of incorporation	Percentage interest	Assets	Liabilities	Revenue	Net income
At December 31, 2016						
Portobello América Inc.	USA	100.00%	83	66,730	-	(161)
PBTech Ltda.	Brazil	99.94%	11,437	10,718	61,652	3,268
Portobello Shop S/A	Brazil	99.90%	22,546	22,066	64,165	15,893
Mineração Portobello Ltda.	Brazil	99.76%	1,958	1,713	8,764	547
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	1,654	9,801	(67)	2,994
At June 30, 2017						
Portobello América Inc. et al	US	100.00%	65	67,747	-	(29)
PBTech Ltda.	Brazil	99.94%	11,470	8,354	29,250	2,397
Portobello Shop S/A	Brazil	99.90%	37,353	20,839	30,712	16,034
Mineração Portobello Ltda.	Brazil	99.76%	1,887	1,422	4,510	220
Companhia Brasileira de Cerâmica S/A	Brazil	99.91%	2,121	2	-	8

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

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Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

	Shareholders equity	Net income for the period	Percentage interest	December 31, 2016	Exchange variance	Capital payment	Equity income	Change in equity interest	June 30, 2017
Investment									
Portobello América Inc. et al	(67,682)	(29)	100%	(66,647)	(1,006)	-	(29)	-	(67,682)
PBTech Ltda.	3,118	2,398	99.94%	719	-	-	2,397	-	3,116
Portobello Shop S.A.	16,531	16,050	99.90%	480	-	-	16,034	-	16,514
Mineração Portobello Ltda.	466	221	99.76%	245	-	-	220	-	465
Companhia Brasileira de Cerâmica S/A	2,126	8	99.91%	(7,868)	-	10,145	8	(161)	2,124
Other	10			10	-	-	-		10
Total net investment in subsidiaries				(73,061)	(1,006)	10,145	18,630	(161)	(45,453)
Interest in subsidiaries				1,454					22,229
Provision for devaluation of investments				(74,515)					(67,682)

b) Advance for future capital increase

Pursuant to the Extraordinary General Meeting held June 23, 2017, PBG paid in capital of R$ 10,145 at the subsidiary Companhia Brasileira de Cerâmica, amount deriving from the existing AFAC. The remaining balance of R$ 3,831 was settled by assigning deferred tax credits.

19 Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated	
		June 30, 2017			December 31, 2016	June 30, 2017	December 31, 2016
	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 Improvement	3%	203,119	(38,695)	164,424	167,914	159,879	164,634
Machinery and equipment	15%	518,596	(292,852)	225,744	236,675	225,745	236,676
Furniture and fixtures	10%	9,452	(8,281)	1,171	1,261	1,185	1,277
Computers	20%	19,007	(15,711)	3,296	3,880	3,304	3,893
Other PPE in progress	20%	208	(191)	17	22	10,516	10,353
Construction in progress		11,469	-	11,469	3,363	12,869	3,453
		773,992	(355,730)	418,262	425,256	426,560	433,348

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 30c)).

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2016.

In thousands of reais, except when stated otherwise

b) Changes in the property, plant and equipment

	Parent Company							
	December 31, 2015	Additions	Transfers	Depreciation	December 31, 2016	Additions	Depreciation	June 30, 2017
Land	12,141	-	-	-	12,141	-	-	12,141
Buildings and improvements	164,853	-	10,050	(6,989)	167,914	-	(3,490)	164,424
Machinery and equipment	224,665	696	34,627	(23,313)	236,675	396	(11,327)	225,744
Furniture and fixtures	1,418	-	37	(194)	1,261	7	(97)	1,171
Computers	4,123	389	597	(1,229)	3,880	32	(616)	3,296
Other PPE in progress	30	-	-	(8)	22	-	(5)	17
Construction in progress	29,449	19,225	(45,311)	-	3,363	8,106	-	11,469
	436,679	20,310	-	(31,733)	425,256	8,541	(15,535)	418,262

	Consolidated									
	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	December 31, 2016	Additions	Transfers	Depreciation	June 30, 2017
Land	13,062	-	-	-	-	13,062		-	-	13,062
Buildings and improvements	163,773	-	10,050	(9,189)	-	164,634	-	-	(4,755)	159,879
Machinery and equipment	224,665	697	34,627	(23,313)	-	236,676	396	-	(11,327)	225,745
Furniture and fixtures	1,440	-	37	(197)	(3)	1,277	7	-	(99)	1,185
Computers	4,147	396	591	(1,241)	-	3,893	33	-	(622)	3,304
Other PPE in progress	5,494	-	5,038	(8)	(171)	10,353	-	168	(5)	10,516
Construction in progress	31,613	22,183	(50,343)	-	-	3,453	9,584	(168)	-	12,869
	444,194	23,276	-	(33,948)	(174)	433,348	10,020	-	(16,808)	426,560

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

	Parent Company		Consolidated		Parent Company		Consolidated	
	2º Quarter				YTD			
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cost of goods sold	6,992	7,072	6,994	7,072	13,987	13,909	13,988	13,909
Commercial expense	531	533	1,156	1,041	1,052	1,033	2,318	2,024
Administrative expense	247	253	250	256	496	507	502	510
	7,770	7,858	8,400	8,369	15,535	15,449	16,808	16,443

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20 Intangible assets

a) Breakdown

		Parent Company				Consolidated	
		June 30, 2017			December 31, 2016	June 30, 2017	December 31, 2016
	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%	20,311	(14,475)	5,836	6,598	5,836	6,598
Mine exploration right	20%	1,000	(1,000)	-	-	511	729
Goodwill	-	-	-	-	-	8,059	6,831
Software under development	-	1,373	-	1,373	653	1,373	653
Management system (a)	21%	18,886	(15,132)	3,754	5,592	3,754	5,592
		41,720	(30,607)	11,113	12,993	19,683	20,553

(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, 2015	Additions	Amortization	Transfer	Write-offs	December 31, 2016	Additions	Amortization	June 30, 2017
Patents and trademarks	150	-	-	-	-	150	-	-	150
Software	2,032	548	(1,172)	5,190	-	6,598	50	(812)	5,836
Mine exploration right	773	-	(29)	-	(744)	-	-	-	-
Software under development	5,315	528	-	(5,190)	-	653	720	-	1,373
Management system	9,540	-	(3,948)	-	-	5,592	-	(1,838)	3,754
	17,810	1,076	(5,149)	-	(744)	12,993	770	(2,650)	11,113

	Consolidated								
	December 31, 2015	Additions	Amortization	Transfer	Write-offs	December 31, 2016	Additions	Amortization	June 30, 2017
Patents and trademarks	150	-	-	-	-	150	-	-	150
Software	2,032	548	(1,172)	5,190	-	6,598	50	(812)	5,836
Mine exploration right	1,164	745	(436)	-	(744)	729	-	(218)	511
Goodwill	7,039	-	-	-	(208)	6,831	1,228	-	8,059
Software under development	5,315	528	-	(5,190)	-	653	720	-	1,373
Management system	9,540	-	(3,948)	-	-	5,592	-	(1,838)	3,754
	25,240	1,821	(5,556)	-	(952)	20,553	1,998	(2,868)	19,683

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

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

	Parent Company		Consolidated		Parent Company		Consolidated	
	2º Quarter				YTD			
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cost of goods sold	202	173	310	283	397	324	615	512
Commercial expense	692	704	692	704	1,390	1,408	1,390	1,408
Administrative expense	431	385	431	385	863	770	863	770
	1,325	1,262	1,433	1,372	2,650	2,502	2,868	2,690

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

	2017	2018	2019	2020	2021 to 2023	Total
Software	815	1,600	1,591	1,443	387	5,836
Mine exploration right	220	26	26	26	213	511
Management system	1,837	1,917	-	-	-	3,754
	2,872	3,543	1,617	1,469	600	10,101

The brands and patents, goodwill and software items under development in the total amount of R$ 9,582 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

21 Trade payables and loan assignment

a) Trade payables

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Domestic sales	99,061	89,220	101,425	93,592
Overseas sales	6,771	9,337	6,771	9,337
Current	105,832	98,557	108,196	102,929
Domestic market (i)	73,465	68,990	73,465	68,990
Noncurrent	73,465	68,990	73,465	68,990
	179,297	167,547	181,661	171,919

(i) Provision for payment to gas supplier as a result of the matter mentioned in note 13

b) Supplier credit assignment

The Company made supplier credit assignments with tier-one financial institutions amounting to R$ 22,409 as of June 30, 2017 and R$ 21,522 as of December 31, 2016, 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.

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

22 Loans, financings, and debentures

a) Loans and financing

	Currency	Maturities	Charges	Parent Company		Consolidated	
				June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Current							
Financial lease (a)	R$	May/2018	11.48% p.a.	751	782	751	782
Banco do Nordeste S.A (b)	R$	Jun/2025	3.00% p.a.	9,793	9,801	9,793	9,801
Law 4131 (c)	R$	Dec/2017	11.74% p.a.	7,191	14,387	7,191	14,387
NCE (d)	R$	May/2019	11.77% p.a.[1]	77,346	88,543	77,346	88,543
Prepayment (e)	USD	May/2018	5.70% p.a.+VC	4,141	4,083	4,141	4,083
PRODEC (f)	R$	Mar/2021	4.00% p.a.[1]	19,098	10,897	19,098	10,897
FINEP (g)	R$	May/2021	8.59% p.a.[1]	18,383	10,161	18,383	10,161
DEG (h)	USD	Oct/2021	6.25% p.a.+VC	10,519	10,394	10,519	10,394
FINAME (i)	R$	Aug/2023	3.00% p.a.[1]	421	422	421	422
NCE (d)	USD	Nov/2017	11.05% p.a.	11,052	21,779	11,052	21,779
1st Series debentures (j)	R$	Nov/2022	13.69% p.a.	19,119	10,298	19,119	10,298
2nd Series debentures (j)	R$	Nov/2020	13.29% p.a.	29,471	15,457	29,471	15,457
Total current			10.27% p.a.[1]	207,285	197,004	207,285	197,004
Total local currency				181,573	160,748	181,573	160,748
Total foreign currency				25,712	36,256	25,712	36,256
Noncurrent							
Capital de giro	R$			-	-	1,134	1,189
Arrendamento financeiro (a)	R$	May/2018	11.48% p.a.	-	349	-	349
Banco do Nordeste S.A (b)	R$	Jun/2025	3.00% p.a.	68,463	73,353	68,463	73,353
NCE (d)	R$	May/2019	11.77% p.a.[1]	13,333	42,221	13,333	42,221
Pré-pagamento (e)	USD	May/2018	5.70% p.a.+VC	-	2,037	-	2,037
PRODEC (f)	R$	Mar/2021	4.00% p.a.[1]	30,692	34,386	30,692	34,386
FINEP (g)	R$	May/2021	8.59% p.a.[1]	39,571	20,739	39,571	20,739
DEG (h)	USD	Oct/2021	6.25% p.a.+VC	34,736	39,109	34,736	39,109
FINAME (i)	R$	Aug/2023	3.00% p.a.[1]	2,020	2,230	2,020	2,230
Debêntures 1ª série (j)	R$	Nov/2022	13.69% p.a.	80,701	89,619	80,701	89,619
Debêntures 2ª série (j)	R$	Nov/2020	13.29% p.a.	70,311	84,425	70,311	84,425
Total noncurrent			9.16% p.a.[1]	339,827	388,468	340,961	389,657
Total local currency				305,091	347,322	306,225	348,511
Total foreign currency				34,736	41,146	34,736	41,146
Grand Total			9.58% p.a.[1]	547,112	585,472	548,246	586,661
Total local currency				486,664	508,070	487,798	509,259
Total foreign currency				60,448	77,402	60,448	77,402

[1] Weighted average rate

VC - Exchange variance

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

b) Contract details

Note	Contract	Date - Disbursement	Date - Maturity	Funding	Term (months)	Amortization	Grace Period (months)	Guarantees
(a)	Financial lease	May-15	May-18	R$ 2,192	36	Monthly		Machinery and equipment
(b)	Banco do Nordeste	Aug-14	Jun-25	R$ 96,819	133	Monthly	24	Mortgage on property, machinery and equipment and restricted investments
	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, the 4th on 03/2016 for R$ 4,713 and the 5th for R$ 2,418..							
(c)	4131 Trade	Dec-12	Dec-17	R$ 50,000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
(d)	Export Credit (NCE)	Jan-13	Dec-17	R$ 20,000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		Sep-14	Sep-17	R$ 10,000	36	Quarterly	3	Clean operation
		Nov-14	Nov-17	US$ 15,000	36	Quarterly	12	
		May-16	May-18	R$ 50,000	24	Semi-annual	12	Receivables of Portobello SA at 15% of debit balance of contract
		Feb-15	Jan-18	R$ 50,000	36	Quarterly	9	
		Jun-16	May-19	R$ 10,000	36	Quarterly	12	During amortization – (6/2/2017 to 5/24/2019) - 80% of trade notes + 20% short-term investment.
		Jun-16	May-19	R$ 20,000	36	Quarterly	12	
	These contracts are subject to covenants , which have been complied with.							
(e)	Prepayment	Jun-13	May-18	US$ 5,000	60	Quarterly	15	Commercial pledge
(f)	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.							
(g)	Finep	Jul-10	Sep-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	May-21	R$ 57,318	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.The 3rd portion released on 06/2017 of R$ 32,064.						
(h)	DEG	May-14	Oct-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 2Q17 and the balance is maintained in noncurrent.							
(i)	Finame	May-13	May-23	R$ 39	120	Monthly	25	Machinery and equipment
		May-13	Apr-23	R$ 601	120	Monthly	24	
		Jul-13	Jul-23	R$ 107	120	Monthly	25	
		Jul-13	Aug-23	R$ 1,890	120	Monthly	26	
		Jan-14	Jun-23	R$ 577	114	Monthly	18	
(j)	1st Series debentures	Dec-15	Nov-22	R$ 100,000	83	Semi-annual	24	Additional real and personal guarantees
	2nd Series debentures	Dec-15	Nov-20	R$ 100,000	59	Semi-annual	24	Additional real and personal guarantees
	For further details see item (c) Debentures below.							

As security for the other loans the company submitted mortgages, equipment, receivables of the parent company (note 8) and subsidiary (note 40) 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 June 01	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
2018	57,802	128,921	58,936	130,110
2019	98,318	91,419	98,318	91,419
2020	86,579	78,367	86,579	78,367
2021 to 2025	97,128	89,761	97,128	89,761
	339,827	388,468	340,961	389,657

In thousands of reais, except when stated otherwise

The carrying amounts and the fair values of loans are presented in Reais, segregated by currency type:

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Reais	486,664	508,070	487,798	509,259
US Dollars	60,448	77,402	60,448	77,402
	547,112	585,472	548,246	586,661

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

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.

	June 30, 2017	December 31, 2016
Amount borrowed		
1st Series debentures	101,282	101,551
2nd Series debentures	101,244	101,515
Gross balance	202,526	203,066
Borrowing costs	(2,924)	(3,267)
Net balance	199,602	199,799
Current	48,590	25,755
Noncurrent	151,012	174,044

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

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

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
Form	Registered and book-entered	
Species	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 times (03.2016 and 06.2016), 4.50 times (09.2016 and 12.2016), 4.25 times (03.2017), 4.00 times (06.2017), 3.75 times (09.2017), 3.50 times (12.2017), 3.25 times (03.2018 and 06.2018), 3.00 times (09.2018 and 12.2018), 2.50 times (2019, 2020 and 2021) and 3.00 times (from 2022). The coventants have been complied with.	
	Division of Current assets over Current liabilities >= 1.15 times	

This contract is subject to covenants that have been complied with.

23 Financing of tax liabilities

Tax liabilities	Financing application		Parent Company		Consolidated	
	Date	Outstanding instalments	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
LAW 11941/09 (a)	Nov/09	88	76,119	78,662	76,637	79,199

The payment schedule for these commitments are as follows:

Maturity	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
2017	4,919	9,788	4,954	9,857
2018 to 2023 (*)	62,520	60,474	62,946	60,888
2024	8,680	8,400	8,737	8,454
	76,119	78,662	76,637	79,199
Current	10,129	9,788	10,199	9,857
Noncurrent	65,990	68,874	66,438	69,342

(*) Sum of the annual instalments of R$ 10,420 as of June 30, 2017 and R$ 10,079 as of December 31, 2016 for the Parent company and R$ 10,491 and R$ 10,148 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 24).

Once the consolidation is complete, the Company has undertaken to pay the monthly instalments of R$ 818 restated by the Selic base interest rate, 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 16 and 17.

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

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

Upon 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 mentioned in notes 16 and 17. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of “undue use”, manifestly recognized by the Federal Revenue Service of Brazil in the reporting unit. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 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.

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$ 27,673 as of June 30, 2017, 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 17.

25 Taxes and contributions

As of June 30, 2017, taxes, rates, and contributions recorded in current liabilities were classified as follows:

In thousands of reais, except when stated otherwise

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
IRRF	1,494	2,236	1,703	2,567
ICMS	10,620	9,910	10,639	9,933
PIS/COFINS	1,964	1,760	2,163	2,176
Other	457	233	609	344
	14,535	14,139	15,114	15,020

26 Provision for contingencies

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

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

Amount provisioned for	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Civil	8,194	9,962	8,194	9,987
Labor claims	15,567	14,494	15,567	14,660
Tax	3,279	26,548	3,306	26,548
	27,040	51,004	27,067	51,195

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 claims	Tax	
At December 31, 2016	9,962	14,494	26,548	51,004
Debited (credited) to income statement:	(1,485)	2,039	(22,669)	(16,398)
Additional provisions	2,645	1,063	2,247	5,955
Reversals due to nonuse	(1,860)	(193)	(22,194)	(24,247)
Monetary restatement (note 34)	670	1,169	55	1,894
Reversal of monetary restatement	(2,940)	-	(2,777)	(5,717)
Reversals due to realization	(283)	(966)	(600)	(1,849)
At June 30, 2017	8,194	15,567	3,279	27,040

In thousands of reais, except when stated otherwise

	Consolidated			Total
	Civil	Labor claims	Tax	
At December 31, 2016	9,987	14,660	26,548	51,195
Debited (credited) to income statement:	(1,509)	1,874	(22,641)	(16,559)
Additional provisions	2,675	1,111	2,276	6,062
Reversals due to nonuse	(1,917)	(414)	(22,195)	(24,526)
Monetary restatement (note 34)	673	1,177	55	1,905
Reversal of monetary restatement	(2,940)	-	(2,777)	(5,717)
Reversals due to realization	(284)	(967)	(601)	(1,852)
At June 30, 2017	8,194	15,567	3,306	27,067

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 324 lawsuits (228 lawsuits on December 31, 2016), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 13).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 272 labor complaints (319 complaints on December 31, 2016), filed by former employees and third parties. Claims refer mainly to health hazard premium, matter that has already been decided in the TRT (regional labor court) of the 12th Region in favor of the Company. Other claims refer to the payment of severance pay, additional pay, overtime, salary equalization and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company's legal consultants. Some lawsuits are supported by judicial deposits (Note 13).

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) 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. This decision was upheld by the Federal Regional Court of region 4. By way of the prosecutions department of the Ministry of Finance, the federal government appealed the decision before the Courts of Appeal (STF and STJ).

In thousands of reais, except when stated otherwise

Based on a favorable decision delivered by the STF on March 15, 2017 in the case records of case 5032720-26.2014.404.7200, the Company proceeded to reverse the amount provisioned for which amounted to R$ 25,544 (R$ 23,437 as of December 31, 2016), and the company accordingly rates the chance of defeat to be remote. The effect of excluding the ICMS from the company's net income was a saving of R$ 2,431 in the quarter ended June 30, 2017.

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

27 Lawsuits rated as possible and remote loss

a) Lawsuits with possible loss

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

	Parent Company		Consolidated	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Civil	1,932	2,232	1,965	2,308
Labor claims	6,950	6,778	7,038	6,788
	8,882	9,010	9,003	9,096

b) Remote case referring to 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, except when stated otherwise

28 Employee benefits

28.1 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 28 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

The main actuarial assumptions used were:

	Parent Company
	June 30, 2017 and 2016
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

28.2 Employee benefits and expenses

a) Expenses incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Compensation	34,453	35,949	37,881	39,131
Benefits				
Pension plans	202	219	203	219
Government Severance	2,721	2,998	3,078	3,359
Other	4,939	4,733	5,291	5,024
Total	42,315	43,899	46,453	47,733

In thousands of reais, except when stated otherwise

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Compensation	67,156	68,086	74,007	74,904
Benefits				
Pension plans	417	515	418	516
Government Severance	5,416	5,605	6,086	6,397
Other	9,622	8,735	10,261	9,288
Total	82,611	82,941	90,772	91,105

29 Long-term incentive

In 2012 the Company implemented the long-term incentive (ILP) The program aims to attract, retain and recognize the performance of key professionals.

Officers, managing directors and managers are eligible for the ILP program by way of an accession contract. Each participant has a number of securities that are referred to as reference shares. These are traded in the over-the-counter market and their valuation are calculated annually according to the performance of the Ebitda and the ratio between Ebitda and net debt.

The payment is established in three annual instalments deferred for two years at the start of the period. They are settled through monetary amounts in proportion to the gains made under the plan metrics.

The first group of participants signed up to the program in FY 2012. There are currently 3 plans in force. The present value of the obligation on June 30, 2017 is R$ 7,313 at the parent company and in the consolidated statement (R$ 7,312 at the parent company and in the consolidated statement on December 31, 2016).

30 Shareholders' equity

a) Capital

After the AGM's resolutions, on April 28, 2017 the Company raised its capital by R$ 10,435, realized entirely by capitalizing profits, solely for the purpose of capitalizing the company, there being no change to the total number of shares pursuant to article 169 (1) of Law 6404/76. As of June 30, 2017 the Company has a subscribed and paid-in capital of R$ 130,000 (R$ 119,565 on December 31, 2016) comprising 158,488,517 common nominative shares with no par value.

On June 30, 2017 there were 72,977,374 outstanding shares, equivalent to 46.05% of total shares issued (72,857,374 on December 31, 2016, equivalent to 45,97% 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) Profit reserves

The profit reserve of R$ 110,619 consists of two reserves, the legal reserve and the profit retention reserve, as follows:

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses and increase capital. As of June 30, 2017, the balance of legal reserve amounts to R$ 15,220 (R$ 15,220 as of December 31, 2016), as provided for by article 193 of the Corporation Law.

In thousands of reais, except when stated otherwise

The amount of R$ 95,400 refers to the profit retention reserve, based on the business growth project established in the Company's investment plan, approved in the Annual Shareholders' Meeting on April 28, 2017, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

c) 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. 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.

	Equity appraisal adjustments			
Parent Company and Consolidated	Deemed cost	Accumulated translation adjustments	Other comprehensive income	Total
As of December 31, 2016	37,060	(28,520)	(10,786)	(2,246)
Realization of the revaluation reserve	(593)	-	-	(593)
Exchange variance of overseas subsidiary	-	(1,006)	-	(1,006)
As of June 30, 2017	36,467	(29,526)	(10,786)	(3,845)

31 Revenue

The reconciliation of gross income to net income, presented in the statement of income for the quarter ended June 30, 2017, is as follows.

a) Revenue incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Gross sales revenue	296,204	302,061	321,485	328,960
Deductions from gross revenue	(60,333)	(68,581)	(62,957)	(72,382)
Sales taxes	(53,856)	(59,253)	(56,085)	(62,568)
Returns	(6,477)	(9,328)	(6,872)	(9,814)
Net sales revenue	235,871	233,480	258,528	256,575
Domestic sales	190,548	199,710	209,310	216,002
Overseas sales	45,323	33,770	49,218	40,573

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017

In thousands of reais, except when stated otherwise

b) Revenue incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Gross sales revenue	567,396	585,615	617,688	636,404
Deductions from gross revenue	(118,312)	(131,049)	(123,526)	(138,465)
Sales taxes	(106,280)	(112,741)	(110,836)	(119,198)
Returns	(12,032)	(18,308)	(12,690)	(19,267)
Net sales revenue	449,084	454,566	494,162	497,936
Domestic sales	366,832	387,286	404,106	418,495
Overseas sales	82,252	67,280	90,056	79,441

32 Expenses by nature

The cost of goods sold, selling expenses and administrative expenses for the quarter ended June 30, 2017 are as follow:

a) Expenses incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Costs and expenses				
Cost of Goods and/or Services Sold	(149,025)	(168,334)	(149,831)	(169,517)
Selling Expenses	(52,086)	(48,235)	(62,407)	(59,609)
General and Administrative	(8,729)	(9,540)	(8,844)	(9,705)
	(209,840)	(226,109)	(221,082)	(238,831)
Breakdown of expenses by nature				
Changes in inventory of finished good and goods in progress (a)	(2,673)	(4,570)	(2,664)	(4,417)
Direct production costs (raw materials and consumables)	82,001	93,302	79,768	91,617
General production expenses (including maintenance)	11,725	13,075	11,725	13,075
Cost of goods resold	12,056	20,504	14,799	22,929
Expense on transportation of goods sold	4,225	3,234	4,225	3,234
Salaries, charges and employee benefits	52,051	54,288	57,154	59,105
Labor and outsourced services	15,892	14,744	16,342	15,329
Amortization and depreciation	9,094	9,122	9,833	9,744
Rental and operating lease expenses	2,799	2,643	3,690	3,500
Sales commission	6,506	7,090	6,956	7,466
Advertising and marketing expenses	6,997	3,280	8,058	5,712
Other commercial expenses	7,086	7,100	9,060	9,165
Other administrative expenses	2,081	2,297	2,136	2,372
Total	209,840	226,109	221,082	238,831

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

In thousands of reais, except when stated otherwise

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Costs and expenses				
Cost of Goods and/or Services Sold	(287,971)	(320,088)	(289,588)	(321,306)
Selling Expenses	(99,161)	(97,111)	(119,093)	(120,755)
General and Administrative	(16,839)	(18,051)	(17,119)	(18,616)
	(403,971)	(435,250)	(425,800)	(460,677)
Breakdown of expenses by nature				
Changes in inventory of finished good and goods in progress (a)	(4,506)	(2,791)	(4,444)	(2,660)
Direct production costs (raw materials and consumables)	157,084	177,824	152,563	174,351
General production expenses (including maintenance)	22,172	19,519	22,172	19,518
Cost of goods resold	24,541	39,330	30,049	43,374
Expense on transportation of goods sold	7,477	5,038	7,477	5,043
Salaries, charges and employee benefits	101,551	102,618	111,680	112,854
Labor and outsourced services	30,232	33,259	30,990	34,575
Amortization and depreciation	18,184	17,950	19,676	19,133
Rental and operating lease expenses	5,574	5,132	7,303	6,843
Sales commission	12,785	13,298	13,709	14,066
Advertising and marketing expenses	10,431	5,431	12,193	9,926
Other commercial expenses	14,806	14,745	18,663	19,549
Other administrative expenses	3,640	3,897	3,769	4,105
Total	403,971	435,250	425,800	460,677

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

33 Other net operating income and expenses

Other individual and consolidated operating income and expenses for the quarter ended June 30, 2017 are as follows:

a) Expenses incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Other operating revenue				
Service revenue	38	22	38	22
Tax credits (a)	8,735	1,135	8,735	1,135
Other revenue	117	673	587	1,799
Total	8,890	1,830	9,360	2,956
Other operating expenses				
Provision for contingencies (note 26)	660	(1,470)	910	(1,483)
Provision for Long-term Incentive (note 29)	364	196	364	196
Provision for profit sharing (b)	(4,052)	1,564	(4,052)	1,564
Idleness cost (c)	(3,338)	-	(3,338)	-
Other expenses	(242)	(80)	(429)	(271)
Total	(6,608)	210	(6,545)	6
Net total	2,282	2,040	2,815	2,962

(a) Tax credits referring to the Semiannual payment of Pis, as per note 11.

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

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

In thousands of reais, except when stated otherwise

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Other operating revenue				
Service revenue	198	197	198	197
Tax credits (a)	8,735	1,135	8,735	1,135
Reversal of provision for contingencies (b)	20,247	-	20,247	-
Other revenue	229	771	727	1,897
Total	29,409	2,103	29,907	3,229
Other operating expenses				
Provisão para contingências (nota 26)	(31)	(1,877)	118	(1,909)
Provisão para incentivo de longo prazo (nota 29)	-	(196)	-	(196)
Provision for profit sharing (c)	(5,836)	-	(5,836)	-
Idleness cost (d)	(8,579)	(4,391)	(8,579)	(4,391)
Other expenses	(547)	(346)	(834)	(625)
Total	(14,993)	(6,810)	(15,131)	(7,121)
Net total	14,416	(4,707)	14,776	(3,892)

(a) Tax credits referring to the Semiannual payment of Pis, as per note 11.

(b) Reversal of the provision for contingencies referring to ICMS on the Pis and Cofins calculation base, net of fees.

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

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

34 Finance income

The individual and consolidated financial income for the quarter ended June 30, 2017 is as follows:

a) Expenses incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Finance revenue				
Interest	1,942	4,822	2,191	5,000
Asset restatement	2,588	2,902	2,588	2,902
Reversal of restatement of contingency (a)	2,939	-	2,939	-
Income from swap transactions (b)	355	-	355	-
Other	29	180	32	258
Total	7,853	7,904	8,105	8,160
Despesas financeiras				
Interest	(7,863)	(9,122)	(7,799)	(9,222)
Financial charges on taxes	(1,236)	(1,716)	(1,249)	(1,727)
Restatement of provisions for contingencies	(884)	(1,613)	(884)	(1,618)
Service fees and commission	(1,603)	(807)	(1,810)	(1,187)
Bank expenses	(174)	(196)	(174)	(199)
Income from swap transactions (b)	-	(5,912)	-	(5,912)
Interest on debentures	(7,124)	(7,843)	(7,124)	(7,843)
Other	(721)	(942)	(724)	(1,117)
Total	(19,605)	(28,151)	(19,764)	(28,825)
Net exchange variance				
Trade receivables and payables	3,994	(8,480)	3,999	(8,406)
Loans and financing	(2,435)	10,198	(2,435)	10,198
Total	1,559	1,718	1,564	1,792
Net total	(10,193)	(18,529)	(10,095)	(18,873)

(a) Reversal of the provision for contingencies referring to the civil proceeding from 2001.

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

In thousands of reais, except when stated otherwise

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Finance revenue				
Interest	4,861	10,387	5,244	10,746
Asset restatement	5,073	5,384	5,073	5,384
Reversal of restatement of contingency (a)	6,320	-	6,320	-
Income from swap transactions (b)	546	-	546	-
Other	74	396	84	488
Total	16,874	16,167	17,267	16,618
Despesas financeiras				
Interest	(16,871)	(18,023)	(16,850)	(18,229)
Financial charges on taxes	(2,687)	(3,396)	(2,710)	(3,422)
Restatement of provisions for contingencies	(2,498)	(3,032)	(2,508)	(3,042)
Service fees and commission	(2,872)	(807)	(3,298)	(1,187)
Bank expenses	(295)	(716)	(296)	(735)
Income from swap transactions (b)	(1,677)	(13,888)	(1,677)	(13,888)
Interest on debentures	(15,188)	(16,877)	(15,188)	(16,877)
Other	(1,289)	(2,143)	(1,328)	(2,602)
Total	(43,377)	(58,882)	(43,855)	(59,982)
Net exchange variance				
Trade receivables and payables	1,031	(17,930)	1,042	(18,226)
Loans and financing	6	23,097	6	23,097
Total	1,037	5,167	1,048	4,871
Net total	(25,466)	(37,548)	(25,540)	(38,493)

(a) Restatement of the restatement of provision for contingencies referring to the civil proceeding from 2001 R$ 2.9 MM and to the ICMS on the Pis and Cofins calculation base R$ 3.3 MM.

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

35 Earnings per share

a) Basic

In accordance with the CPC 41 (Earnings per share), the basic profit (loss) 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.

Net income for the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Profit (loss) attributable to shareholders	21,868	4,034	21,868	4,034
Weighted average of common shares	158,489	158,489	158,489	158,489
Basic earnings (loss) per share	0.13798	0.02545	0.13798	0.02545

PBG S.A and subsidiaries

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In thousands of reais, except when stated otherwise

Net income in the 1st half:

	Parent Company		Consolidated	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Profit (loss) attributable to shareholders	41,732	(2,190)	41,732	(2,190)
Weighted average of common shares	158,489	158,489	158,489	158,489
Basic earnings (loss) per share	0.26331	(0.01382)	0.26331	(0.01382)

The consolidated profit (loss) attributable to shareholders does not include the non-controlling interest in subsidiaries.

b) Diluted

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

36 Dividends

Dividends were distributed on June 01, 2017 of R$ 505 thousand for FY 2016, as resolved by the Annual General Meeting held April 28, 2017. The amount represents the minimum dividends of 25% and the total compensation of the shareholders for FY 2016 represented a yield (dividend per share divided by the final share price) of 0.16%.

37 Segment reporting

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

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

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

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

Information per business segment, reviewed by the Executive Board:

PBG S.A and subsidiaries

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In thousands of reais, except when stated otherwise

a) Net income for the 2nd quarter:

	June 30, 2017			June 30, 2016		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	209,310	49,218	258,528	216,002	40,573	256,575
Cost of goods sold	(119,971)	(29,860)	(149,831)	(143,111)	(26,406)	(169,517)
Gross operating profit	89,339	19,358	108,697	72,891	14,167	87,058
Net operating income (expenses)	(59,343)	(9,093)	(68,436)	(57,225)	(9,127)	(66,352)
General, administrative and sales	(62,158)	(9,093)	(71,251)	(60,222)	(9,092)	(69,314)
Other net operating income (expenses)	2,815	-	2,815	2,997	(35)	2,962
Operating income before financial income/expenses	29,996	10,265	40,261	15,666	5,040	20,706
% over ROL	14%	21%	16%	7%	12%	8%

b) Net income in the 1st half:

	June 30, 2017			June 30, 2016		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	404,106	90,056	494,162	418,495	79,441	497,936
Cost of goods sold	(234,092)	(55,496)	(289,588)	(275,054)	(46,252)	(321,306)
Gross operating profit	170,014	34,560	204,574	143,441	33,189	176,630
Net operating income (expenses)	(105,560)	(15,876)	(121,436)	(125,228)	(18,035)	(143,263)
General, administrative and sales	(120,336)	(15,876)	(136,212)	(122,287)	(17,084)	(139,371)
Other net operating income (expenses)	14,776	-	14,776	(2,941)	(951)	(3,892)
Operating income before financial income/expenses	64,454	18,684	83,138	18,213	15,154	33,367
% over ROL	16%	21%	17%	4%	19%	7%

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

38 Commitments

a) Commitments for the acquisition of assets

Expenditures contracted at the reporting date but not yet incurred referring to Property, plant and equipment on June 30, 2017 totaled R$ 27,236 and were related to the modernization of manufacturing equipment in accordance with the Company's investment plan.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on June 30, 2017 and December 31, 2016, amount to R$ 1,007 and R$ 820, respectively, for less than one year. For more than one year and less than five years, R$ 671 and R$ 274, respectively.

39 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. On June 30, 2017, coverage for fire, lightning strikes and explosions of any nature was R$ 90,000, for windstorm and smoke with impact of vehicles, R$ 3,000, for loss of profit, R$ 35,000, and for electric damage, riots and civil liabilities, R$ 3,600. The policy is in force from June 13, 2017 to June 13, 2018.

The Company also has Civil Liability Insurance for Management (D&O), contracted from ACE Seguradora 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, 2016 to August 27, 2017.

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In addition, the Company contracted a policy from Fairfax Brasil to guarantee labor claim no. 0234100-60.1998.5.05.0015 totaling R$ 28,000, effective from August 18, 2016 to August 18, 2020.

40 Related companies and parties

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

Nature	Transactions with related parties	June 30, 2017	December 31, 2016
Assets			
Dividends receivable	Portobello Shop S.A.	12,343	15,893
Accounts receivable	Portobello América, Inc.	67,732	66,727
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	2,797	2,228
Trade receivables	Portobello Shop S.A.	102	95
Credits with Subsidiaries - Noncurrent		70,631	69,050
Credits with other related parties	Refinadora Catarinense S.A.	92,449	89,423
Other transactions			
Advance to suppliers	Mineração Portobello Ltda.	21	558
Accounts receivable net of advance	Solução Cerâmica Com. Ltda.	590	442
Accounts receivable	Flooring Revest. Cer. Ltda.	586	370
Advance	Flooring Revest. Cer. Ltda.	(635)	(527)
Accounts payable	Gomes Part. Societárias Ltda.	-	(34)
Accounts payable	Elog Logistica Sul Ltda	(888)	(1,007)
		(326)	(198)

Nature	Transactions with related parties	2º Quarter June 30, 2017	2º Quarter June 30, 2016	YTD June 30, 2017	YTD June 30, 2016
Receitas					
Sale of goods	Solução Cerâmica Com. Ltda.	5,503	5,751	11,359	10,796
Sale of goods	Flooring Revest. Cer. Ltda.	2,572	2,507	4,236	4,457
Sale of goods	PBTech Com. Serv. Cer. Ltda.	5,728	5,170	11,689	8,827
Expenses					
Purchases of goods	Mineração Portobello Ltda.	(2,233)	(1,685)	(4,521)	(3,473)
Rent	Gomes Participações Societárias Ltda.	(134)	(92)	(245)	(182)
Freight services	Elog (Multilog) Logistica Sul Ltda	(600)	-	(1,147)	-
		10,836	11,651	21,371	20,425

The subsidiary Portobello Shop is guarantor of the Company in certain financing operations (see Note 22).

<u>Related party transactions</u>

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

PBG S.A and subsidiaries

Notes to the interim financial statements as of June 30, 2017
In thousands of reais, except when stated otherwise

Transactions with related parties	Nature	June 30, 2017	December 31, 2016	Nature	2º Quarter June 30, 2017	2º Quarter June 30, 2016	YTD June 30, 2017	YTD June 30, 2016
	Assets			Revenue				
Solução Cerâmica Com. Ltda.	Accounts receivable	497	1,099	Royalties	1,219	1,450	2,669	2,707
Flooring Revest. Cer. Ltda.	Accounts receivable	420	253	Royalties	679	632	1,107	1,137
		917	1,352		1,898	2,082	3,776	3,844

Key management personnel compensation

The compensation paid to key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended June 30, 2017 are:

a) Expenses incurred in the 2nd quarter:

	Parent Company June 30, 2017	Parent Company June 30, 2016	Consolidated June 30, 2017	Consolidated June 30, 2016
Fixed compensation				
Salaries	2,959	3,024	3,383	3,385
Fees	1,312	1,165	1,312	1,165
Variable compensation	360	2,720	418	2,936
Short-term direct and indirect employee benefits				
Pension plans	174	212	174	212
Other	400	436	437	469
	5,205	7,557	5,724	8,167

b) Expenses incurred in the 1st half:

	Parent Company June 30, 2017	Parent Company June 30, 2016	Consolidated June 30, 2017	Consolidated June 30, 2016
Fixed compensation				
Salaries	5,860	6,103	6,657	6,835
Fees	2,637	2,314	2,637	2,314
Variable compensation	759	3,139	884	3,422
Short-term direct and indirect employee benefits				
Pension plans	352	446	352	446
Other	803	935	883	1,067
	10,411	12,937	11,413	14,084

41 Supplemental disclosures of cash flow information

The following transactions not involving cash and cash equivalents took place in the six-month period ended June 30, 2017:

	Parent Company	Consolidated
Capital increase (a)	(10,435)	(10,435)
Settlement of AFAC subsidiary CBC (b)	13,976	-
Capital increase	10,145	-
Deferred tax credit assignment	3,831	-

a) Capital increase in the financing activity, for further details see note 30a).
b) Settlement of AFAC in the investment activity, for further details see note 18b).

Report on the Quarterly Information review - ITR

To the Directors, Officers and Shareholders
PBG S.A
Tijucas - SC

Introduction
We have reviewed the interim, individual and consolidated financial statements of the company PBG S.A. (“Company”), contained in the Quarterly Information Form - IRT for the quarter ended June 30, 2017, consisting of the balance sheets as of June 30, 2017 and the related statements of income, the comprehensive statements of income for the three- and six-month periods then ended, the statement of changes in shareholders’ equity and statements of cash flows for the six-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.

Scope of review
We conducted our review in accordance with Brazilian and international standards on reviews of 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.

Other matters

Statements of added value
The individual and consolidated interim accounting information relating to added value (DVA) for the six-month period ended June 30, 2017, which are the responsibility of Company Management and are presented as supplementary information for the purpose of IAS 34, was subject to review procedures conducted in conjunction with the review of the Company’s quarterly Information - ITR. To form our conclusion, we evaluated whether these statements have been reconciled against the interim accounting information and accounting records, as applicable, and whether their form and content comply with the criteria set out in CPC Technical Pronouncement 09 - Statements of Added Value. Our review did not detect any facts that lead us to believe the aforesaid statements of added value were not prepared, in all material respects, in accordance with the individual and consolidated interim financial statements accounting information taken as a whole.

Florianópolis, August 3, 2017

KPMG Auditores Independentes
CRC SC-000071/F-8

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

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

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

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 6/30/2017;

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 6/30/2017.

Members of the Executive Board
Cesar Gomes Júnior – CEO
Cláudio Ávila da Silva – Vice-President
John Shojiro Suzuki – CFO and Investor Relations Officer
Mauro do Valle Pereira – Officer

Tijucas, August 3, 2017.

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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John Shojiro Suzuki

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Mauro do Valle Pereira

Opinions and Representations / Representation of the Officers about the Independent Auditors' Report

Representation of the Officers about the Financial Statements and Independent Auditors' Special Review Report

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

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 6/30/2017;

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 6/30/2017.

Members of the Executive Board

Cesar Gomes Júnior – CEO

Cláudio Ávila da Silva – Vice-President

John Shojiro Suzuki – CFO and Investor Relations Officer

Mauro do Valle Pereira – Officer

Tijucas, August 3, 2017