
Portobello
PortobelloGrupo

Contents

Company Data / Capital Breakdown

Númber of Shares (thousands)	Current Quarter 9/30//2016
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 9/30/2016	Previous Year 12/31/2015
1	Total Assets	1,393,451	1,421,20
1.01	Current Assets	605,870	611,817
1.01.01	Cash and Cash Equivalents	151,765	81,761
1.01.02	Short-term Investments	0	100,478
1.01.03	Accounts Receivable	216,211	175,837
1.01.03.01	Trade receivables	216,211	175,837
1.01.04	Inventory	199,057	205,088
1.01.06	Recoverable Taxes	22,426	20,153
1.01.06.01	Current Taxes Recoverable	22,426	20,153
1.01.06.01.01	Income taxes and contributions recoverable	866	4,964
1.01.06.01.02	Other Current Taxes Recoverable	21,560	15,189
1.01.07	Prepaid Expenses	3,122	3,410
1.01.08	Other Current Assets	13,289	25,090
1.01.08.03	Other	13,289	25,090
1.01.08.03.01	Dividends Receivable	5,850	14,850
1.01.08.03.03	Advances to Suppliers	3,759	2,796
1.01.08.03.04	Other	3,680	7,444
1.02	Noncurrent Assets	787,581	809,383
1.02.01	Long-Term Assets	330,534	354,216
1.02.01.08	Related-party Credits	157,161	168,864
1.02.01.08.02	Credit with Subsidiaries	69,393	84,263
1.02.01.08.04	Other Related-party Credits	87,768	84,601
1.02.01.09	Other Noncurrent Assets	173,373	185,352
1.02.01.09.03	Judicial Deposits	76,723	59,899
1.02.01.09.04	Eletrobrás Receivables	32,208	48,621
1.02.01.09.05	Recoverable Taxes	7,928	10,477
1.02.01.09.06	Tax Asset	25,897	22,718
1.02.01.09.07	Actuarial Asset	9,676	9,676
1.02.01.09.08	Call deposits	6,330	5,826
1.02.01.09.09	Advance for future capital increase	13,976	27,321
1.02.01.09.10	Other	635	814
1.02.02	Capital expenditure	12,751	678
1.02.02.01	Equity Interests	12,751	678
1.02.02.01.02	Interests in Subsidiaries	12,522	480
1.02.02.01.04	Other Equity Interests	229	198
1.02.03	Property, plant and equipment	430,247	436,679
1.02.04	Intangible assets	14,049	17,810

Individual Financial Statements - Statement of Financial Position - Liabilities

(Reais thousand)

Account Code	Account Description	Current Quarter 9/30/2016	Previous Year 12/31/2015
2	Total Liabilities	1,393,451	1,421,200
2.01	Current Liabilities	402,756	417,770
2.01.01	Social and labor obligations	39,469	26,192
2.01.02	Trade payables	119,167	112,665
2.01.03	Tax Obligations	24,055	18,858
2.01.03.01	Federal Tax Liabilities	24,055	18,858
2.01.03.01.02	Financing of Taxes	9,602	9,018
2.01.03.01.03	Taxes, Duties and Contributions	14,453	9,840
2.01.04	Loans and Financing	173,940	210,714
2.01.04.01	Loans and Financing	162,599	210,053
2.01.04.02	Debentures	11,341	661
2.01.05	Other liabilities	44,498	45,476
2.01.05.02	Other	44,498	45,476
2.01.05.02.04	Loans Assignment Suppliers	16,664	15,642
2.01.05.02.05	Customer Advances	13,234	13,732
2.01.05.02.06	Dividends Payable	388	7,646
2.01.05.02.08	Other	14,662	8,456
2.01.06	Provisions	1,177	3,865
2.01.06.02	Other Provisions	1,177	3,865
2.01.06.02.06	Provision for profit-sharing	1,177	3,865
2.02	Noncurrent Liabilities	749,391	771,584
2.02.01	Loans and Financing	463,928	485,904
2.02.01.01	Loans and Financing	266,680	289,067
2.02.01.02	Debentures	197,248	196,837
2.02.02	Other liabilities	134,543	120,842
2.02.02.02	Other	134,543	120,842
2.02.02.02.03	Trade payables	64,076	47,923
2.02.02.02.06	Financing of Taxes	70,075	72,919
2.02.02.02.08	Other	392	0
2.02.03	Deferred Taxes	9,489	21,665
2.02.03.01	Deferred Income and Social Contribution Taxes	9,489	21,665
2.02.04	Provisions	141,431	143,173
2.02.04.02	Other Provisions	141,431	143,173
2.02.04.02.04	Provision for devaluation of investments	78,365	93,389
2.02.04.02.05	Provisions for Contingencies	54,357	41,075
2.02.04.02.06	Provision for Long-term Incentive	8,709	8,709
2.03	Shareholders' Equity	241,304	231,846
2.03.01	Realized Capital	119,565	99,565
2.03.04	Profit Reserves	118,310	139,193
2.03.04.01	Legal Reserve	15,113	15,113
2.03.04.05	Profit Retention Reserve	103,197	86,070
2.03.04.08	Additional Dividend Proposed	0	12,504
2.03.04.10	Unallocated Profit Reserve	0	25,506
2.03.05	Retained Earnings/Accumulated Losses	-2,214	0
2.03.08	Other Comprehensive Income	5,643	-6,912

Individual Financial Statements / Income Statement
(Reais thousand)

Account Code	Account Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated of the current year 1/1/2016 to 9/30/2016	Same quarter of the prior year 7/1/2015 to 9/30/2015	Accumulated of the prior year 1/1/2015 to 9/30/2015
3.01	Income from sales of goods and/or services	247,942	702,508	255,454	713,503
3.02	Cost of goods and/or services sold	-173,708	-493,796	-164,346	-470,184
3.03	Gross income	74,234	208,712	91,108	243,319
3.04	Operating expenses/income	-46,479	-154,915	-55,958	-147,319
3.04.01	Sales expenses	-51,411	-148,522	-43,143	-115,982
3.04.02	General and administrative expenses	-3,744	-21,795	-7,001	-22,231
3.04.04	Other operating income	14,395	16,498	413	5,626
3.04.04.01	Other operating income	14,395	16,498	413	5,626
3.04.05	Other operating expenses	-7,888	-14,698	-4,878	-15,175
3.04.05.01	Other operating expenses	-7,888	-14,698	-4,878	-15,175
3.04.06	Equity income (loss)	2,169	13,602	-1,349	443
3.05	Income (loss) before financial income and taxes	27,755	53,797	35,150	96,000
3.06	Financial income (loss)	-30,388	-67,936	-15,648	-41,826
3.06.01	Financial income	6,825	28,159	22,294	42,916
3.06.01.01	Financial income	7,762	23,929	22,294	42,916
3.06.01.02	Net foreign exchange variation	-937	4,230	0	0
3.06.02	Financial expenses	-37,213	-96,095	-37,942	-84,742
3.06.02.01	Financial expenses	-37,213	-96,095	-16,906	-50,844
3.06.02.02	Net Exchange Variance	0	0	-21,036	-33,898
3.07	Income (loss) before income tax	-2,633	-14,139	19,502	54,174
3.08	Income and social contribution taxes	1,709	11,025	-4,199	-13,857
3.08.01	Current	0	-1,150	-13,254	-24,546
3.08.02	Deferred assets	1,709	12,175	9,055	10,689
3.09	Net income (loss) of continued operations	-924	-3,114	15,303	40,317
3.11	Income/loss for the period	-924	-3,114	15,303	40,317
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common	0.00583	-0.01965	0.09656	0.25438

Individual Financial Statements / Income Statement
(Reais thousand)

Account Code	Account Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated of the current year 1/1/2016 to 9/30/2016	Same quarter of the prior year 7/1/2015 to 9/30/2015	Accumulated of the prior year 1/1/2015 to 9/30/2015
3.99.02	Diluted earnings per share				
3.99.02.01	Common	-0,00583	-0,01965	0,09656	0,25438

Individual Financial Statements - Comprehensive Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated of the current year 1/1/2016 to 9/30/2016	Same quarter of the prior year 7/1/2015 to 9/30/2015	Accumulated of the prior year 1/1/2015 to 9/30/2015
4.01	Net Income for the Period	-924	-3,114	15,303	40,317
4.02	Other Comprehensive Income	-744	13,455	-17,748	-26,847
4.02.02	Exchange variance of Overseas Subsidiary	-744	13,455	-17,748	-26,847
4.03	Comprehensive Income for the Period	-1,668	10,341	-2,445	13,470

Individual Statements - Statement of Cash Flows - Indirect Method

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 9/30/2016	Accrued Value of the Prior Year 1/1/2015 to 9/30/2015
6.01	Net cash from operational activities	123,216	66,941
6.01.01	Cash generated in operations	54,901	136,615
6.01.01.01	Profit or loss for the year before taxes	-14,139	54,174
6.01.01.02	Depreciation and amortization	27,279	22,496
6.01.01.03	Equity in net income of subsidiaries	-13,602	-443
6.01.01.04	Unrealized exchange variation	-9,446	36,687
6.01.01.05	Provision for inventory at market value	875	1,649
6.01.01.06	Allowance for doubtful accounts	1,564	115
6.01.01.07	Provision for contingencies	15,127	9,479
6.01.01.08	Provision for labor obligations	-13,322	-9,515
6.01.01.09	Reserve for long-term incentive and profit-sharing	-2,688	2,630
6.01.01.10	Other provisions	-3,445	184
6.01.01.12	Compulsory loan updates Eletrobrás	16,413	0
6.01.01.13	Adjustments to tax assets	-3,179	-6,602
6.01.01.14	Restatements of credits with other related parties	3,167	-5,466
6.01.01.15	Finance charges on tax installments	4,914	4,999
6.01.01.18	Interest on loans provisioned	50,019	28,282
6.01.01.20	Other	1,698	-2,054
6.01.02	Changes in assets and liabilities	104,245	-26,891
6.01.02.01	(Increase)/Decrease in accounts receivable	-42.108	-22,641
6.01.02.02	Increase /(Decrease) in Advances from clients	-498	1,048
6.01.02.04	(Increase)/Decrease in inventories	5,156	16,738
6.01.02.05	(Increase)/Decrease in recoverable taxes	-3,822	5,811
6.01.02.06	(Increase)/Decrease in legal deposits	-16,824	-11,128
6.01.02.07	(Increase)/Decrease in attached financial investment	99,974	0
6.01.02.08	(Increase)/Decrease in other assets	4,231	-8,185
6.01.02.09	Increase/(Decrease) in restricted short-term investments	23,915	-8,843
6.01.02.10	(Increase)/Decrease in advance to suppliers	-963	-1.806
6.01.02.11	(Increase) Decrease in provisions for contingencies	-1,845	0
6.01.02.12	Increase/(Decrease) in financing of taxes	-7,174	-6,654
6.01.02.13	Increase (Decrease) in tax and labor liabilities	34,160	10,487
6.01.02.14	Increase /(Decrease) in other accounts payable	10,043	-1,718
6.01.03	Other	-35,930	-42,883
6.01.03.01	Interest paid	-35,930	-24,205
6.01.03.02	Income and social contribution taxes paid	0	-18,578
6.02	Net cash used in investment activities	5,569	-129,203
6.02.01	Acquisition of property, plant and equipment	-17,045	-89,104
6.02.02	Acquisition of intangible assets	-1,076	-4,698
6.02.03	Dividends received	9,000	9,472
6.02.04	Paid-up capital in subsidiaries	0	-440
6.02.05	Advances for future capital increase	13,345	-45,779
6.02.06	Loans (granted to) repaid by related parties	1,386	1,346
6.02.07	Other investiments	-41	0
6.03	Net Cash from Financing Activities	-58,781	20,687
6.03.01	Obtainment of loans and financings	105,793	200,261
6.03.02	Payment of loans and financings	-156,433	-134,938

Individual Statements - Statement of Cash Flows - Indirect Method

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 9/30/2016	Accrued Value of the Prior Year 1/1/2015 to 9/30/2015
6.03.03	Dividends paid	-8,141	-44,636
6.05	Increase (Decrease) in Cash and Cash Equivalents	70,004	-41,575
6.05.01	Opening Balance of Cash and Cash Equivalents	81.761	87,803
6.05.02	Closing Balance of Cash and Cash Equivalents	151.765	46,228

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2016 to 9/30/2016
(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capita 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	-2,214	12,555	10,341
5.05.01	Net Income for the Period	0	0	0	-3,114	0	-3,114
5.05.02	Other Comprehensive Income	0	0	0	900	12,555	13,455
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	900	-900	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	13,455	13,455
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	-2,214	5,643	241,304

Individual Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 9/30/2015

(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	76,565	0	143,749	0	16,956	237,270
5.03	Adjusted Opening Balances	76,565	0	143,749	0	16,956	237,270
5.04	Capital transactions with owners	0	0	0	-5,940	0	-5,940
5.04.07	Interest on shareholder's equity	0	0	0	-5,940	0	-5,940
5.05	Total Comprehensive Income	0	0	0	41,216	-27,746	13,470
5.05.01	Net Income for the Period	0	0	0	40,317	0	40,317
5.05.02	Other Comprehensive Income	0	0	0	899	-27,746	-26,847
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	899	-899	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-26,847	-26,847
5.06	Internal changes in shareholders' equity	23,000	0	-45,198	0	0	-22,198
5.06.04	Capital increase	23,000	0	-23,000	0	0	0
5.06.05	Approval of additional dividends	0	0	-22,198	0	0	-22,198
5.07	Closing Balances	99,565	0	98,551	35,276	-10,790	222,602

Individual Financial Statements - Statements of Added Value

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 9/30/2016	Accrued Value of the Prior Year 1/1/2015 to 9/30/2015
7.01	Revenue	905,128	935,084
7.01.01	Sales of Goods, Products and Services	881,388	884,215
7.01.02	Other Revenue	22,314	9,768
7.01.03	Income from construction of own assets	2,990	40,986
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1,564	115
7.02	Consumables acquired from third parties	-470,609	-488,442
7.02.01	Cost of goods and services sold	-342,637	-348,961
7.02.02	Material, Energy, Outsourced Services and Other	-130,190	-139,462
7.02.03	Loss/Recovery of Assets	2,218	-19
7.03	Gross Added Value	434,519	446,642
7.04	Retentions	-27,279	-22,496
7.04.01	Depreciation, Amortization and Depletion	-27,279	-22,496
7.05	Net Added Value Produced	407,240	424,146
7.06	Transferred Added Value	82,571	122,788
7.06.01	Equity in Net Income of Subsidiaries	13,602	443
7.06.02	Financial Revenue	68,969	122,345
7.07	Total Added Value to be Distributed	489,811	546,934
7.08	Distribution of Added Value	489,811	546,934
7.08.01	Personnel	148,312	137,700
7.08.01.01	Direct Remuneration	123,993	117,997
7.08.01.02	Benefits	15,896	12,546
7.08.01.03	F.G.T.S.	8,423	7,157
7.08.02	Taxes, Duties and Contributions	199,536	198,798
7.08.02.01	Federal	84,942	103,677
7.08.02.02	State	114,025	94,794
7.08.02.03	Municipal	569	327
7.08.03	Interest Expenses	145,077	170,119
7.08.03.01	Interest	136,906	164,172
7.08.03.02	Rent	8,171	5,947
7.08.04	Interest earnings	-3,114	40,317
7.08.04.03	Retained Earnings/Loss for the Period	-3,114	40,317

Consolidated Financial Statements / Statement of Financial Position - Assets

(Reais thousand)

Account Code	Account Description	Current Quarter 9/30/2016	Previous Year 12/31/2015
1	Total Assets	1,332,718	1,351,893
1.01	Current Assets	625,071	639,604
1.01.01	Cash and Cash Equivalents	159,123	87,664
1.01.02	Short-term Investments	0	100,478
1.01.03	Accounts Receivable	229,488	208,367
1.01.03.01	Trade receivables	229,488	208,367
1.01.04	Inventory	199,520	205,291
1.01.06	Recoverable Taxes	24,549	22,775
1.01.06.01	Current Taxes Recoverable	24,549	22,775
1.01.06.01.01	Income taxes and contributions recoverable	1,505	6,020
1.01.06.01.02	Other Current Taxes Recoverable	23,044	16,755
1.01.08	Other Current Assets	12,391	15,029
1.01.08.03	Other	12,391	15,029
1.01.08.03.03	Advances to Suppliers	3,272	2,053
1.01.08.03.04	Other	9,119	12,976
1.02	Noncurrent Assets	707,647	712,289
1.02.01	Long-Term Assets	247,211	242,657
1.02.01.08	Related-party Credits	87,768	84,601
1.02.01.08.04	Other Related-party Credits	87,768	84,601
1.02.01.09	Other Noncurrent Assets	159,443	158,056
1.02.01.09.03	Judicial Deposits	76,769	59,924
1.02.01.09.04	Eletrobrás Receivables	32,208	48,621
1.02.01.09.05	Recoverable Taxes	7,928	10,477
1.02.01.09.06	Tax Asset	25,897	22,718
1.02.01.09.07	Actuarial Asset	9,676	9,676
1.02.01.09.08	Call deposits	6,330	5,826
1.02.01.09.09	Other	635	814
1.02.02	Capital expenditure	229	198
1.02.02.01	Equity Interests	229	198
1.02.02.01.04	Other Equity Interests	229	198
1.02.03	Property, plant and equipment	438,488	444,194
1.02.04	Intangible assets	21,719	25,240

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

Account Code	Account Description	Current Quarter 9/30/2016	Previous Year 12/31/2015
2	Total Liabilities	1,332,718	1,351,893
2.01	Current Liabilities	417,926	439,490
2.01.01	Social and labor obligations	43,098	29,015
2.01.02	Trade payables	124,035	127,352
2.01.03	Tax Obligations	25,194	20,400
2.01.03.01	Federal Tax Liabilities	25,194	20,400
2.01.03.01.01	Income taxes and contributions payable	0	571
2.01.03.01.02	Financing of Taxes	9,669	9,081
2.01.03.01.03	Taxes, Duties and Contributions	15,525	10,748
2.01.04	Loans and Financing	173,940	210,714
2.01.04.01	Loans and Financing	162,599	210,053
2.01.04.02	Debentures	11,341	661
2.01.05	Other liabilities	50,059	47,481
2.01.05.02	Other	50,059	47,481
2.01.05.02.04	Loans Assignment Suppliers	16,664	15,642
2.01.05.02.05	Customer Advances	18,077	15,301
2.01.05.02.06	Dividends Payable	409	7,667
2.01.05.02.08	Other	14,909	8,871
2.01.06	Provisions	1,600	4,528
2.01.06.02	Other Provisions	1,600	4,528
2.01.06.02.06	Provision for profit-sharing	1,600	4,528
2.02	Noncurrent Liabilities	673,466	680,547
2.02.01	Loans and Financing	465,089	487,014
2.02.01.01	Loans and Financing	267,841	290,177
2.02.01.02	Debentures	197,248	196,837
2.02.02	Other liabilities	135,018	121,342
2.02.02.02	Other	135,018	121,342
2.02.02.02.03	Trade payables	64,076	47,923
2.02.02.02.06	Financing of Taxes	70,551	73,414
2.02.02.02.08	Other	391	5
2.02.03	Deferred Taxes	9,489	21,665
2.02.03.01	Deferred Income and Social Contribution Taxes	9,498	21,665
2.02.04	Provisions	63,870	50,526
2.02.04.02	Other Provisions	63,870	50,526
2.02.04.02.05	Provisions for Contingencies	54,534	41,190
2.02.04.02.06	Provision for Long-term Incentive	9,336	9,336
2.03	Shareholders' Equity	241,326	231,856
2.03.01	Realized Capital	119,565	99,565
2.03.04	Profit Reserves	118,310	139,193
2.03.04.01	Legal Reserve	15,113	15,113
2.03.04.05	Profit Retention Reserve	103,197	86,070
2.03.04.08	Additional Dividend Proposed	0	12,504
2.03.04.10	Unallocated Profit Reserve	0	25,506
2.03.05	Retained Earnings/Accumulated Losses	-2,214	0
2.03.08	Other Comprehensive Income	5,643	-6,912
2.03.09	Minority Interests	22	10

Consolidated Statements / Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated of the current year 1/1/2016 to 9/30/2016	Same quarter of the prior year 7/1/2015 to 9/30/2015	Accumulated of the prior year 1/1/2015 to 9/30/2015
3.01	Income from sales of goods and/or services	273,316	771,252	300,249	800,913
3.02	Cost of goods and/or services sold	-174,878	-496,184	-189,508	-500,548
3.03	Gross income	98,438	275,068	110,741	300,365
3.04	Operating expenses/income	-69,182	-212,445	-71,690	-194,488
3.04.01	Sales expenses	-63,624	-184,379	-57,059	-151,524
3.04.02	General and administrative expenses	-8,567	-27,183	-8,708	-25,511
3.04.04	Other operating income	12,032	15,261	413	5,631
3.04.04.01	Other operating income	12,032	15,261	413	5,631
3.04.05	Other operating expenses	-9,023	-16,144	-6,336	-23,084
3.04.05.01	Other operating expenses	-9,023	-16,144	-6,336	-23,084
3.05	Income (loss) before financial income and taxes	29,256	62,623	39,051	105,877
3.06	Financial income (loss)	-30,816	-69,309	-15,942	-42,115
3.06.01	Financial income	7,086	28,575	22,368	43,430
3.06.01.01	Financial income	7,964	24,582	22,368	43,430
3.06.01.02	Net foreign exchange variation	-878	3,993	0	0
3.06.02	Financial expenses	-37,902	-97,884	-38,310	-85,545
3.06.02.01	Financial expenses	-37,902	-97,884	-17,328	-51,701
3.06.02.02	Net Exchange Variance	0	0	-20,982	-33,844
3.07	Income (loss) before income tax	-1,560	-6,686	23,109	63,762
3.08	Income and social contribution taxes	639	3,585	-7,800	-23,429
3.08.01	Current	-1,070	-8,590	-16,855	-34,118
3.08.02	Deferred assets	1,709	12,175	9,055	10,689
3.09	Net income (loss) of continued operations	-921	-3,101	15,309	40,333
3.11	Consolidated Net Income/loss for the period	-921	-3,101	15,309	40,333
3.11.01	Attributed to Partners of the Parent Company	-924	-3,114	15,303	40,317
3.11.02	Attributed to Minority Partners	3	13	6	16
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				

Consolidated Statements / Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated of the current year 1/1/2016 to 9/30/2016	Same quarter of the prior year 7/1/2015 to 9/30/2015	Accumulated of the prior year 1/1/2015 to 9/30/2015
3.99.01.01	Common	-0.00583	-0.01965	0.09656	0.25438
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common	-0.00583	0.00000	0,09656	0.25438

Consolidated Statements - Comprehensive Income Statement

(Reais thousand)

Account Code	Account Description	Current quarter 7/1/2016 to 9/30/2016	Accumulated of the current year 1/1/2016 to 9/30/2016	Same quarter of the prior year 7/1/2015 to 9/30/2015	Accumulated of the prior year 1/1/2015 to 9/30/2015
4.01	Consolidated Net Income for the Period	-921	-3,101	15,309	40,333
4.02	Other Comprehensive Income	-744	13,455	-17,748	-26,847
4.02.02	Exchange variance of Overseas Subsidiary	-744	13,455	-17,748	-26,847
4.03	Consolidated Comprehensive Income for the Period	-1,665	10,354	-2,439	13,486
4.03.01	Attributed to Partners of the Parent Company	-1,668	10,341	-2,445	13,470
4.03.02	Attributed to Minority Partners	3	13	6	16

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

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 9/30/2016	Accrued Value of the Prior Year 1/1/2015 to 9/30/2015
6.01	Net cash from operational activities	143,397	37,516
6.01.01	Cash generated in operations	78,445	142,783
6.01.01.01	Profit or loss for the year before taxes	-6,686	63,762
6.01.01.02	Depreciation and amortization	29,161	23,197
6.01.01.04	Unrealized exchange variation	-8,732	36,798
6.01.01.05	Provision for inventory at market value	875	-801
6.01.01.06	Allowance for doubtful accounts	1,657	115
6.01.01.07	Provision for contingencies	15,200	9,510
6.01.01.08	Provision for labor obligations	-13,841	-12,267
6.01.01.09	Reserve for long-term incentive and profit-sharing	-2,928	4,121
6.01.01.10	Other provisions	-3,371	-914
6.01.01.12	Compulsory loan update Eletrobrás	16,413	0
6.01.01.13	Adjustments to tax assets	-3,179	-6,602
6.01.01.14	Restatements of credits with other related parties	-3,167	-5,466
6.01.01.15	Finance charges on tax installments	4,947	5,033
6.01.01.18	Interest on loans provisioned	50,016	28,282
6.01.01.20	Other	2,080	-1,985
6.01.02	Changes in assets and liabilities	104,323	-53,517
6.01.02.01	(Increase)/Decrease in accounts receivable	-22,948	-52,880
6.01.02.02	Increase /(Decrease) in Advances from clients	2,776	4,215
6.01.02.04	(Increase)/Decrease in inventories	4,896	-4,340
6.01.02.05	(Increase)/Decrease in legal deposits	-16,845	-11,130
6.01.02.06	(Increase)/Decrease in recoverable taxes	99,974	0
6.01.02.07	(Increase)/Decrease in restricted short-term investments	-3,740	-558
6.01.02.08	(Increase)/Decrease in other assets	4,036	-10,343
6.01.02.09	Increase/(Decrease) in accounts payable	14,096	11,577
6.01.02.10	(Increase) Decrease advance to suppliers	-1,219	-3,013
6.01.02.11	(Increase)/Decrease in Provisions for Contingencies	-1,856	0
6.01.02.12	Increase (decrease) in financing of taxes	-7,222	-6,699
6.01.02.13	Increase /(Decrease) in Tax and labor liabilities	22,580	18,284
6.01.02.14	Increase/(Decrease) in other accounts payable	9,795	1,370
6.01.03	Other	-39,371	-51,750
6.01.03.01	Interest paid	-35,930	-24,205
6.01.03.02	Income and social contribution taxes paid	-3,441	-27,545
6.02	Net cash used in investment activities	-21,351	-99,411
6.02.01	Acquisition of property, plant and equipment	-19,530	-91,914
6.02.02	Acquisition of intangible assets	-1,821	-7,497
6.03	Net Cash from Financing Activities	-50,587	20,689
6.03.01	Obtainment of loans and financings	105,847	200,261
6.03.02	Payment of loans and financings	-156,433	-134,938
6.03.03	Dividends paid	-1	-44,637
6.05	Increase (Decrease) in Cash and Cash Equivalents	71,459	-41,209
6.05.01	Opening Balance of Cash and Cash Equivalents	87,664	92,383
6.05.02	Closing Balance of Cash and Cash Equivalents	159,123	51,174

Consolidated Financial Statements - Statements of Changes in Shareholders’ Equity - 1/1/2016 to 9/30/2016
(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 Income Comprehensive	Shareholders’ Equity	Minority interests	Consolidated Shareholders’ Equity
5.01	Opening Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856
5.03	Adjusted Opening Balances	99,565	0	139,193	0	-6,912	231,846	10	231,856
5.05	Total Comprehensive Income	0	0	0	-2,214	12,555	10,341	12	10,353
5.05.01	Net Income for the Period	0	0	0	-3,114	0	-3,114	12	-3,102
5.05.02	Other Comprehensive Income	0	0	0	900	12,555	13,455	0	13,455
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	900	-900	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	13,455	13,455	0	13,455
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	-2,214	5,643	241,304	22	241,326

Consolidated Financial Statements - Statements of Changes in Shareholders' Equity - 1/1/2015 to 9/30/2015

(Reais thousand)

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Accumulated	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.03	Adjusted Opening Balances	76,565	0	143,749	0	16,956	237,270	10	237,280
5.04	Capital transactions with owners	0	0	0	-5,940	0	-5,940	0	-5,940
5.04.07	Interest on shareholder's equity	0	0	0	-5,940	0	-5,940	0	-5,940
5.05	Total Comprehensive Income	0	0	0	41,216	-27,746	13,470	16	13,486
5.05.01	Net Income for the Period	0	0	0	40,317	0	40,317	16	40,333
5.05.02	Other Comprehensive Income	0	0	0	899	-27,746	-26,847	0	-26,847
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	899	-899	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	-26,847	-26,847	0	-26,847
5.06	Internal changes in shareholders' equity	23,000	0	-45,198	0	0	-22,198	0	-22,198
5.06.04	Capital increase	23,000	0	-23,000	0	0	0	0	0
5.06.05	Approval of additional dividends	0	0	-22,198	0	0	-22,198	0	-22,198
5.07	Closing Balances	99,565	0	98,551	35,276	-10,790	222,602	26	222,628

In thousands of Reais, unless stated otherwise

Consolidated Financial Statements - Statements of Added Value

(Reais thousand)

Account Code	Account Description	Accrued Value of the Current Year 1/1/2016 to 9/30/2016	Accrued Value of the Prior Year 1/1/2015 to 9/30/2015
7.01	Revenue	977,152	1,036,319
7.01.01	Sales of Goods, Products and Services	964,801	989,526
7.01.02	Other Revenue	11,018	5,692
7.01.03	Income from construction of own assets	2,990	40,986
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1,657	115
7.02	Consumables acquired from third parties	-488,554	-531,269
7.02.01	Cost of goods and services sold	-344,247	-365,603
7.02.02	Material, Energy, Outsourced Services and Other	-146,525	-165,646
7.02.03	Loss/Recovery of Assets	2,218	-20
7.03	Gross Added Value	488,598	505,050
7.04	Retentions	-29,161	-23,197
7.04.01	Depreciation, Amortization and Depletion	-29,161	-23,197
7.05	Net Added Value Produced	459,437	481,853
7.06	Transferred Added Value	69,538	122,914
7.06.02	Financial Revenue	69,538	122,914
7.07	Total Added Value to be Distributed	528,975	604,767
7.08	Distribution of Added Value	528,975	604,767
7.08.01	Personnel	163,418	162,237
7.08.01.01	Direct Remuneration	137,107	139,495
7.08.01.02	Benefits	16,748	13,899
7.08.01.03	F.G.T.S.	9,563	8,843
7.08.02	Taxes, Duties and Contributions	219,104	225,446
7.08.02.01	Federal	104,113	126,848
7.08.02.02	State	114,376	98,186
7.08.02.03	Municipal	615	412
7.08.03	Interest Expenses	149,554	176,751
7.08.03.01	Interest	138,862	165,029
7.08.03.02	Rent	10,692	11,722
7.08.04	Interest earnings	-3,101	40,333
7.08.04.03	Retained Earnings/Loss for the Period	-3,114	40,317
7.08.04.04	Minority interests in retained earnings	13	16

Management Report
In thousands of Reais, unless stated otherwise

COMMENT ON THE CONSOLIDATED PERFORMANCE 2Q16

PBG S.A. (BM&FBovespa: PTBL3 NM), the new name of Portobello S.A., hereby presents its results for the quarter ended September 30, 2016. The financial information presented in this document derives from the consolidated quarterly financial information of PBG S.A., prepared in accordance with the standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

About PBG S.A.

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

KEY FACTS

- Net Revenue of R$ 771 million in 2016, 4% below of the same period of the previous year;
- EBITDA of R$ 39 million in 3T16, the best quarter EBITDA of the last 12 months;
- Acumulated net loss in the year of R$ 3 million;
- Reduction of net debt in the amount of R$ 34 million in 9M16, achieving the amount of R$ 466 million;
- Average share trading volume increased by 82% in the last 12 months.

MANAGEMENT COMMENTS

The closing of the third quarter confirmed the forecast of a quite challenging year. According to Abramat, the market for finishing construction materials fell 8% in the quarter and 9.7% in the accumulated market, when compared to the same period of the previous year.

Net revenue dropped 9% in 3Q16 and 4% in 9M16, when compared to the same period of the previous year. In the domestic market, the 8% reduction in 3Q16 followed the drop in market consumption. In the foreign market, the 15% reduction was impacted by the significant reduction in exchange rates.

In September, product and commercial development teams participated in Cersaie, in Bologna / Italy. The fair is a vital commitment for the validation of trends and perception of the inputs of the world ceramic market. Therefore, the Company is already preparing for next year's launches, believing in its differentiated and innovative portfolio and reinforcing the sales mix qualification strategy.

Portobello Shop maintains its expansion plans and plans to reach 146 stores by the end of the year. In the quarter the national network convention took place, it is an important event to exchange experiences between franchisor and franchisee. About 230 people participated in this business forum, whose theme was "the competitive advantages of Portobello Shop". During the event there was a preview of the 2017 collection, lectures and awards.

The plan for optimization and suitability of the factory and Pointer brand continues. In production, actions are directed towards improving the occupancy and production efficiency (furnaces, lines and presses), reducing losses, improving quality and developing new suppliers. In the commercial area, the focus is on retail, engineering and export. The business posted a growing revenue in 9M16, with record revenue in August.

The Company also advances its plan to revise its structure of costs and expenses and retake of profitability. The work is underway under the guidance of a consulting firm specializing in cost optimization through the Zero Base Budget methodology. The first deliveries are planned for the fourth quarter and the revisions are already impacting the 2017 budget, which is being prepared internally.

At the Tijucas plant, it is worth mentioning the decrease in cost compared to 2015. At the beginning of July, there was a real reduction in the cost of natural gas by 18%, and in September, a reduction in the cost of electricity. In addition, the industry maintains internal actions to optimize manufacturing costs.

Management Report

In thousands of Reais, unless stated otherwise

ECONOMIC AND FINANCIAL PERFORMANCE

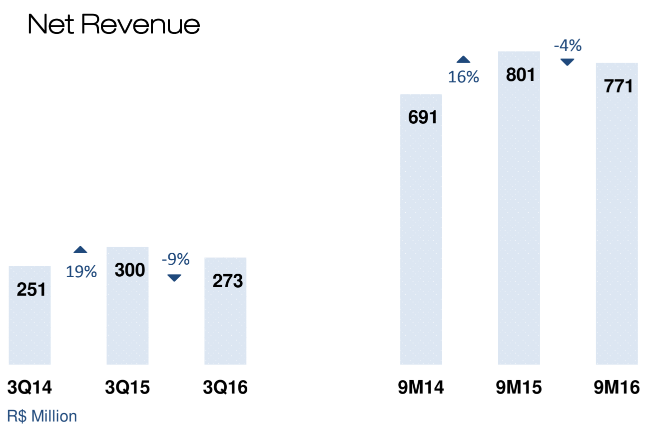
	R$ Thousands	3Q14	3Q15	3Q16	▲%	9M14	9M15	9M16	▲%
PERFORMANCE	Gross Revenue	321.667	378.492	351.884	-7%	881.920	1.012.467	988.285	-2%
	Net Revenue	251.486	300.249	273.316	-9%	691.070	800.913	771.252	-4%
	Gross Profit	91.488	110.741	98.438	-11%	254.559	300.365	275.068	-8%
	Gross Margin	36,4%	36,9%	36,0%	-0,9 p.p.	36,8%	37,5%	35,7%	-1,8 p.p.
	EBIT	36.108	39.051	29.256	-25%	94.269	105.877	62.623	-41%
	EBIT Margin	14,4%	13,0%	10,7%	-2,3 p.p.	13,6%	13,2%	8,1%	-5,1 p.p.
	Financial Income	(6.113)	(15.942)	(30.816)	93%	(24.078)	(42.115)	(69.309)	65%
	Net Profit	20.058	15.309	(921)	-106%	47.211	40.333	(3.101)	-108%
	Net Margin	8,0%	5,1%	-0,3%	-5,4 p.p.	6,8%	5,0%	-0,4%	-5,4 p.p.
	EBITDA	42.299	47.980	38.997	-19%	113.076	129.074	91.784	-29%
	EBITDA Margin	*16,8%*	*16,0%*	*14,3%*	-1,7 p.p.	*16,4%*	*16,1%*	*11,9%*	-4,2 p.p.
INDICATORS	Current liquidity					*1,3*	*0,9*	*1,5*	0,58
	Net Debt					338.824	515.497	466.028	-10%
	Net Debt/EBITDA					*2,0*	*2,7*	*3,6*	0,91
	Net Debt/Net Worth					*1,5*	*2,3*	*1,9*	(0,38)
PTBL3	Closing Price					4,90	2,32	2,69	16%
	Market Value					776.594	367.693	426.334	

Net Revenue

Consolidated net revenue totaled R $ 273 million in 3Q16 and R $ 771 million in the cumulative index, maintaining a performance below the previous year.

Net revenue in the domestic market represented 86% of the total for the quarter and fell 8% compared to 3Q15, following the downturn in the market. According to Abramat, the domestic finishing materials market showed a reduction of 8% (deflated) in gross sales in the third quarter.

In the foreign market, the variations were, influenced by the exchange rate swings. In the quarter, revenue declined 15% compared to 3Q15, as the US dollar decreased 18% in the same period. In relation to the cumulative, foreign market revenue increased by 10%, since the period between July 2015 and May 2016 was the interval with the highest exchange rates in the last two years.

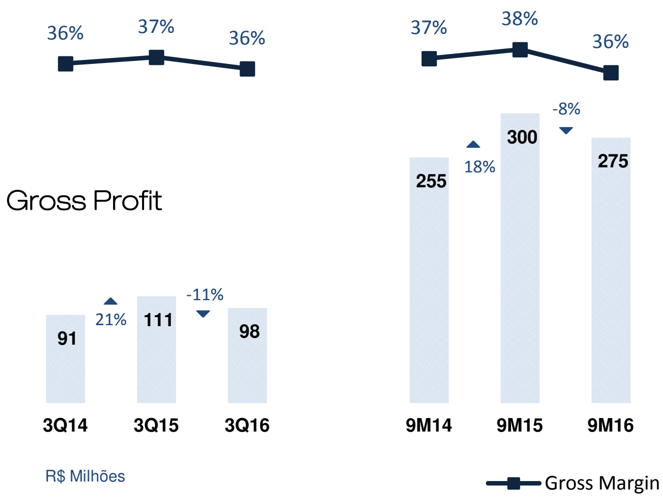


Management Report
In thousands of Reais, unless stated otherwise

	3Q14	3Q15	3Q16	▲%	9M14	9M15	9M16	▲%
Net Revenue	**251.486**	**300.249**	**273.316**	**-9%**	**691.070**	**800.913**	**771.252**	**-4%**
Domestic Market	227.007	256.332	236.035	-8%	622.510	694.447	654.530	-6%
Overseas Market	24.479	43.917	37.281	-15%	68.560	106.466	116.722	10%

Gross Profit

Gross profit totaled R $ 98 million in 3Q16, a decrease of 11% over the same period of the previous year. There was a reduction of 8% in relation to the same period of 2015. The gross margin posted a loss of 1 pp, affected by the sale of a mix of less noble products and, therefore, lower profitability.



Operating Income

Selling expenses totaled R $ 64 million in 3Q16 and R $ 184 million in the year, 12% and 22% higher than the same period of the previous year. This was mainly due to the gradual change in the distribution and logistics model and the increase in Pointer's expenses. The growth of CIF (Cost, Insurance and Freight) sales for logistics operators generated costs with freights higher than they were in 2015, when the model was still not very representative. Today these freight expenses account for 19% of commercial expenses. The Company believes that the construction of an effective distribution network will be an important differential for the future positioning of the company in the market.

Administrative expenses totaled R $ 8.6 million in 3Q16, 2% lower than the same period in 2015. Expenses went from 3.2% of Net Revenue in 9M15 to 3.5% in 9M16. Mainly, due to the growth of the structure for the Pointer / Alagoas operation.

	3Q14	3Q15	3Q16	▲%	%RL	9M14	9M15	9M16	▲%	%RL
Operating Expenses	**(55.380)**	**(71.690)**	**(69.182)**	**-3%**	**25%**	**(160.290)**	**(194.488)**	**(212.445)**	**9%**	**28%**
Sales	(42.028)	(57.059)	(63.624)	12%	23%	(120.748)	(151.524)	(184.379)	22%	24%
General and Administrative	(8.153)	(8.708)	(8.567)	-2%	3%	(23.934)	(25.511)	(27.183)	7%	4%
Other Income (Expenses)	(5.199)	(5.923)	3.009	-151%	-1%	(15.608)	(17.453)	(883)	-95%	0%

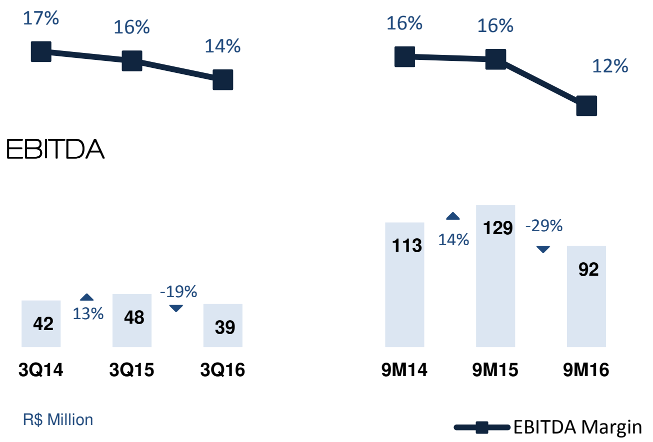
Other net operating revenues of R $ 3 million in 3Q16 refer mainly to extemporary tax credits.

Management Report
In thousands of Reais, unless stated otherwise

EBITDA

The Company closed the third quarter with an EBITDA of R $ 39 million, which is the best quarterly EBITDA in the last 12 months. The accumulated amount in the year is R $ 92 million, 29% lower than the same period of 2015.

	3Q14	3Q15	3Q16	▲%	%RL	9M14	9M15	9M16	▲%	%RL
Net Income	20.058	15.309	(921)	-106%	0%	47.211	40.333	(3.101)	-108%	0%
(+) Financial Income/Expense	6.113	15.942	30.816	93%	11%	24.078	42.115	69.309	65%	9%
(+) Depreciation and Amortization	6.209	8.929	9.741	9%	4%	18.866	23.197	29.161	26%	4%
(+) Income and Social Contribution Taxes	9.919	7.800	(639)	-108%	0%	22.921	23.429	(3.585)	-115%	0%
EBITDA	**42.299**	**47.980**	**38.997**	**-19%**	**14%**	**113.076**	**129.074**	**91.784**	**-29%**	**12%**
(+) Pre-Op. Alagoas Plant	1.267	789	-	-100%	0%	3.533	7.099	-		0%
Adjusted EBITDA	**43.566**	**48.769**	**38.997**	**-20%**	**14%**	**116.609**	**136.173**	**91.784**	**-33%**	**12%**



Net Income

The third quarter reported a loss of R $ 921 thousand and, thus, accumulated a loss of R $ 3 million in 9M16. The performance is a reflection of the lower operating result, for the aforementioned reasons, increase in the financial cost of debt and revision of the amount receivable related to legal proceedings against Eletrobrás.

The Eletrobrás process was judged and in this last quarter an expert was hired to determine the amount receivable. The expert report presented a value of R $ 16 million lower than that recognized by the Company.

The write-off was made in 3Q16, of which 9.6 million were financial updates, which were reversed against the financial result, and R $ 6.8 million recognized in other operating expenses.

If the non-recurring effects of Eletrobrás's lawsuit were disregarded, net income accumulated in 9M16 would add up to R $ 13 million in profit.

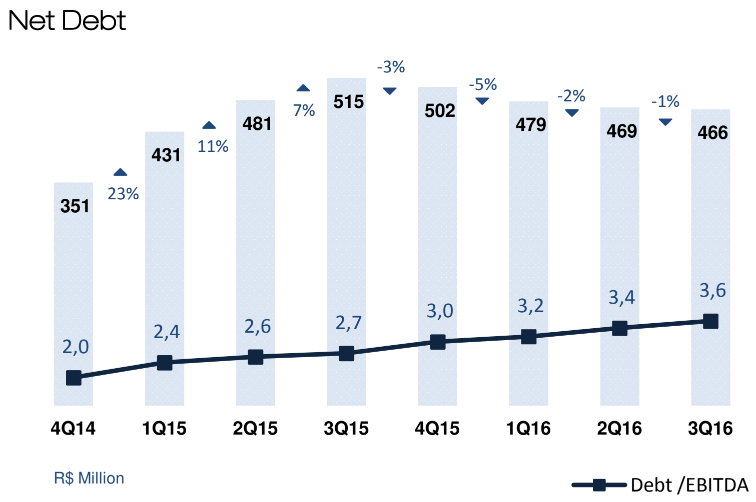
INDEBTEDNESS / CAPITAL STRUCTURE

The Company's net indebtedness totaled R $ 466 million at the end of September 2016, equivalent to 3.6X EBITDA in the last twelve months and to 1.9X shareholders' equity. In the first 9 months of 2016, there was a reduction of R $ 36 million in net debt, reaching the lowest amount in the last 15 months.

In September 2016, the minimum covenants clauses of the financing agreement with the DEG were not met. However, before the end of the quarter, a waiver was obtained.

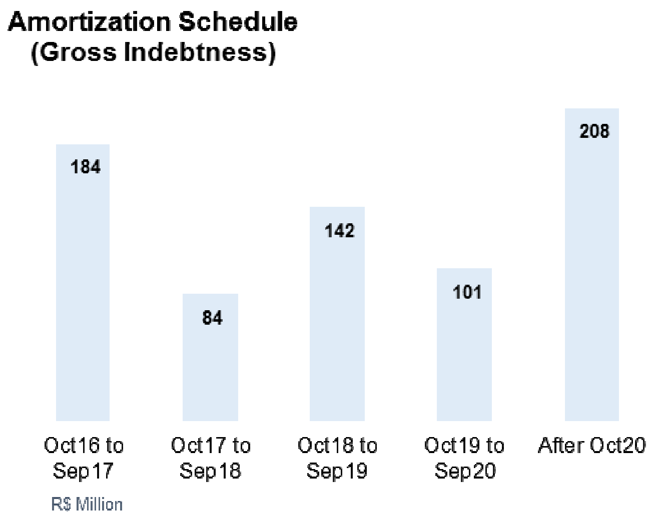
Management Report
In thousands of Reais, unless stated otherwise

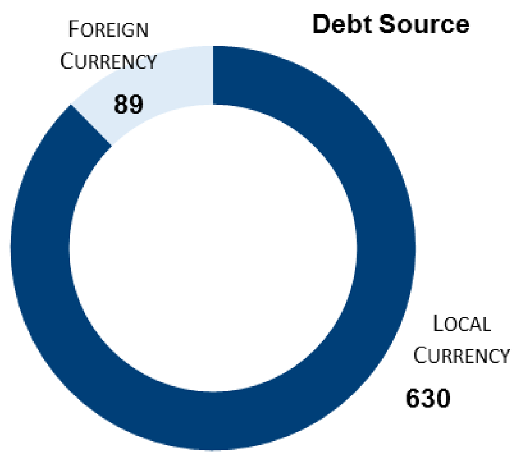
Regarding the minimum covenants clauses of the debentures, the Company remains within the new limits approved by the debenture holders in the renegotiation which occurred in August 2016.



The balance of gross indebtedness is divided into 26% maturing in the short term and 74% in the long term.

	Sep-14	Sep-15	Sep-16	▲R$
Bank	397.248	577.936	639.029	61.093
Tax	107.476	83.094	80.220	(2.874)
(=) Total Indebtness	**504.724**	**661.030**	**719.249**	**58.219**
(+) Cash and Cash Equivalents	(78.636)	(51.174)	(165.453)	(114.279)
(+) Related-Party Credits	(87.264)	(94.359)	(87.768)	6.591
(=) Endividamento líquido	**338.824**	**515.497**	**466.028**	**(49.469)**
EBITDA (Last 12 months)	166.370	191.973	129.474	(62.499)
Net Debt / EBITDA	*2,0*	*2,7*	*3,6*	
Net Debt / Net Worth	*1,5*	*2,3*	*1,9*	

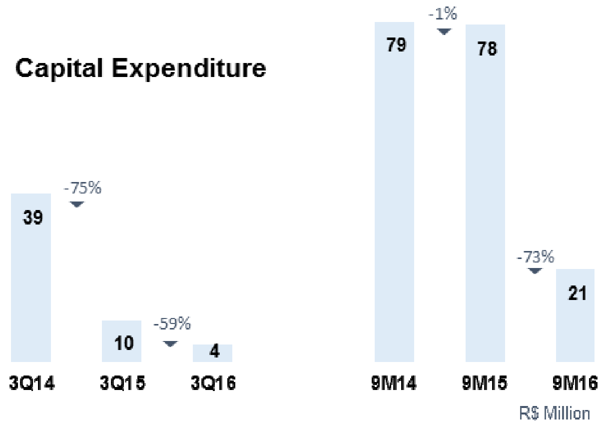




Management Report
In thousands of Reais, unless stated otherwise

INVESTMENTS

In 3Q16, investments in fixed assets totaled R $ 4 million, accumulating R $ 21 million in the year. Of this amount, R $ 13 million corresponds to the upgrading of the industrial park in Tijucas (64%) through the acquisition of a new printer for digital decoration and automation of production. The other investments were allocated to adjustments in the Alagoas manufacturing plant (19%) and own stores (11%).



SHAREHOLDER PAYMENTS AND MEETING RESOLUTIONS

The Annual General Meeting held April 29, 2016 approved Management's proposal to pay out minimum dividends of 25%.

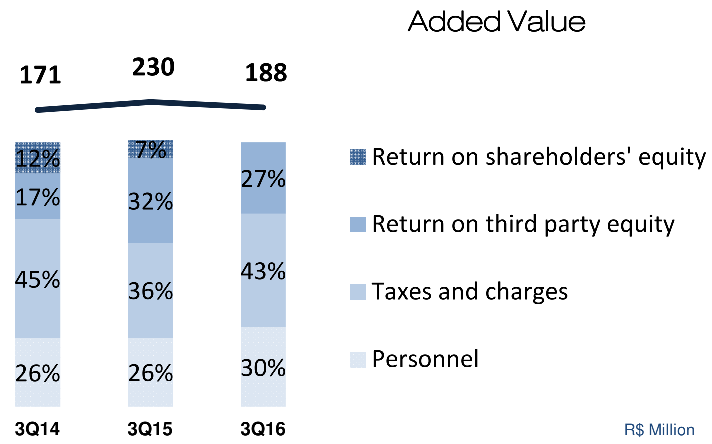
On July 4, 2016, the amount of R $ 7,269 thousand was paid, approximately R $ 0.046 per share (net of payments made in September 2015). Therefore, total compensation to shareholders for the year 2015 reached R $ 12,505 thousand, which represented a yield (dividend per share divided by the final share price) of 3.83%.

Management Report

In thousands of Reais, unless stated otherwise

ADDED VALUE

The value added in 3Q16 totaled R $ 188 million (R $ 230 million in 3Q15). Of this amount, 43% was allocated to taxes, 30% for labor remuneration (staff) and 27% to pay third parties.



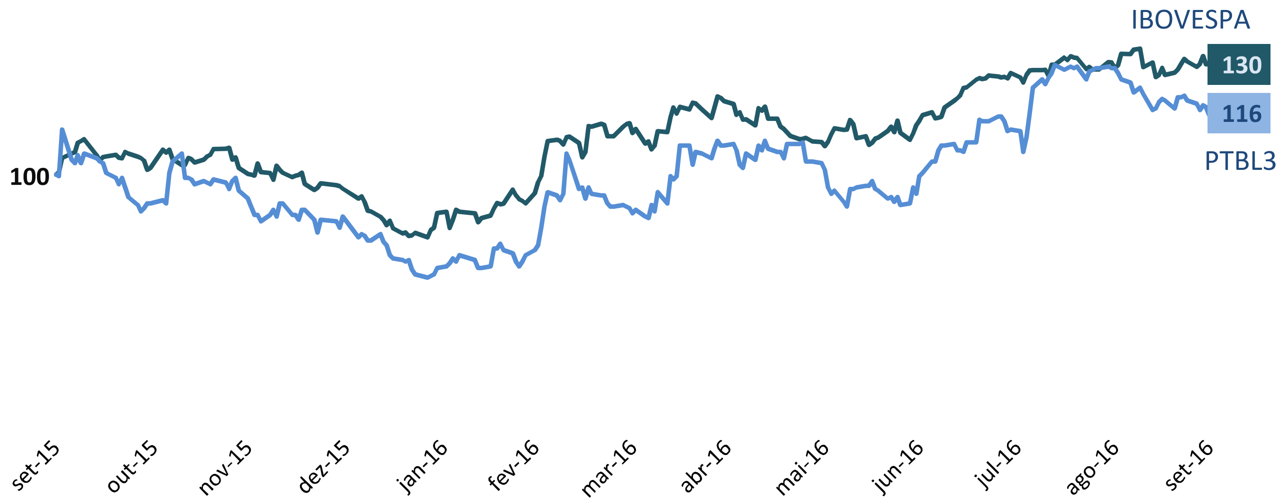
SHARE PERFORMANCE PTBL3

The common shares issued by PBG SA, traded on the BM&FBovespa under the ticker symbol PTBL3, closed the last trading session of September 2016 at R $ 2.69, resulting in an increase of 16% in the last twelve months. Ibovespa grew 30% during the same period.

The average financial volume traded in the last twelve months was R $ 10.3 million, an increase of 82% compared to R $ 5.7 million in the same period of 2015.

At the end of 3Q16, PBG S.A. had a market value equivalent to R $ 426 million (R $ 368 million as of September 30, 2016).

PTBL3 x Ibovespa
From (base 100) 30/09/2015 a 30/09/2016



Management Report
In thousands of Reais, unless stated otherwise

OUTLOOK

- The Company believes that the challenging economic scenario will continue in the last quarter of 2016;
- For 2017, the expectation is a slight resumption of economic activity in the country. Internally, the Company directs focus to the qualification of the sales mix, seeking margin gain;
- The search for a reduction in the structure of expenses and a return to profitability has been maintained, with ongoing actions and deliveries with impact on next year's budget;
- In logistics management, the objective is to optimize the operation for cost reduction and lead time;
- Portobello Shop continues with its expansion plan. For the next year, the target is to increase the number of units in the network by 8%, maintaining the expansion strategy of the sales area, with new franchises and owned stores;
- The Company believes that in 2017 the Alagoas plant, through the Pointer brand, will reach its maturity and increasing returns;
- In relation to debt, the goal is to reduce indebtedness and improve the debt / EBITDA ratio. The actions are focused on discipline in cash management, decrease in working capital and preservation of liquidity;
- Management continues with actions to monetize existing assets and does not foresee significant investments for next year;
- The Company continues to be confident in its competitive advantages and reaffirms its efforts for excellence in results, operational efficiency and productivity gains of M.O.

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 third quarter of 2016 the Company did not engage independent auditors for other services not related to the independent audit.

MANAGEMENT COMPOSITION

Board of Directors

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

Executive board

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

Management Report

In thousands of Reais, unless stated otherwise

TELECONFERENCE WITH WEBCAST

A teleconference in Portuguese will take place on November 10, 2016 to present the earnings figures for 3Q16. Time: 9:30 AM (Brasília time).

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

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

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

1 Reporting entity

PBG S.A, 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 as of September 30, 2016 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 Portobello Shop and Empório Portobello store franchise chain, chain of 142 franchised stores specialized in porcelain floor tiles (porcellanato) and ceramic coatings; (ii) PBTech, which is responsible for managing own Portobello Shop stores and, currently, manages seve stores; (iII) Mineração Portobello, which is responsible for providing part of raw material used for ceramic coating production; (iv) Companhia Brasileira de Cerâmica, which is located in the northeast, and currently hasn’t operating and (v) Portobello América, which was established for the purpose of selling Portobello products in the North-American market and is currently idle;

2 Presentation of interim information

These interim financial statements include:

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

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

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

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

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

The individual and consolidated interim quarterly information was authorized for issuance by the Board of Directors on November 3, 2016.

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

Pronouncements applicable to the Company from January 1, 2016

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

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

Pronouncements applicable to the Company from January 1, 2017

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

b) EmpresasNet (ENET) system

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

3 Significant accounting policies

Accounting practices and calculation methods adopted in the preparation of quarterly information as of September 30, 2016 are the same as those used in the preparation of the financial statements for the year ended December 31, 2015, as well as the contents and values of certain notes that did not require significant updates were not 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, 2015.

5 Financial risk management

5.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

In thousands of Reais, unless stated otherwise

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

	In reais			
	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Accounts receivable	45.215	47.775	45.653	47.775
Current account	2.970	594	2.970	594
Credit with subsidiaries	66.463	79.947	-	-
Assets exposed	114.648	128.316	48.623	48.369
Provision for devaluation of investiments	(66.378)	(79.676)	-	-
Accounts payable, net of advances	(12.565)	(17.640)	(12.586)	(17.640)
Loans and financing	(89.225)	(175.283)	(89.225)	(175.283)
(-) Swap	27.106	76.630	27.106	76.630
Liabilities exposed	(141.062)	(195.969)	(74.705)	(116.293)
Net exposure	(26.414)	(67.653)	(26.082)	(67.924)

	In Euros				In US$ Dollars			
	Parent Company		Consolidated		Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	Decembe r 31, 2015	September 30, 2016	Decembe r 31, 2015
Accounts receivable	453	458	453	458	10.284	9.412	10.284	9.412
Current account	-	-	-	-	915	152	915	152
Credit with subsidiaries	-	-	-	-	20.474	20.474	-	-
Provision for devaluation of investiments	-	-	-	-	(20.448)	(20.392)	-	-
Accounts payable, net of advances	(992)	(1.468)	(992)	(1.468)	(2.705)	(2.953)	(2.705)	(2.953)
Loans and financing	-	-	-	-	(27.486)	(44.889)	(27.486)	(44.889)
(-) Swap	-	-	-	-	8.350	19.624	8.350	19.624
	(539)	(1.010)	(539)	(1.010)	(10.616)	(18.572)	(10.642)	(18.654)

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

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

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

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

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

In thousands of Reais, unless stated otherwise

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

b) Credit risk

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

c) Liquidity risk

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

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							
	September 30, 2016				September 30, 2015			
	* Loans and debentures	Financial lease	Payable and assignment	Financing of taxes	* Loans and debentures	Financial lease	Payable and assignment	Financing of taxes
Less than one year	173.711	762	122.601	9.602	210.808	705	128.623	9.018
between one and two years	208.094	551	60.634	19.786	252.243	1.124	47.923	18.618
between two and five years	212.246	-	-	29.679	191.774	-	-	27.927
Over five years	53.112	-	-	20.610	51.303	-	-	26.374
	647.163	1.313	183.235	79.677	706.128	1.829	176.546	81.937

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

	Consolidated							
	September 30, 2016				September 30, 2015			
	* Loans and debentures	Financial lease	Payable and assignment	Financing of taxes	* Loans and debentures	Financial lease	Payable and assignment	Financing of taxes
Less than one year	173.711	762	124.113	9.669	210.808	705	143.310	9.081
between one and two years	209.255	551	64.076	19.920	253.353	1.124	47.923	18.744
between two and five years	212.246	-	-	29.880	191.774	-	-	28.116
Over five years	53.112	-	-	20.751	51.303	-	-	26.554
	648.324	1.313	188.189	80.220	707.238	1.829	191.233	82.495

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

d) Sensitivity analysis

i) Sensitivity analysis of changes in the interest rates

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

As of September 30, 2016 Management considered CDI rate at 14.15% and Selic of 14.25% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

Note to the financial statements

In thousands of Reais, unless stated otherwise

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

	Consolidated in Reais								
	September 30, 2016	Risk	Probable		Possible (25%)*		Remote (50%)*		
Operation			%	R$	%	R$	%	R$
Investiments (yelding 98,5% of CDI)	148.713	Low CDI	14,15%	20.727	10,61%	15.545	7,08%	10.364
Marketable securities	-	Low CDI	9,52%	-	7,14%	-	4,76%	-
	148.713			20.727		15.545		10.364
Operation								
Working capital loans	(2.715)	High CDI	14,15%	(220)	17,69%	(275)	21,23%	(330)
Loans - Export credit note	(175.765)	High CDI	14,15%	(26.782)	17,69%	(33.478)	21,23%	(40.174)
Loans - Trade 4131 Swap	(22.107)	High CDI	14,15%	(9.935)	17,69%	(12.418)	21,23%	(14.902)
Debentures	(208.590)	High CDI	14,15%	(29.515)	17,69%	(36.894)	21,23%	(44.273)
Financing	(80.220)	High Selic	14,25%	(11.431)	17,81%	(14.289)	21,38%	(17.147)
	(489.397)			(77.883)		(97.354)		(116.826)

*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 September 30, 2016 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these financial statements as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais						
	September 30, 2016	Probable		Possible (25%)*		Remote (50%)*	
		Rate USD	Gain (Loss)	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Accounts receivable	45.653	3,390	(6.019)	4,238	1.879	5,085	11.385
Current account	2.970	3,390	132	4,238	122	5,085	741
Accounts payable, net of advances	(12.586)	3,390	1.659	4,238	(518)	5,085	(3.139)
Loans and financing	(89.225)	3,390	11.763	4,238	(3.672)	5,085	(22.252)
(-) Swap	27.106	3,390	(3.574)	4,238	1.116	5,085	6.760
Net exposure	(26.082)	3,390	3.961	4,238	(1.073)	5,085	(6.505)

*Possible and remote scenarios calculated at the probable rate.

In thousands of Reais, unless 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 as of September 30, 2016 can be summarized as follows:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Loans and financing	637.868	696.618	639.029	697.728
Financig taxes	79.677	81.937	80.220	82.495
Less: Cash ans cash equivalents	(151.765)	(81.761)	(159.123)	(87.664)
Credits with other related parties	(87.768)	(84.601)	(87.768)	(84.601)
Short term investments	(6.330)	(100.478)	(6.330)	(100.478)
Net dept	478.012	511.715	472.368	507.480
Total shareholders' equity	241.304	231.846	241.326	231.856
Total capital	719.316	743.561	713.694	739.336
Financial leverage index (%)	66	69	66	69

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

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Assets, Loans and Receivables				
Cash and Cash Equivalents	151.765	81.761	159.123	87.664
Trade Receivables	216.211	175.837	229.488	208.367
Assets Stated at Fair Value Through Profit or Loss				
Call Deposits	6.330	100.478	6.330	100.478
Derivatives	-	5.435	-	5.435
	374.306	363.511	394.941	401.944
Liabilities, Other Financial Liabilities				
Trade Payables	135.831	128.307	140.699	142.994
Loans, Financing and Debentures	637.868	696.618	639.029	697.728
Financing of Taxes	79.677	81.937	80.220	82.495
Derivatives	2.944	-	2.944	-
	856.320	906.862	862.892	923.217

In thousands of Reais, unless stated otherwise

6 Cash and cash equivalents

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current Account	5.316	5.553	10.410	9.147
Call Deposits	146.449	76.208	148.713	78.517
	151.765	81.761	159.123	87.664

The short-term investments designated as cash equivalents denote interests in investment funds. The average yield of the fund in September 2016 was equal to 98.5% of the CDI rate (Interbank Deposit Certificate) and the amount can be redeemed at any time, without penalty.

7 Financial instruments

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

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

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

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

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

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

The fair value of gains and losses on these Swap transactions was recorded under "Other" in current and noncurrent liabilities as of September 30, 2016 (current assets in 2015).

Note to the financial statements
In thousands of Reais, unless stated otherwise

Contracts	Maturity	Valor Notional	September 30, 2016	December 31, 2015
a) Law 4.131	Dec-17	28.774	(406)	(119)
b) Export Credit	Nov-17	48.608	(2.930)	3.917
c) Law 4.131	Jun-16	15.368	-	1.097
d) Law 4.131	Aug-16	7.289	-	540
		100.039	(3.336)	5.435
Current			(2.944)	5.435
Non-Current			(392)	-

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

8 Restricted short-term investments

In 3Q16, the Company released the registration of the encumbrances written in the guarantees of the Debentures contracts and made the redemption of the related financial investments that were recorded in current assets (R $ 100,478 as of December 31, 2015). Noncurrent are linked to the contract with Banco do Nordeste do Brasil S / A.

9 Trade accounts receivable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Third-Party Accounts Receivable:				
Domestic Customers	171.689	128.120	184.620	160.650
Overseas Customers	45.215	47.775	45.653	47.775
	216.904	175.895	230.273	208.425
Accounts Receivable from Related Parties:				
Entities Related to Management	2.374	1.280	2.374	1.280
	2.374	1.280	2.374	1.280
Impairment of Trade Accounts Receivable:				
Allowance for Doubtful Accounts	(2.644)	(1.080)	(2.737)	(1.080)
Recomposition of Nominal Value to Present Value	(423)	(258)	(422)	(258)
	(3.067)	(1.338)	(3.159)	(1.338)
	216.211	175.837	229.488	208.367

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.

Note to the financial statements

In thousands of Reais, unless stated otherwise

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

	Parent Company							
	September 30, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Due	206.900	206.900	-	-	169.633	169.633	-	-
Up to 30 Days Overdue	3.229	-	3.188	41	4.168	-	4.168	-
31 to 90 Days Overdue	1.831	-	1.605	226	1.576	-	1.536	40
Past Due 91 to 360 Days	5.479	-	4.871	608	1.248	-	747	501
More than 360 Days Overdue	1.839	-	70	1.769	550	-	11	539
	219.278	206.900	9.734	2.644	177.175	169.633	6.462	1.080

	Consolidated							
	September 30, 2016	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts	December 31, 2015	Outstanding trade notes not provisioned for	Overdue trade notes not provisioned for	Allowance for doubtful accounts
Due	218.804	218.804	-	-	201.016	201.016	-	-
Up to 30 Days Overdue	4.138	-	4.097	41	4.731	-	4.731	-
31 to 90 Days Overdue	1.926	-	1.700	226	2.074	-	2.034	40
Past Due 91 to 360 Days	5.933	-	5.250	683	1.334	-	833	501
More than 360 Days Overdue	1.846	-	59	1.787	550	-	11	539
	232.647	218.804	11.106	2.737	209.705	201.016	7.609	1.080

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 23. Its sum is calculated based on a percentage of the residual balance of the debt. As of September 30, 2016, the total amount of accounts receivable pledged as collateral was R$ 96,698 (R$ 97,780 as of December 31, 2015).

10 Inventories

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Finished Goods	166.541	167.498	167.004	167.701
Work in Progress	6.799	5.756	6.799	5.756
Raw Materials and Consumables	31.596	33.410	31.596	33.410
Provision for Valuation of Inventory at Realizable Value	(7.044)	(6.169)	(7.044)	(6.169)
Imports in transit	1.165	4.593	1.165	4.593
	199.057	205.088	199.520	205.291

11 Advances to suppliers

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Domestic Suppliers	3.550	2.528	3.063	1.785
Overseas Suppliers	209	268	209	268
	3.759	2.796	3.272	2.053

In thousands of Reais, unless stated otherwise

12 Recoverable taxes

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current				
ICMS	9.958	12.313	10.421	12.821
IPI (a)	1.938	1.549	2.286	1.975
IRRF/CSRF	2.461	99	2.488	101
IRPJ/CSLL	865	4.964	1.505	6.020
PIS/COFINS	-	1.112	427	1.521
INSS (b)	7.085	-	7.085	-
Other	119	116	337	337
	22.426	20.153	24.549	22.775
Non-Current *				
ICMS	3.219	3.807	3.219	3.807
PIS/COFINS	4.709	6.670	4.709	6.670
	7.928	10.477	7.928	10.477

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

b) Exceptional tax credits INSS

In August 2016, the Company contracted a consultancy to carry out a tax review that identified unused INSS credits (proportional calculation for the payroll and gross revenue) in the amount of R $ 7,085, originating from revenues from the sale of products that are subject to the impact of the CPRB and which have been reduced in proportion to the Employee Contribution due on the sheet in a lower value than the permitted one, and are offset at the administrative level.

13 Credits with other related parties

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

In thousands of Reais, unless stated otherwise

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

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

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and “Refinadora” signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On September 30, 2016, these credits that also originate in proceeding 87.00.00967-9, represent R$ 87,936 (R$ 84,601 as of December 31, 2015) and are restated by the SELIC rate, according to the contract.

It should be mentioned that the pledged credits have already become court-ordered debt payment. In fact, the Company received 4 installments out of a total of 10 annual installments, as provided for in the contract. Receipts occurred in August 2011, March 2013, and April 2014 and December 2015, in the amounts of R$ 8,505, R$ 9,824, R$ 9,995 and R$ 10,000, respectively. In addition, on September 2016, the amount of R $ 2,167 was received in as a complement to the fourth installment.

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

14 Judicial deposits

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

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

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Civil (a)	64.130	47.924	64.149	47.944
Labor	8.627	9.407	8.627	9.407
Tax	3.966	2.568	3.993	2.573
	76.723	59.899	76.769	59.924

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

15 Receivables - Eletrobrás

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

Note to the financial statements
In thousands of Reais, unless stated otherwise

In 2005, this action was deemed appropriate and on February 2006, the Company filed an enforcement action and recognized the amount assessed by the judicial review, updating monthly by INPC plus 12% per year. After this period, the calculation was submitted to the reviews determined by the Federal Court.

In 2014, Eletrobrás was ordered to pay R $ 35,395 ascertained by the expert with a base date of August 2013. The Company challenged this decision, requiring that the calculations be rectified and that the criteria adopted in the quantification of the amount of the conviction be established, due to differences between the parties. Based on this situation, on July 2014 the Company decided to interrupt the asset update, until a new decision on the value and the criteria used in this process.

After the final settlement of the judgment settlement process, an accounting expert was hired to quantify the credit, which will be subject to a future enforcement action. The expert's report presented a value of R$ 16,413 less than that recognized by the Company. The balance was written off in 3Q16, of which R $ 9,562 were reversals that were reversed against the financial result and R $ 6,851 recognized in other operating expenses. The value of the asset as of September 30, 2016 is R $ 32,208.

16 Income and social contribution taxes

a) Income and social contribution taxes on profit

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

	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Income Tax	673	3.675	1.234	4.522	-	-	-	(415)
Social Contribution	193	1.289	271	1.498	-	-	-	(156)
	866	4.964	1.505	6.020	-	-	-	(571)

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

b) Deferred income and social contribution taxes

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

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

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

	September 30, 2016	December 31, 2015
Tax Loss Carryforwards	5.141	-
Temporary Differences Assets	37.222	34.863
Exchange Variance on Cash Basis	7.377	13.720
Provision for Adjustment to Market Value	1.978	1.836
Provision for Contingencies	11.078	9.605
Provision for PIS and COFINS with Reduced ICMS Base	6.945	3.902
Provision for Profit-Sharing and Long-Term Incentive	3.361	4.275
Other Temporary Asset Differences	6.483	1.525
Temporary Differences Liabilities	(51.852)	(56.528)
Portobello Previdência	(3.291)	(3.291)
Realization of the Revaluation Reserve	(19.245)	(19.708)
Eletrobrás Receivables	(10.950)	(16.531)
Contingent Asset - IPI Credit Premium - Stage II	(8.805)	(7.724)
Adjustment to Present Value	(3.576)	(3.691)
Depreciation Adjustment (To Useful Life of Assets)	(5.985)	(5.583)
Deffered Income and Social Contribution Liabilities - Net	(9.489)	(21.665)

The net changes in income tax and social contribution as of September 30, 2016 were as follows:

	Parent Company and Consolidated
At December 31, 2015	(21.665)
Tax Loss Carryforwards	5.141
Temporary Differences Assets	2.359
Temporary Differences Liabilities	4.213
Revaluation Reserve	463
At September 30, 2016	(9.489)

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

	3rd Quarter		YTD	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Deffered Tax Asset Debited (Credited) to Net Income				
Tax Loss Carryforwards	(4.386)	-	5.141	-
Exchange Variance on Cash Basis	(768)	8.301	(6.343)	12.309
Provision for Adjustment to Market Value	42	(408)	142	(744)
Provision for Contingencies	617	(100)	1.473	676
Provision for PIS and COFINS with Reduced ICMS Base	1.175	996	3.043	2.501
Provision for Profit-Sharing and Long-Term Incentive	(3)	(17)	(914)	895
Other Temporary Asset Differences	(29)	643	4.958	(1.993)
	(3.352)	9.415	7.500	13.644
Realization of the Revaluation Reserve	154	155	463	463
Eletrobrás Receivables	5.581	-	5.581	-
Contingent Asset - IPI Credit Premium - Stage II	(300)	(246)	(1.081)	(2.245)
Adjustment to Present Value	129	(164)	115	(879)
Depreciation Adjustment (To useful Life of Assets)	(503)	(105)	(402)	(294)
	5.061	(360)	4.676	(2.955)
	1.709	9.055	12.176	10.689

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

Income and social contribution tax expenses are as follow:

Changes in the 3rd Quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net Income Before Income	(2.633)	19.502	(1.560)	23.109
Tax Calculated Based on Local Taxes	894	(6.631)	530	(7.857)
Equity Income of Subsidiaries	738	(458)	-	-
Expenses Nondeductible for Tax Purposes	77	2.489	77	2.489
Depreciation of Revalued Assets	(154)	(148)	(154)	(148)
Tax Credits on Tax Losses and Temporary Differences	(1.555)	(8.506)	(1.523)	(11.339)
Current Income Tax for the Year	-	(13.254)	(1.070)	(16.855)
Recording of Deferred Income and Social Contribution Taxes	1.709	9.055	1.709	9.055
Income Tax and Social Contribution Expenses	1.709	(4.199)	639	(7.800)
Effective Rate	-	21,5%	-	33,8%

Note to the financial statements

In thousands of Reais, unless stated otherwise

Changes in YTD 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net Income Before Income	(14.139)	54.174	(6.686)	63.762
Tax Calculated Based on Local Taxes	4.807	(18.419)	2.273	(21.693)
Equity Income of Subsidiaries	4.625	151	-	-
Expenses Nondeductible for Tax Purposes	1.761	3.365	1.761	3.365
Depreciation of Revalued Assets	(463)	(333)	(463)	(333)
Tax Credits on Tax Losses and Temporary Differences	(11.880)	(9.310)	(12.161)	(15.457)
Current Income Tax for the Year	(1.150)	(24.546)	(8.590)	(34.118)
Recording of Deferred Income and Social Contribution Taxes	12.175	10.689	12.175	10.689
Income Tax and Social Contribution Expenses	11.025	(13.857)	3.585	(23.429)
Effective Rate	-	25,6%	-	36,7%

17 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled ‘IPI premium credit’, in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 01, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to June 30, 2016 is R$ 19,222 (R$ 17,396 on December 31, 2015).

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

In recent months, the procedural status of this case has changed significantly. After a final and unnappealable decision was delivered more than 10 years ago, the settlement and enforcement of the decision commenced, for which an expert report was prepared by a legal expert. The parties were notified of the amount calculated to state whether or not they accepted the expert calculation. The Company agreed with the calculations presented. The government, represented by the Prosecutions Department of the Ministry of Finance, did not state its position, thereby leading to tacit acceptance and preclusion. The case has therefore been sent the judge for sentencing and can no longer be contested. In 2015 the Company recognized the amount calculated by the legal expert of R$ 4,983. As the company believes that victory in this case is a foregone conclusion, it recorded the tax asset in June 2015, which restated up to September 30, 2016 stands at R$ 6,675 (R$ 5,322 as of December 31, 2015).

18 Contingent assets

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

Note to the financial statements
In thousands of Reais, unless stated otherwise

19 Investments

a) Participation 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".

	Shareholder's Equity	Net Income for the Period	Percentage of Interest	December 31, 2015	Exchange Variations	Capital Integralization	Equity Accounting Income	September 30, 2016
Investments								
Portobello América Inc. and Other	(66.379)	(156)	100%	(79.677)	13.454	-	(156)	(66.379)
PBTech Ltda.	506	3.055	99,94%	(2.547)	-	-	3.053	506
Portobello Shop S.A.	11.701	11.221	99,90%	480	-	-	11.210	11.690
Mineração Portobello Ltda.	316	619	99,76%	(302)	-	-	618	316
Companhia Brasileira de Cerâmica S/A	(12.232)	(1.146)	98,00%	(10.863)	-	-	(1.123)	(11.986)
Other	10			-	-	10	-	10
Total Net investments in subsidiaries				(92.909)	13.454	10	13.602	(65.843)
Investments - Interest in Subsidiaries [1]				480				12.522
Provision for Devaluation of Investments				(93.389)				(78.365)

[1] On 12/2015 the interest in subsidiaries refers only to Portobello Shop. In 09/2016, it also considers the results of PBTech and Mining subsidiaries which became positive. The remainder continues in provision for losses.

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

	Country of Incorporation	Percentage Interest	Asset	Liabilities	Revenue	Net Income
At December 31, 2015						
Portobello América Inc.	United States	100,00%	287	79.964	-	(88)
PBTech Ltda.	Brazil	99,94%	5.268	7.815	44.806	1.528
Portobello Shop S/A	Brazil	99,90%	23.147	22.667	64.693	20.613
Mineração Portobello Ltda.	Brazil	99,76%	1.527	1.829	5.699	(17)
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	27.643	11.731	62.311	(11.237)
At September 30, 2016						
Portobello América Inc. e outros	United States	100,00%	88	66.467	-	(156)
PBTech Ltda.	Brazil	99,94%	11.398	10.892	46.972	3.055
Portobello Shop S/A	Brazil	99,90%	25.434	13.744	48.663	11.210
Mineração Portobello Ltda.	Brazil	99,76%	2.697	2.381	7.050	618
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	1.968	258	(59)	(1.125)

b) Advance for future capital increase

The parent company PBG S.A. has an AFAC (advance for future capital increase) from the subsidiary Companhia Brasileira de Cerâmica of R$ 13,976 (R$ 27,321 as of December 31, 2015, classified in noncurrent assets.

In thousands of Reais, unless stated otherwise

20 Property, plant and equipment

a) Breakdown

	Parent Company					Consolidated	
	September 30, 2016				December 31, 2015	September 30, 2016	December 31, 2015
	Average Annual Depreciation Rate	Cost	Accumulated Depreciation	Net Value	Net Value	Net Value	Net Value
Land		12.141	-	12.141	12.141	13.062	13.062
Buildings, Civil Works, and Improvements	3%	202.206	(33.432)	168.774	164.853	166.120	163.773
Machinery and Equipment	15%	511.615	(275.400)	236.215	224.665	236.215	224.665
Furniture and Fixtures	10%	9.444	(8.135)	1.309	1.418	1.326	1.440
Computers	20%	18.716	(14.785)	3.931	4.123	3.946	4.147
Other PPE in Progress	20%	209	(185)	24	30	9.105	5.494
Property, Plant and Equipment in Progress		7.853	-	7.853	29.449	8.714	31.613
		762.184	(331.937)	430.247	436.679	438.488	444.194

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

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 01/01/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and since then, periodically conducts reviews of rates, and the last change was in 2015.

b) Changes in the Property, Plant and Equipment

	Parent Company										
	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	September 30, 2016
Land	12.141	-	-	-	-	12.141	-	-	-	-	12.141
Buildings, Civil Works, and Improvements	100.944	-	69.163	(5.254)	-	164.853	-	9.137	(5.216)	-	168.774
Machinery and Equipment	135.008	1.012	109.426	(20.462)	(319)	224.665	593	28.146	(17.189)	-	236.215
Furniture and Fixtures	1.018	49	535	(184)	-	1.418	-	37	(146)	-	1.309
Computers	1.861	1.618	1.530	(886)	-	4.123	171	557	(920)	-	3.931
Other PPE in Progress	41	-	-	(11)	-	30	-	-	(6)	-	24
Property, Plant and Equipment in Progres	136.438	74.029	(181.018)	-	-	29.449	16.281	(37.877)	-	-	7.853
	387.451	76.708	(364)	(26.797)	(319)	436.679	17.045	-	(23.477)	-	430.247

	Consolidated										
	December 31, 2014	Additions	Transfers	Depreciation	Write-offs	December 31, 2015	Additions	Transfers	Depreciation	Write-offs	September 30, 2016
Land	13.062	-	-	-	-	13.062	-	-	-	-	13.062
Buildings, Civil Works, and Improvements	100.844	-	69.163	(6.234)	-	163.773	-	9.137	(6.790)	-	166.120
Machinery and Equipment	135.008	1.012	109.426	(20.462)	(319)	224.665	593	28.146	(17.189)	-	236.215
Furniture and Fixtures	1.041	52	535	(188)	-	1.440	-	37	(148)	(3)	1.326
Computers	1.891	1.622	1.530	(896)	-	4.147	177	551	(929)	-	3.946
Other PPE in Progress	1.973	200	3.332	(11)	-	5.494	-	3.788	(6)	(171)	9.105
Property, Plant and Equipment in Progres	138.766	77.326	(184.350)	-	(129)	31.613	18.760	(41.659)	-	-	8.714
	392.585	80.212	(364)	(27.791)	(448)	444.194	19.530	-	(25.062)	(174)	438.488

In thousands of Reais, unless stated otherwise

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

	Parent Company		Consolidated		Parent Company		Consolidated	
	3rd Quarter				YTD			
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Cost of Good Sold	7.236	4.567	7.236	4.567	21.145	13.841	21.145	13.841
Commercial Expense	538	407	1.126	735	1.568	1.263	3.147	1.916
Administrative Expense	257	247	259	249	764	661	770	669
Other	-	2.192	-	2.192	-	3.398	-	3.398
	8.031	7.413	8.621	7.743	23.477	19.163	25.062	19.824

21 Intangible assets

a) Breakdown

		Parent Company				Consolidated	
		September 30, 2016			December 31, 2015	September 30, 2016	December 31, 2015
	Average Annual Amortization Rate	Cost	Accumulated Amortization	Net Value	Net Value	Net Value	Net Value
Patents and Trademarks	-	150	-	150	150	150	150
Software	20%	18.417	(13.299)	5.118	2.032	5.118	2.032
Mine Exploration Rights	20%	1.000	(1.000)	-	773	839	1.164
Goodwill	-	-	-	-	-	6.831	7.039
Software Under Development	-	2.207	-	2.207	5.315	2.207	5.315
Management System (a)	21%	18.886	(12.312)	6.574	9.540	6.574	9.540
		40.660	(26.611)	14.049	17.810	21.719	25.240

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

b) Change in intangible assets

	Parent Company									
	December 31, 2014	Additions	Amortization	Transfer	December 31, 2015	Additions	Amortizations	Transfer	Write-Offs	September 30, 2016
Patents and Trademarks	150	-	-	-	150	-	-	-	-	150
Software	139	1.802	(272)	363	2.032	762	(807)	3.131	-	5.118
Mine Exploration Rights	50	1.015	(292)	-	773	-	(29)	-	(744)	-
Software Under Development	2.803	2.512	-	-	5.315	314	-	(3.131)	(291)	2.207
Management System	13.495	-	(3.955)	-	9.540	-	(2.966)	-	-	6.574
	16.637	5.329	(4.519)	363	17.810	1.076	(3.802)	-	(1.035)	14.049

	Consolidated									
	December 31, 2014	Additions	Amortization	Transfer	December 31, 2015	Additions	Amortizations	Transfer	Write-Offs	September 30, 2016
Patents and Trademarks	150	-	-	-	150	-	-	-	-	150
Software	139	1.802	(272)	363	2.032	762	(807)	3.131	-	5.118
Mine Exploration Rights	494	1.015	(345)	-	1.164	745	(326)	-	(744)	839
Goodwill	4.240	2.799	-	-	7.039	-	-	-	(208)	6.831
Software Under Development	2.803	2.512	-	-	5.315	314	-	(3.131)	(291)	2.207
Management System	13.495	-	(3.955)	-	9.540	-	(2.966)	-	-	6.574
	21.321	8.128	(4.572)	363	25.240	1.821	(4.099)	-	(1.243)	21.719

In thousands of Reais, unless stated otherwise

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

	Parent Company		Consolidated		Parent Company		Consolidated	
	3rd Quarter				YTD			
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Cost of Goods Sold	191	85	301	98	518	153	815	193
Commercial Expense	703	703	703	703	2.111	2.111	2.111	2.111
Administrative Expense	403	385	403	385	1.173	1.069	1.173	1.069
	1.297	1.173	1.407	1.186	3.802	3.333	4.099	3.373

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

	2016	2017	2018	2019	2020	2021	2022 to 2025	Total
Software	308	1.235	1.205	1.195	985	190	-	5.118
Mine Exploration Rights	208	329	38	38	38	38	150	839
Management System	2.275	3.673	626	-	-	-	-	6.574
	2.791	5.237	1.869	1.233	1.023	228	150	12.531

The brands and patents, goodwill and software items under development in the total amount of R$ 9,188 did not undergo amortization due to their undefined useful life. However, they are subject to impairment, as described in main accounting policies disclosed in financial statements for the end of the year.

22 Trade payables and loan assignment

a) Trade accounts payable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Domestic Suppliers	108.761	96.740	113.629	111.427
Overseas Suppliers	10.484	16.241	10.484	16.241
Decomposition of Nominal Value to Present Value	(78)	(316)	(78)	(316)
Current	119.167	112.665	124.035	127.352
Domestic Market (a)	64.076	47.923	64.076	47.923
Non-Current	64.076	47.923	64.076	47.923
	183.243	160.588	188.111	175.275

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

b) Supplier credit assignment

The Company made supplier credit assignments with first-rate financial institutions amounting to R$ 15,461 in 2Q16 and R$ 15,642 in 2015, in order to provide its partner suppliers more attractive credit facilities in order to maintain commercial relations.

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

Note to the financial statements
In thousands of Reais, unless stated otherwise

23 Loans and financing

a) Loans and financing

	Currency	Maturities	Charges	Parent Company September 30, 2016	Parent Company December 31, 2015	Consolidated September 30, 2016	Consolidated December 31, 2015
Current							
Working Capital (a)	R$	Out/2016	15,12% a.a.¹	1.554	15.541	1.554	15.541
Financial Lease (b)	R$	Mai/2018	11,48% a.a.	762	705	762	705
Banco do Nordeste S.A (c)	R$	Jun/2025	3,00% a.a.	9.513	9.015	9.513	9.015
BNDES	R$	Mar/2016	- a.a.¹	-	2.362	-	2.362
Law 4131 (d) - (note 7)	R$	Dez/2017	15,73% a.a.	14.964	14.488	14.964	14.488
Law 4131 (d) - (note 7)	US$	Ago/2016	- a.a.¹	-	24.482	-	24.482
NCE (e)	R$	Jan/2018	15,58% a.a.¹	78.023	63.790	78.023	63.790
Prepayment (f)	US$	Mai/2018	5,48% a.a.+VC	4.067	4.896	4.067	4.896
PRODEC (g)	R$	Set/2019	4,00% a.a.¹	10.255	13.514	10.255	13.514
FINEP (h)	R$	Mai/2021	8,24% a.a.¹	10.158	6.866	10.158	6.866
DEG (i)	US$	Out/2021	6,03% a.a.+VC	11.185	12.497	11.185	12.497
FINAME (j)	R$	Ago/2023	3,00% a.a.¹	422	415	422	415
ACC	US$		- a.a.+VC	-	15.365	-	15.365
NCE (e) - (note 7)	US$	nov/2017	15,40% a.a.	21.696	26.117	21.696	26.117
Debêntures 1st Tranche (k)	R$	Nov/2022	17,68% a.a.	5.743	336	5.743	336
Debêntures 2nd Tranche (k)	R$	Nov/2020	17,28% a.a.	5.598	325	5.598	325
Current Total			12,66% a.a.¹	173.940	210.714	173.940	210.714
Total Local Currency				136.992	127.357	136.992	127.357
Total Foreign Currency				36.948	83.357	36.948	83.357
Non-Current							
Working Capital (a)	R$	Out/2016	- a.a.¹	-	-	1.161	1.110
Financial Lease (b)	R$	Mai/2018	11,48% a.a.	551	1.124	551	1.124
Banco do Nordeste S.A (c)	R$	Jun/2025	3,00% a.a.	73.615	76.446	73.615	76.446
Law 4131 (d) - (note 7)	R$	Dez/2017	15,73% a.a.	7.143	14.286	7.143	14.286
NCE (e)	R$	Jan/2018	15,58% a.a.¹	70.636	48.716	70.636	48.716
Prepayment (f)	US$	Mai/2018	5,48% a.a.+VC	3.043	7.322	3.043	7.322
PRODEC (g)	R$	Set/2019	4,00% a.a.¹	36.863	33.934	36.863	33.934
FINEP (h)	R$	Mai/2021	8,24% a.a.¹	23.261	19.986	23.261	19.986
DEG (i)	US$	Out/2021	6,03% a.a.+VC	43.824	58.572	43.824	58.572
FINAME (j)	R$	Ago/2023	3,00% a.a.¹	2.334	2.648	2.334	2.648
NCE (e) - (note 7)	US$	nov/2017	15,40% a.a.	5.410	26.032	5.410	26.032
Debêntures 1st Tranche (k)	R$	Nov/2022	17,68% a.a.	98.624	98.419	98.624	98.419
Debêntures 2nd Tranche (k)	R$	Nov/2020	17,28% a.a.	98.624	98.419	98.624	98.419
Non-Current Total			12,05% a.a.¹	463.928	485.904	465.089	487.014
Total Local Currency				411.651	393.978	412.812	395.088
Total Foreign Currency				52.277	91.926	52.277	91.926
Grand Total			12,22% a.a.¹	637.868	696.618	639.029	697.728
Total Local Currency				548.643	521.335	549.804	522.445
Total Foreign Currency				89.225	175.283	89.225	175.283

¹ Weighted Average Rate
VC - Exchange Variation

Note to the financial statements

In thousands of Reais, unless stated otherwise

b) Contract details

Nota	Contrato	Data Desembolso	Data Vencimento	Captação (R$ mil)	Prazo (meses)	Amortização	Carência (meses)	Garantias
(a)	Working Capital	set-15	out-16	R$ 20.000	13	Monthly		Receivables of Portobello SA at 20% of debit balance of contract
(b)	Financial lease	mai-15	mai-18	R$ 2.192	36	Monthly		Machinery and equipment
	Banco do Nordeste	ago-14	jun-25	R$ 94.401	133	Monthly	24	Mortgage on property and machinery and equipment
(c)	*Contract entered into in 06/2013, R$ 147,700. The Bank released the 1st financing portion on 08/2014 in the amount of R$ 29,221 and the 2nd on01/2015 for R$ 45,765, the 3rd was released in 09/2015 for R$ 14,700, and the 4th on 03/2016 for R$ 4,713.*							
(d)	4131 Trade	dez-12	dez-17	R$ 50.000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
(e)	Export Credit (NCE)	jan-13	dez-17	R$ 20.000	60	Semi-annual	24	Receivables of Portobello SA at 50% of debit balance of contract
		mar-14	jan-17	R$ 15.000	35	Monthly	12	
		mar-14	jan-17	R$ 13.300	35	Monthly	12	
		abr-14	mar-17	R$ 15.000	36	Monthly	12	
		mai-14	abr-17	R$ 15.000	35	Monthly	8	
		set-14	set-17	R$ 10.000	36	Quarterly	3	Clean operation
		nov-14	nov-17	US$ 15.000	36	Quarterly	12	Receivables of Portobello SA at 15% of debit balance of contract
		fev-15	jan-18	R$ 50.000	36	Quarterly	9	
		mai-16	mai-18	R$ 50.000	24	Semi-annual	12	
		jun-16	mai-19	US$ 10.000	36	Quarterly	12	During the grace period (until 01/06/17) - 50% of financial application + 50% of duplicates; - During the amortization - (02/06/17 to 24/05/19) - 80% of duplicates + 20% financial application.
		jun-16	mai-19	US$ 20.000	36	Quarterly	12	This contract has minimum clauses that have been complied with.
(f)	Prepayment	jun-13	mai-18	US$ 5.000	60	Quarterly	15	Commercial pledge
	PRODEC				48	Bullet	Bullet	-
(g)	*(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.*							
(h)	Finep	jul-10	set-18	R$ 30.103	99	Monthly	24	Bank Guarantee
		All 5 financing portions have been released by the Bank, as follows: 1 - R$ 5,000 in 07/2010, 2 - R$ 5,100 in 08/2010, 3 - R$ 3,146 in 09/2010, 4 - R$ 5,572 in 12/2012 and 5th - R$ 11,282 in 08/2013.						
		jul-14	mai-21	R$ 25.107	84	Monthly	24	Bank Guarantee
		Contract entered into in 07/2014, for R$ 57,300, with Bank releasing 1st financing portion of R$ 12,627 the same month. The 2nd portion released on 01/2016 of R$ 12,479.						
	DEG	mai-14	out-21	US$ 18.000	90	Semi-annual	23	Machinery and equipment and promissory notes
(i)	*This contract has covenants which were not performed, although the Company has obtained the waiver for 3Q16 and the balance is maintained in noncurrent.*							
(j)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1.890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(k)	Debentures 1st. Tranche	dez-15	nov-22	R$ 100.000	83	Semi-annual	24	Collateral and additional personal guarantee
	Debentures 2nd. Tranche	dez-15	nov-20	R$ 100.000	59	Semi-annual	24	Collateral and additional personal guarantee
	On November 17, 2015, the 2nd. issue of ordinary debentures, non-convertible into shares, with collateral and additional personal guarantee, in two tranches, were approved by Portobello S.A.'s Board of Directors for distribution to the general public including limited efforts of distribution. The proceeds obtained from the issue will be allocated to the extension of the Issuer's debt profile related to the maturity of debts in the years of 2015 and 2016; the remaining balance will be used to reinforce the Issuer's cash. This contract has minimum clauses that have been complied with.							

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

The long-term loans have the following payment schedule:

	Parent Company		Consolidated	
Maturing on July 1st.	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
2017	73.812	149.553	74.973	149.553
2018	130.398	98.435	130.398	99.545
2019 to 2025	259.718	237.916	259.718	237.916
	463.928	485.904	465.089	487.014

In thousands of Reais, unless stated otherwise

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

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Reais	548.643	521.335	549.804	522.445
US$ Dollars	89.225	175.283	89.225	175.283
	637.868	696.618	639.029	697.728

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

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

Financial Lease	September 30, 2016	December 31, 2015
Gross Obligations (Minimum Payments)		
Less Than One Year	856	856
Total	856	856
Future Financing Charges	457	973
Present Value of the Obligations	1.313	1.829
Present Value of the Obligations		
Less Than One Year	762	705
Between One and Five Years	551	1.124
Total	1.313	1.829

c) Debentures

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

Note to the financial statements

In thousands of Reais, unless stated otherwise

	September 30, 2016	December 31, 2015
Amount Borrowed		
1st Tranche Debentures	104.367	100.668
2nd Tranche Debentures	104.222	100.647
Gross Balance	208.589	201.315
Borrowing Costs	(3.440)	(3.817)
Net Balance	205.149	197.498
Current	11.341	661
Non-Current	197.248	196.837

Issuance Features	
Issue	2ª
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
Tranche Number	2
Issuance Volume R$	200.000.000,00
Total No. Debentures	2.000
Nominal Unit Value R$	100.000,00

Detail of Operation by Tranche

Tranche	1st	2nd
CVM Registration Number	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. of Debentures	1.000	1.000
Nominal Unit Value R$	100.000,00	100.000,00
Means	Registered and book-entered	
Type	Collateral and additional personal guarantees	
Convertible	Not convertible into Issuer shares	
Restatement	There will be no monetary correction 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	
Amortization	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 on 11/17/2015	
Covenants	Division of Net Debt over EBITDA <= 3.35 times (2015), 3.00 (2016), 2.75 (2017), 2.65 (2018), 2.50 (2019, 2020 and 2021) and 3.00 (from 2022).	
	Division of Current assets over Current liabilities >= 1.15 times	

Note to the financial statements

In thousands of Reais, unless stated otherwise

24 Financing of tax liabilities

Tax Liabilities	Financing Application		Parent Company		Consolidated	
	Date	Outstanding Instalments	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Law 11941/09 (a)	Nov/09	97	79.677	81.937	80.220	82.495

The payment schedule for these commitments are as follows:

Maturity	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
2016	4.655	9.018	4.689	9.081
2017 to 2023 (*)	69.251	65.163	69.720	65.604
2024	5.771	7.756	5.811	7.810
	79.677	81.937	80.220	82.495
Current	9.602	9.018	9.669	9.081
Non-Current	70.075	72.919	70.551	73.414

(*)Sum of the annual installments of R $ 9,893 at September 30, 2016 and R $ 9,309 at December 31, 2015 for the Parent Company and R $ 9,960 and R $ 9,372 respectively for the Consolidated.

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

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

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

Once the consolidation is complete, the Company has undertaken to pay the monthly instalments of R$ 818 no later than three months late, in addition to withdrawing judicial proceedings and waiving any claim to rights on which the aforesaid proceedings were filed, under pain of immediate termination of the financing program and consequent forfeiting of the benefits offered by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in Notes 17 and 18.

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

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

In thousands of Reais, unless stated otherwise

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

The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit, and exposed that the "undue use" had not been addressed. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Notes 17 and 18. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions as the proof of "misappropriation", 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$ 24,678 as of September 30, 2016, considering the derecognition of the debt, the inexistence of benefits and maintaining the debits as a contingent liability, where any tax liability will be settled by the credits deriving from case 1998.34.00.029022-4, as mentioned in note 18.

26 Taxes and contributions

As of September 30, 2016, taxes, rates, and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
IRRF	1.617	2.251	1.847	2.660
ICMS	10.828	7.245	10.855	7.189
PIS/COFINS	1.726	-	2.341	455
Other	282	344	482	444
	14.453	9.840	15.525	10.748

27 Provision for contingencies

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

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

Note to the financial statements
In thousands of Reais, unless stated otherwise

Amount Provided For	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Civil	8.930	7.794	9.050	7.909
Labor	22.477	20.823	22.505	20.823
Tax	22.950	12.458	22.979	12.458
	54.357	41.075	54.534	41.190

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

	Parent Company			Total
	Civil	Labor	Tax	
At December 31, 2015	7.794	20.823	12.458	41.075
Debited (Credited) to Income Statement:	1.646	2.989	10.492	15.127
Additional Provisions	1.047	848	9.096	10.991
Reversals due to Nonuse	(195)	(406)	-	(601)
Monetary Restatement (Note 34)	794	2.547	1.396	4.737
Reversals due to Realization	(510)	(1.335)	-	(1.845)
At September 30, 2016	8.930	22.477	22.950	54.357

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2015	7.909	20.823	12.458	41.190
Debited (Credited) to Income Statement:	1.662	3.017	10.521	15.200
Additional Provisions	1.049	876	9.125	11.050
Reversals due to Nonuse	(195)	(406)	-	(601)
Monetary Restatement (Note 34)	808	2.547	1.396	4.751
Reversals due to Realization	(521)	(1.335)	-	(1.856)
At September 30, 2016	9.050	22.505	22.979	54.534

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 302 lawsuits (232 lawsuits on December 31, 2015), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 14).

Labor claims

The Company and its subsidiary Portobello Shop S.A. are defendants in 310 labor complaints (372 complaints on December 31, 2015), filed by former employees and third parties. Claims refer mainly to health hazard premium, matter that has already been decided in the TRT (regional labor court) of the 12th Region in favor of the Company. Other claims refer to the payment of severance pay, additional pay, overtime, salary equalization and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company's legal consultants. Some lawsuits are supported by judicial deposits (Note 14).

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

Change to the criteria for correcting labor debits

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

Tax

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

The Company filed a petition for a writ of mandamus with aims to change the calculation base for the PIS (Social Integration Program) and the COFINS (Social Security Financing Contribution) taxes upon the exclusion of the ICMS tax. The Federal Courts of Santa Catarina State rendered a merit judgment in favor of excluding the ICMS from the calculation base, and the amount as of September 30, 2016 is R$ 20,424 (R$ 11,475 as of December 31, 2015).

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

b) PIS and COFINS on financial revenue

In September 2015 the Company filed a Writ of Mandamus in order to stay PIS/COFINS on financial revenue. The amounts are determined and paid monthly via court deposits. The balance of the provision as of September 30, 2016 is R$ 1,450 (R$ 382 as of December 31, 2015).

c) Preliminary injunction related to ICMS on financial income

Declaratory action brought by PBG S/A against the State of Santa Catarina, distributed under No. 0301204-19.2015.8.24.0072, in progress before the 2nd. Civil Circuit Court of the Judicial District of Tijucas/ Santa Catarina, in which the plaintiff requires that the State of Santa Catarina refrain from including in the ICMS calculation basis the amounts due on a TUST (Tariff for using the Transmission System) and TUSD (Tariff for using the Distribution System) basis. The declaratory act also requires the refund of amounts incorrectly paid, within the 5-year period prior to the filing date (07/24/2015) of this action.

In an interlocutory decision, it was conceded interim relief to "determine that the defendant refrain from including, as from the invoice subsequent to the legal notice, from the ICMS calculation basis the amounts due on a TUST and TUSD basis in the consuming unit of the plaintiff (12351313)."

Currently, the case records are completed for a decision.

In thousands of Reais, unless stated otherwise

The provision will only correspond to default interest, given the remote risk classification.

28 Lawsuits with possible loss

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

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Civil	2.870	2.677	2.976	2.977
Labor	7.991	8.581	8.004	8.581
	10.861	11.258	10.980	11.558

a) Administrative Proceeding 10983.721445/2014-78

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

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

29 Employee benefits

29.1 Private pension plan

The Company and its subsidiaries, since 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência - Banco do Brasil Pension Fund, and has 31 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:

Note to the financial statements

In thousands of Reais, unless stated otherwise

	Parent Company
	September 30, 2016 and 2015
Economic Hypotheses	
Discount Rate	6% a.a. (real)
Expected Rate of Return on Assets	6% a.a. (real)
Future Salary Increases	2% a.a. (real) up to 47 years
Increase in Social Security Benefits and Limits	2% a.a. (real) as of 48 years
Inflation	Disregarded
Capacity Factor	
Salaries	100%
Benefits	100%
Demographic Hypotheses	
Mortality table	AT 83
Martality Table of Disabled People	Exp. IAPC
Disabilty Rate Table	Hunter Combined with Álvaro Vindas

29.2 Employee benefit expenses

a) Expenses incurred in the 3rd. Quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Compensation	35.332	29.547	38.830	36.692
Benefits				
Pension Plans	239	294	239	322
Government Severance	2.817	2.401	3.166	3.054
Other	6.407	4.429	6.702	5.047
Total	44.795	36.671	48.937	45.115

b) Expenses incurred in YTD in 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Compensation	103.418	87.392	113.734	103.843
Benefits				
Pension Plans	754	832	755	809
Government Severance	8.422	7.157	9.563	8.841
Other	15.142	11.716	15.990	13.092
Total	127.736	107.097	140.042	126.585

30 Long-term incentive

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

They are eligible to the ILP directors, superintendents and managers, who through a membership contract become participants in the program. Each member holds a number of titles that are called figuratively "benchmark stocks." These are not traded on the over-the-counter market and their "valuation" is calculated annually by the Ebitda performance and the ratio of Ebitda to net debt.

Payment is expected in three annual installments deferred for two years at the beginning of the period. The settlement will be made through monetary values in amount proportional to the gains recorded by the plan metrics.

The first group of participants joined in 2012. Currently there are 4 plans in progress. The present value of the obligation as of September 30, 2016 is R $ 8,709 in the parent company and R $ 9,336 in the consolidated (R $ 8,709 in the parent company and R $ 9,336 in the consolidated on December 31, 2015).

31 Shareholders' equity

a) Capital

After the resolutions of the AGM on April 29, 2016 the Company increased its capital by R $ 20,000, fully paid by the capitalization of profits, exclusively for the company's capitalization, with no change in total number of shares as provided by Art. 169, § 1 of Law 6,404 / 76. Thus, as of September 30, 2016 the Company has a subscribed and paid-in capital of R$ 119,565 (R$ 99,565 on December 31, 2015) comprising 158,488,517 common nominative shares with no par value.

As of June 30, 2016 there were 72,849,374 outstanding shares, equivalent to 45.97% of total shares issued (72,769,371 on December 31, 2015, equivalent to 45,91% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

b) Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset accumulated losses and increase capital. As of September 30, 2016, the balance of legal reserve amounts to R$ 15,113 (R$ 15,113 as of December 31, 2015), as provided for by article 193 of the Corporation Law.

c) Profit retention reserve

The amount of R$ 103,197 refers to the business growth project established in the Company's investment plan, approved in the Annual Shareholders' Meeting on April 30, 2015, and in accordance with according to capital budget proposal, in conformity with Article 196 of the Brazilian Corporate Law.

d) Profits at the disposal of the AGM

At the General Meeting held on April 29, 2016, the Company's Management proposed and approved at a General Meeting the allocation of reserves in compliance with Articles 196 of the Corporate Law (Law 6404/76

In thousands of Reais, unless stated otherwise

e) Equity evaluation adjustment - Deemed cost

In 2010, when the initial adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the revaluation of property, plant and equipment made in 2006 as an attributed cost, since it represented substantially the fair value at the transition date. It was constituted as a result of revaluations of land, buildings and improvements, supported by a revaluation report prepared by an independent valuation company. It is being realized as depreciation of revalued buildings and improvements recorded against retained earnings. The same effect of realizing the equity valuation adjustment is reflected in the result for the year, due to the depreciation of revalued assets.

32 Revenue

The reconciliation of gross income to net income, presented in the statement of income for the quarter ended September 30, 2016, is as follows.

a) Revenues incurred in the 3rd. quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Gross Sales Revenue	322.248	324.091	351.884	378.492
Deductions from Gross Revenue	(74.306)	(68.637)	(78.568)	(78.243)
Sales Taxes	(66.139)	(61.122)	(69.888)	(68.870)
Returns	(8.167)	(7.515)	(8.680)	(9.373)
Net Sales Revenue	247.942	255.454	273.316	300.249
Domestic Costumers	217.761	216.447	236.035	256.332
Overseas Costumers	30.181	39.007	37.281	43.917

b) Revenues incurred in the accumulated of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Gross Sales Revenue	907.863	907.556	988.285	1.012.467
Deductions from Gross Revenue	(205.355)	(194.053)	(217.033)	(211.554)
Sales Taxes	(178.880)	(170.712)	(189.086)	(185.272)
Returns	(26.475)	(23.341)	(27.947)	(26.282)
Net Sales Revenue	702.508	713.503	771.252	800.913
Domestic Costumers	605.047	613.716	654.530	694.447
Overseas Costumers	97.461	99.787	116.722	106.466

33 Expenses by nature

The cost of goods sold, selling expenses and administrative expenses for the quarter ended September 30, 2016 are as follows:

Note to the financial statements

In thousands of Reais, unless stated otherwise

a) Expenses incurred in the 3rd. quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Costs and Expenses				
Costs of Goods Sold and/or Services Rendered	(173.708)	(164.346)	(174.878)	(189.508)
Selling Expenses	(51.411)	(43.143)	(63.624)	(57.059)
General and Administrative	(3.744)	(7.001)	(8.567)	(8.708)
	(228.863)	(214.490)	(247.069)	(255.275)
Breakdown of Expenses by Nature				
Changes in Inventory of Finished Goods and Goods in Progress (a)	4.122	16.291	4.124	11.893
Direct Prodution Costs (Raw Materials and Consumables)	91.817	76.636	89.711	92.145
General Production Expenses (Including Maintenance)	11.630	10.660	11.630	12.284
Cost of Goods Resold	19.538	29.392	22.551	34.509
Expense on Transportation of Goods Sold	3.072	1.657	3.072	1.811
Salaries, Charges, and Employee Benefits (b)	55.119	41.164	60.179	50.837
Labor and Outsourced Services (c)	17.372	7.422	17.997	10.123
Amortization and Depreciation	9.328	6.396	10.029	6.738
Rental and Operating Lease Expenses	3.039	2.062	3.849	5.164
Sales Comission	7.028	6.473	7.492	7.496
Advertising and Marketing Expenses	3.919	3.612	6.333	6.645
Repayment of contract with subsidiary	(4.480)	-	-	-
Other Commercial Expenses	6.591	11.880	9.249	14.494
Other Administrative Expenses	768	845	853	1.136
Total	228.863	214.490	247.069	255.275

(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.

(b) The growth in these expenditures basically occurred due to the decision not to adhere to the INSS taxation through the relief of the payroll in 2016. Up to 2015 the Company used to tax INSS in accordance with the rules for relieving payroll, thus recording the amounts as deduction in revenue.

(c) The increase in these expenditures refer to logistics services expenditures from the new distribution centers.

In thousands of Reais, unless stated otherwise

b) Expenses incurred in YTD in 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Costs and Expenses				
Costs of Goods Sold and/or Services Rendered	(493.796)	(470.184)	(496.184)	(500.548)
Selling Expenses	(148.522)	(115.982)	(184.379)	(151.524)
General and Administrative	(21.795)	(22.231)	(27.183)	(25.511)
	(664.113)	(608.397)	(707.746)	(677.583)
Breakdown of Expenses by Nature				
Changes in Inventory of Finished Goods and Goods in Progress (a)	1.331	7.517	1.464	(9.092)
Direct Prodution Costs (Raw Materials and Consumables)	269.641	229.585	264.062	252.480
General Production Expenses (Including Maintenance)	31.149	33.507	31.148	35.746
Cost of Goods Resold	58.868	107.004	65.925	117.209
Expense on Transportation of Goods Sold	8.110	4.452	8.115	4.606
Salaries, Charges, and Employee Benefits (b)	157.737	120.465	173.033	143.120
Labor and Outsourced Services (c)	50.631	22.191	52.572	27.160
Amortization and Depreciation	27.278	19.100	29.162	19.801
Rental and Operating Lease Expenses	8.171	5.947	10.692	11.722
Sales Comission	20.326	17.974	21.558	19.683
Advertising and Marketing Expenses	9.350	7.611	16.259	14.741
Repayment of contract with subsidiary	(4.480)	-	-	-
Other Commercial Expenses	21.336	29.242	28.798	36.135
Other Administrative Expenses	4.665	3.802	4.958	4.272
Total	664.113	608.397	707.746	677.583

(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.

(b) The growth in these expenditures basically occurred due to the decision not to adhere to the INSS taxation through the relief of the payroll in 2016. Up to 2015 the Company used to tax INSS in accordance with the rules for relieving payroll, thus recording the amounts as deduction in revenue.

(c) The increase in these expenditures refer to logistics services expenditures from the new distribution centers.

34 Other net operating income and expenses

Other individual and consolidated operating income and expenses for the quarter ended September 30, 2016 are as follows:

Note to the financial statements

In thousands of Reais, unless stated otherwise

a) Expenses incurred in the 3rd quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Other Operating Revenue				
Service Revenue	1.392	304	155	304
Tax Credits (a)	12.999	-	12.999	-
Other Revenue	4	109	(1.122)	109
Total	14.395	413	12.032	413
Other Operating Expenses				
Provision for Contingencies (note 27)	(622)	1.167	(642)	980
Provision for Long-Term Incentive (note 30)	-	(1.397)	-	(1.610)
Provision for Profit Sharing	-	(3.658)	-	(4.398)
Review of Eletrobras Compulsory Loan Balance (note 15)	(6.851)	-	(6.851)	-
Other Expenses	(415)	(990)	(1.530)	(1.308)
Total	(7.888)	(4.878)	(9.023)	(6.336)
Net Total	6.507	(4.465)	3.009	(5.923)

(a) Exemporary credits of ICMS (R$ 5,501), INSS (R$ 7,084), IPI (R$ 121) and Pis Cofins on inputs (R$ 293).

b) Expenses incurred in YTD in 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Other Operating Revenue				
Service Revenue	1.589	354	352	351
Tax Credits (a)	14.135	-	14.135	-
IPI Premium Credit Tax Assets (nota 17)	673	4.983	673	4.983
Other Revenue	101	289	101	297
Total	16.498	5.626	15.261	5.631
Other Operating Expenses				
Provisions for Contingencies (note 27)	(2.499)	262	(2.551)	33
Provision for Long-Term Incentive (note 30)	-	(3.143)	-	(3.594)
Provision for Profit Sharing (b)	-	(9.486)	-	(11.513)
Review of Eletrobras compulsory loan balance (nota 15)	(6.851)	-	(6.851)	-
Idleness Cost (c)	(4.391)	-	(4.391)	-
Other Expenses	(957)	(2.808)	(2.351)	(8.010)
Total	(14.698)	(15.175)	(16.144)	(23.084)
Net Total	1.800	(9.549)	(883)	(17.453)

(a) Exemporary credits of ICMS (R$ 5,501), INSS (R$ 7,084), IPI (R$ 121) and Pis Cofins on inputs (R$ 293).

(b) Recognition of provision for employee profit sharing to be paid after end of year reversed because the minimum requirements for payment w ere not met.

(c) Expenses on the adaptation of production equipment aiming at adjusting production to the Northeast market demand.

In thousands of Reais, unless stated otherwise

35 Financial income

The individual and consolidated financial income for the quarter ended September 30, 2016 is as follows:

a) Expenses incurred in the 3rd quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Finance Income				
Interest	4.879	1.096	5.074	1.128
Asset Restatement	2.878	2.782	2.878	2.782
Income from Swap Transactions (a)	-	18.270	-	18.270
Other	5	146	12	188
Total	7.762	22.294	7.964	22.368
Finance Costs				
Interest	(10.506)	(10.493)	(10.563)	(10.537)
Financial Charges on Taxes	(2.082)	(1.843)	(2.094)	(1.859)
Breakdown of Discount for Provision for Contingencies	(1.822)	(1.284)	(1.822)	(1.396)
Review of Eletrobras compulsory loan balance (note 15)	(9.562)	-	(9.562)	-
Comissões e taxas de serviços	(2.200)	(703)	(2.495)	(918)
Bank Discounts/Expenses	(88)	(308)	(88)	(309)
Income from Swap Transactions (a)	(1.065)	(1.447)	(1.065)	(1.447)
Provision for Debenture Interest	(8.997)	-	(8.997)	-
Other	(891)	(828)	(1.216)	(862)
Total	(37.213)	(16.906)	(37.902)	(17.328)
Net Exchange Variation				
Trade Receivables and Payables	163	17.657	222	17.657
Loans and Financing	(1.100)	(38.693)	(1.100)	(38.639)
Total	(937)	(21.036)	(878)	(20.982)
Net Total	(30.388)	(15.648)	(30.816)	(15.942)

(a) Provision for Income on Swaps, as detailed in Note 7.

In thousands of Reais, unless stated otherwise

b) Expenses incurred in YTD in 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Finance Income				
Interest	15.266	6.414	15.820	6.801
Asset Restatement	8.262	7.532	8.262	7.532
Income from Swap Transactions (a)	-	28.553	-	28.553
Other	401	417	500	544
Total	23.929	42.916	24.582	43.430
Finance Costs				
Interest	(28.529)	(28.041)	(28.792)	(28.220)
Financial Charges on Taxes	(5.478)	(5.094)	(5.516)	(5.135)
Breakdown of Discount for Provision for Contingencies	(4.854)	(3.456)	(4.864)	(3.575)
Review of Eletrobras compulsory loan balance (note 15)	(9.562)		(9.562)	
Comissões e taxas de serviços	(3.629)	(2.007)	(4.563)	(2.474)
Bank Discounts/Expenses	(466)	(656)	(470)	(657)
Income from Swap Transactions (a)	(14.953)	(8.040)	(14.953)	(8.040)
Provision for Debenture Interest	(25.874)	-	(25.874)	-
Imposto de renda sob juros e IOF	(520)	-	(536)	-
Other	(2.230)	(3.550)	(2.754)	(3.600)
Total	(96.095)	(50.844)	(97.884)	(51.701)
Net Exchange Variation				
Trade Receivables and Payables	(17.767)	21.604	(18.004)	21.604
Loans and Financing	21.997	(55.502)	21.997	(55.448)
Total	4.230	(33.898)	3.993	(33.844)
Net Total	(67.936)	(41.826)	(69.309)	(42.115)

(a) Provision for Income on Swaps, as detailed in Note 7.

36 Earnings per share

a) Basic

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

Profit or loss for the 3rd quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Profit Attributable to Shareholders	(924)	15.303	(924)	15.303
Weighted Average of Common Shares	158.489	158.489	158.489	158.489
Basic Earnings per Share	(0,00583)	0,09656	(0,00583)	0,09656

In thousands of Reais, unless stated otherwise

Profit or loss in YTD 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Profit Attributable to Shareholders	(3.114)	40.317	(3.114)	40.317
Weighted Average of Common Shares	158.489	158.489	158.489	158.489
Basic Earnings per Share	(0,01965)	0,25438	(0,01965)	0,25438

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

b) Diluted

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

37 Dividends

On July 4, 2016, the amount of R $ 7,269 thousand was paid, approximately R $ 0.046 (net of payments made in September 2015), of which R $ 2,264 in the form of dividends and the remainder in the form of interest on shareholders' equity. Thus, total compensation to shareholders for the year 2015 reached R $ 12,505 thousand, which represented a yield (dividend per share divided by the final share price) of 3.83%.

38 Segment reporting

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

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

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

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

Information per business segment, reviewed by the Executive Board:

Note to the financial statements
In thousands of Reais, unless stated otherwise

a) Profit or loss for the 3rd quarter of 2016 and 2015:

	September 30, 2016			September 30, 2015		
Continued Operations	Brazil	Other Countries	Total	Brazil	Other Countries	Total
Revenue	236.035	37.281	273.316	256.332	43.917	300.249
Cost of Goods Sold	(151.317)	(23.561)	(174.878)	(161.789)	(27.719)	(189.508)
Gross Operating Profit	84.718	13.720	98.438	94.543	16.198	110.741
Net Operating Income (Expenses)	(60.108)	(9.074)	(69.182)	(61.204)	(10.486)	(71.690)
General, Administrative and Sales	(62.349)	(9.842)	(72.191)	(56.147)	(9.620)	(65.767)
Other Net Operating Income (Expenses)	2.241	768	3.009	(5.057)	(866)	(5.923)
Operating Income before Financial Income/Expenses	24.610	4.646	29.256	33.339	5.712	39.051
% Over ROL	10%	12%	11%	13%	13%	13%

b) Profit or loss in YTD in 2016 and 2015

	September 30, 2016			September 30, 2015		
Continued Operations	Brazil	Other Countries	Total	Brazil	Other Countries	Total
Revenue	654.530	116.722	771.252	694.447	106.466	800.913
Cost of Goods Sold	(426.911)	(69.273)	(496.184)	(451.826)	(48.722)	(500.548)
Gross Operating Profit	227.619	47.449	275.068	242.621	57.744	300.365
Net Operating Income (Expenses)	(185.208)	(27.237)	(212.445)	(175.561)	(18.927)	(194.488)
General, Administrative and Sales	(184.337)	(27.225)	(211.562)	(159.807)	(17.228)	(177.035)
Other Net Operating Income (Expenses)	(871)	(12)	(883)	(15.754)	(1.699)	(17.453)
Operating Income before Financial Income/Expenses	42.411	20.212	62.623	67.060	38.817	105.877
% Over ROL	6%	17%	8%	10%	36%	13%

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

39 Commitments

a) Commitments for the acquisition of assets

Expenses contracted at the balance sheet date, but not yet incurred in relation to Fixed Assets as of September 30, 2016, amount to R $ 498.

b) Commitment with operational lease

Operational leases refer to acquisition of vehicles. Non-cancellable future minimum payments, on September 30, 2016 and December 31, 2015, amount to R$ 801 and R$ 699, respectively, for less than one year. For more than one year and less than five years, R$ 390 and R$ 904, respectively.

40 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover possible claims. As of September 30, 2016, coverage for fire, lightning strikes and explosions of any nature was R$ 84,000, for windstorm and smoke with impact of vehicles, R$ 25,000, for loss of profit, R$ 51,115, and for electric damage, riots and civil liabilities, R$ 5,600. The policy is in force from June 13, 2016 to June 13, 2017.

The Company also has Civil Liability Insurance for Management (D&O), contracted from ACE Seguros Soluções Corporativas S/A to cover losses and damages to third parties resulting from actions related to the exercise of their functions and attributions, up to the amount of R$ 10 million, with validity from August 27, 2016 to August 27, 2017.

In thousands of Reais, unless stated otherwise

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

41 Related companies and parties

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

Nature	Transactions with Subsidiaries and Related Parties	September 30, 2016	December 31, 2015
Assets			
Dividends Receivable	Portobello Shop S.A.	5.850	14.850
Accounts Receivable	Portobello América, Inc.	66.463	79.947
Accounts Receivable	PBTech Com. Serv. Cer. Ltda.	2.849	4.268
Trade Receivables	Portobello Shop S.A.	81	48
Credits with Subsidiaries - Non-Current		69.393	84.263
Credits with Other Related Parties	Refinadora Catarinense S.A.	87.768	84.601
Liabilities			
Prepaid Dividends	Portobello Shop S.A.	-	5.763
Other Transactions			
Advances to Suppliers	Mineração Portobello Ltda.	626	752
Accounts Receivable net of Advance	Solução Cerâmica Com. Ltda.	590	10
Accounts Receivable net of Advance	Flooring Revest. Cer. Ltda.	746	523
		1.962	1.285

		3rd Quarter		Consolidated	
Nature	Transactions with Subsidiaries and Related Parties	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue					
Service Rendering	Portobello Shop S.A.	5.717	-	5.717	-
Sales of Goods	Solução Cerâmica Com. Ltda.	7.560	3.962	18.356	14.073
Sales of Goods	Flooring Revest. Cer. Ltda.	2.715	2.986	7.172	7.500
Sales of Goods	PBTech Com. Serv. Cer. Ltda.	5.897	6.022	14.724	14.286
Expenses					
Cost of Services Rendered	Portobello Shop S.A.	(4.481)	-	(4.481)	-
Purchase of Goods	Mineração Portobello Ltda.	(2.105)	(1.352)	(5.578)	(4.080)
Rent	Gomes Participações Societárias Ltda.	(89)	(83)	(271)	(343)
		15.214	11.535	35.639	31.436

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

In thousands of Reais, unless stated otherwise

Related party transactions

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

Transactions with Related Parties	Nature	September 30, 2016	December 31, 2015	Nature	3rd Quarter September 30, 2016	3rd Quarter September 30, 2015	Consolidated September 30, 2016	Consolidated September 30, 2015
	Assets			Receitas				
Solução Cerâmica Com. Ltda.	Accounts Receivable	744	361	Royalties	1.908	1.513	4.615	4.047
Flooring Revest. Cer. Ltda.	Accounts Receivable	197	168	Royalties	670	769	1.807	1.972
		941	529		2.578	2.282	6.422	6.019

Compensation of key management personnel

The compensation paid to key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended September 30, 2016 are:

a) Expenses incurred in the 3rd quarter of 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Fixed Compensation				
Salaries	3.534	2.511	3.827	3.003
Fees	1.264	1.175	1.264	1.175
Variable Compensation	450	2.689	498	3.013
Short-Term Direct and Indirect Employee Benefits				
Pension Plans	206	222	206	222
Other	449	362	476	426
	5.903	6.959	6.271	7.839

Note to the financial statements
In thousands of Reais, unless stated otherwise

b) Expenses incurred in YTD 2016 and 2015:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Fixed Compensation				
Salaries	9.637	7.471	10.663	8.981
Fees	3.578	3.351	3.578	3.351
Variable Compensation	3.589	6.177	3.920	7.128
Short-Term Direct and Indirect Employee Benefits				
Pension Plans	652	644	652	662
Other	1.384	1.054	1.543	1.254
Severance Benefits	-	51	-	383
	18.840	18.748	20.356	21.759

Report on the quarterly information review - ITR

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

Introduction
We have reviewed the interim, individual and consolidated financial statements of the company PBG S.A. (“Company”), contained in the Quarterly Information Form - IRT for the quarter ended September 30, 2016, consisting of the balance sheets as of September 30, 2016 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders’ equity and statements of cash flows for the 3 and 9-month period then ended, in addition to the notes to the financial statements.

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

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

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

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

Other matters

Statements of Added Value
We have also reviewed the individual and consolidated Statements of added value (DVA) for the nine-month period ended September 30, 2016, prepared by Company management, the presentation of which in the interim information is required by the standards issued by the CVM - Brazilian Securities Commission applicable to the preparation of the Quarterly Information - ITR and is considered supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the same review procedures described above and based on our review we are not aware of any facts that lead us to believe they have not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Florianópolis, November 03, 2016

KPMG Auditores Independentes
CRC SC-000071/F-8

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

Representation of the Officers about the Financial Statements

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 9/30/2016;

(ii) reviewed, discussed and accept the opinions expressed in the KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 9/30/2016.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Vice-President

John Shojiro Suzuki - CFO and Investor Relations Officer

Mauro do Valle Pereira - Officer

Tijucas, November 04, 2016.

Representation of the Officers about the Independent Auditors' 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:

(iii) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 9/30/2016;

(iv) 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 9/30/2016.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva - Vice-President

John Shojiro Suzuki - CFO and Investor Relations Officer

Mauro do Valle Pereira - Officer

Tijucas, November 04, 2016.