PDG Realty S.A. Empreendimentos e Participações

Quarterly information - ITR
Quarter ended
September 30, 2016

KPDS 168490

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Message from the Board

The Company's Management has recorded a series of important achievements over the last 15 months, thanks to the implementation of an action plan based on seven main initiatives: debt restructuring, acceleration of asset sales, increased efforts to sell inventory units and speed up transfers, continuing cost reductions, a focus on execution to conclude and individualize projects whose works are in an advanced stage, reduction of liabilities, and preservation of the Company's cash.

In regard to the debt restructuring, in May we signed a Memorandum of Understanding for the restructuring of our debt with our four largest creditors (Banco do Brasil, Bradesco, CEF and Itaú Unibanco), as a result of which R$3.4 billion of the Company's gross debt was renegotiated. Furthermore, maintaining the same negotiation terms signed with our four largest creditors, in August we restructured roughly R$ 565 million of the Company´s debt with Banco Votarantim, postponing its due date to 2020. Thus, renegotiating approximately R$4 billion, equivalent to 74% of the Company´s total existing debt.

In respect to the Company's G&A expenses financing contract (G&A Financing) entered into with the creditor banks, as of today R$92 million has been freed, helping to ensure PDG's operational regularity.

Still in the scope of this memorandum of understanding, the Company has been facing increasing difficulties in their real estate projects, mainly due to their creditor´s indefiniteness regarding the freeing of funds to cover the costs and expenses of completing the works and selling the real estate units.

The Company clarifies that the decision regarding the actions to be taken in case of a possible persevering of the creditors indefiniteness is yet to be made. The Company´s management continues to work side by side with its advisors in other matters, to strengthen its liquidity and its capital structure, which includes an acceleration of asset sales.

As for the acceleration of asset sales, this year we concluded the sale of our stake in REP for R$34 million, as well as reducing the Company's debt by R$214 million. We also completed the sale of two projects (D´oro and Arena) for R$10 million, lowering cost to be incurred by R$52 million.

Despite of the cash restrictions, 57 projects have received occupancy permits or been sold since 2015, further reducing financial and execution risk. In 2016 alone, 12 PDG-managed projects were delivered, with approximately 5,000 units and a joint PSV of R$1.4 billion. As a result, we closed 3Q16 with only 30 ongoing projects.

Between 3Q15 and 3Q16, net debt fell by more than R$700 million, R$166 million of which in 2016 alone (excluding REP), thereby reducing the Company's leverage. Costs to be incurred, despite the cash restrictions, fell from R$1.2 billion at the beginning of 3Q15 to R$860 million at the close of 3Q16, a reduction of more than R$262 million.

General and administrative expenses recorded a year-on-year decline of 25% in the third quarter, closing at R$47 million, versus R$63 million at the end of 3Q15. In the first nine months, G&A came to R$157 million, 21% down on the R$199 million registered in 9M15.

Selling expenses closed 3Q16 at R$28 million, 37% less than in the same period last year, and came to R$83 million in the first nine months, 32% down on 9M15.

On the operating front, gross sales totaled R$367 million this quarter, 6% up on the previous three months and 46% down on 3Q15. Year-to-date gross sales came to R$1.1 billion, a 42% reduction over the same period last year.

Despite the upturn in gross sales over 2Q16 and as we signaled throughout the first half, cancellations moved up by 38% in the third quarter, reaching R$371 million. Consequently, third-quarter net sales were negative by R$4 million. In the first nine months, cancellations totaled R$945 million, 34% down year-on-year, resulting in period net sales of R$170 million, 64% less than in 9M15.

If we look at the Company's leverage under the "extended debt" concept, i.e. taking net debt and the cost to be incurred to complete the ongoing projects into consideration, leverage has been falling consistently since the end of 2012, recording a decline of 55%, or R$7.3 billion, and reducing operational complexity and the execution risk of our assets. Extended leverage recorded an increase of R$164 million in 3Q16, reflecting the decline in the cost incurred due to the slower pace of the works imposed by the Company's cash restrictions.

We continued to amortize construction financing debt (SFH), albeit less rapidly, due to the delivery of projects and the transfer of mortgages. Total SFH debt fell by R$87 million (-7%) over the previous quarter, and by R$508 million (31%), in the first nine months.

Recent Events:

As part of the debt restructuring initiatives begun in August 2015, on November 1 we announced the dismantling of crossed holdings between the Company and HM1 into 18 special purpose entities (SPEs) through the exchange of all the Company's shares in 15 HM1 SPEs in favor of HM1, and the exchange of all HM1's shares in three SPEs in favor of PDG. In addition to reducing extended debt and the Company's exposure to the current and future contingencies of HM1's SPEs, the dismantling of the partnership will allow PDG to make discretionary use of the assets of the three SPEs to its own benefit.

Also in November, we announced the hiring of RK Partners Assessoria Financeira as our financial advisor in regard to the debt restructuring process begun in August 2015, maintaining the objectives of strengthening cash flow and streamlining the Company's capital structure in order to ensure compliance with the obligations assumed with creditors and clients.

Among the measures adopted to continue with the restructuring, in addition to the above-mentioned contracting of RK Partners, we announced the appointment of Vladimir Kundert as the Company's CEO, CFO and Investor Relations Officer. The joint efforts on the planning and work fronts between RK and Mr. Kundert will bring new prospects for the debt restructuring process.

It is worth noting that we are continuing to negotiate an agreement with the creditor banks that will allow us to improve the immediate situation of the Company's cash position, as well as cover the costs and expenses associated with concluding and selling the real estate projects. We have received and are currently assessing the counter-proposals presented by the institutions in question.

Additionally, the Company has been analyzing with its advisors a set of possible alternatives to reach the main objectives in the process of the debt restructuring. Including efforts to asset sales and the dismantling of special purpose entities (SPEs) in specific real estate projects. The decision of which direction the Company will take, depends on the final say regarding the continuing conversations with our main creditors.

The Company hopes that the work alongside RK Partners and Mr. Kundert will bring a new perspective to the restructuring process continuity.

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Report on the review of quarterly information - ITR

To
The Management and Shareholders of
PDG Realty S.A. Empreendimentos e Participações
São Paulo - SP

Introduction
We were engaged to review the interim individual and consolidated financial information of PDG Realty S.A. Empreendimentos e Participações ("Company") contained in the Quarterly Information - ITR Form for the quarter ended September 30, 2016, which comprise the balance sheet as of September 30, 2016 and the related income statement and comprehensive income for the three and nine-month periods then ended, of changes in shareholders' equity and cash flows for the nine-month period then ended, including the explanatory notes.

Responsibilities of Management for the interim financial information
Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21(R1)- Interim statements, and of consolidated interim accounting information in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting issued by International Accounting Standards Board - IASB, which considers OCPC 4 Guidance on the application of Technical Interpretation ICPC 02 to Real Estate Development Entities in Brazil issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities Commission (CVM) and the Federal Accounting Council (CFC), as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR.

Auditors' Responsibilities
Our responsibility is to express a conclusion on these interim financial information based on our review. We conducted our review in accordance with the Brazilian and international review standards for 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). As consequence of the matter described on paragraph Basis for disclaimer of opinion, we have not been able to obtain sufficient and appropriate evidence to provide a basis for a conclusion.

Basis for disclaimer of conclusion

As described in notes nº 2.1 and 2.2, the Company prepared the individual interim financial statements according to CPC 21 (R1) and the consolidated interim financial statements according to CPC 21 (R1) and IAS 34, as issued by IASB, which considers OCPC 4 Guidance on the application of Technical Interpretation ICPC 02 to Real Estate Development Entities in Brazil, based on the going concern assumption. The Company and its controlling entities have incurred in recurring losses, which resulted in the presentation of a negative consolidated shareholder's equity of R$ 838,446 thousand as of September 30, 2016, and, on the period then ended, the consolidated current liabilities exceeded the consolidated current assets by R$ 1,203,194 thousand, mainly due to the reclassification of the debts from long to short-term, and, in November 2016, Management and members of Board of Directors resigned their position.

Regarding current Management's plan to continue the approach as previously decided by former Management, which includes negotiation between Company and debt collectors, searching for alternatives for it´s going concern, the situation described in the previous paragraph, added to the facts stated on note n º 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Consequently, considering the circumstances described, we were not able to determine the impact of these uncertainties over the individual and consolidated interim financial statements, as well as, whether the Company will recover its assets and liquidate its liabilities in the normal course of business.

Disclaimer of Conclusion over the interim financial information

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for a conclusion on these interim individual and consolidated financial information. Consequently, we do not express a conclusion on the accompanying interim financial information.

Other issues

Statements of added value

We also reviewed the Individual and consolidated value-added statements for the nine-month period ended on September 30, 2016, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the statement of added value. These statements were subjected to the review procedures previously described and, based on our review, due to the relevance of the matter described on paragraph Basis for disclaimer of opinion, we have not been able to obtain sufficient and appropriate evidence to provide a basis for a conclusion the individual and consolidated intermediate financial statements, as a whole. Consequently, we do not express a conclusion on the Statement of added value.

São Paulo, November 14, 2016

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Ederson Rodrigues de Carvalho
Accountant CRC 1SP199028/O-1

PDG Realty S.A Empreendimentos e Participações

Composition of capital stock

Number of shares (thousand) Current quarter 09/30/2016

Common shares from paid-in capital	49,192
Preferred – Of the Paid-up Capital	-
Total from paid-in capital	49,192
Common shares – in treasury	-
Preferred shares – in treasury	-
Total – in treasury	-

The accompanying notes are in integral part of these financial statements.

Balance sheets - Parent Company
(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
1	Total assets	4,148,651	6,506,274
1.01	Current assets	153,090	173,636
1.01.01	Cash and cash equivalents	10,645	17,488
1.01.01.01	Cash and banks	4,732	7,562
1.01.01.02	Interest earning bank deposits	5,913	9,926
1.01.03	Accounts receivable	69,249	61,177
1.01.03.01	Trade accounts receivable	69,249	61,177
1.01.04	Inventories	41,926	14,820
1.01.04.01	Real estate inventories for sale	41,926	14,820
1.01.06	Recoverable taxes	13,437	22,934
1.01.06.01	Current taxes recoverable	13,437	22,934
1.01.08	Other current assets	17,833	57,217
1.01.08.03	Others	17,833	57,217
1.01.08.03.06	Loan agreement	2,762	-
1.01.08.03.07	Other assets	15,071	57,217
1.02	Non-current assets	3,995,561	6,332,638
1.02.01	Long-term assets	10,371	2,272,829
1.02.01.03	Accounts receivable	1,915	33,564
1.02.01.03.01	Trade accounts receivable	1,915	33,564
1.02.01.04	Inventories	8,456	22,488
1.02.01.04.01	Real estate inventories for sale	8,456	22,488
1.02.01.09	Other non-current assets	-	2,216,777
1.02.01.09.04	Advance for future capital increase	-	1,918,327
1.02.01.09.06	Loan agreements	-	41,194
1.02.01.09.07	Credit receivables purchased	-	155,775
1.02.01.09.10	Other assets	-	101,481
1.02.02	Investments	3,951,584	4,024,970
1.02.02.01	Ownership interest	3,951,584	4,024,970
1.02.02.01.01	Interest in associated companies	29,461	24,597
1.02.02.01.02	Interest in subsidiaries	3,836,282	3,892,787
1.02.02.01.04	Other equity interest	85,841	107,586
1.02.03	Property, plant and equipment	1,649	975
1.02.03.01	Fixed assets in operation	1,649	975
1.02.04	Intangible assets	31,957	33,864
1.02.04.01	Intangible assets	31,957	33,864

Balance sheets - Parent Company
(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2	Total liabilities	4,148,651	6,506,274
2.01	Current liabilities	2,276,188	3,775,309
2.01.01	Social and labor obligations	1,877	1,835
2.01.01.02	Labor obligations	1,877	1,835
2.01.02	Suppliers	27,238	23,964
2.01.02.01	Domestic suppliers	27,238	23,964
2.01.03	Tax liabilities	1,590	7,259
2.01.03.01	Federal tax liabilities	1,590	7,259
2.01.03.01.02	Deferred tax liabilities	1,078	1,538
2.01.03.01.05	Tax installments	284	284
2.01.03.01.06	Other current liabilities	228	5,437
2.01.04	Loans and financing	1,531,199	1,682,947
2.01.04.01	Loans and financing	56,181	791,807
2.01.04.01.01	In domestic currency	56,181	791,807
2.01.04.02	Debentures	1,475,018	891,140
2.01.05	Other liabilities	707,131	2,057,289
2.01.05.02	Others	707,131	2,057,289
2.01.05.02.04	Payables for acquisition of real estate	4,391	6,569
2.01.05.02.05	Advance from clients	34	34
2.01.05.02.08	Liabilities for acquisition of ownership interest	-	3,934
2.01.05.02.09	Other liabilities	20,323	6,838
2.01.05.02.10	Liabilities from CCB/CCI issuance	682,383	2,039,914
2.01.06	Provisions	7,153	2,015
2.01.06.01	Tax, social security, labor and civil provisions	6,561	1,499
2.01.06.01.05	Provision for contingencies	6,561	1,499
2.01.06.02	Other provisions	592	516
2.01.06.02.01	Provisions for guarantees	592	516
2.02	Non-current liabilities	2,805,144	796,710
2.02.01	Loans and financing	421,597	159,201
2.02.01.01	Loans and financing	369,718	159,201
2.02.01.01.01	In domestic currency	369,718	159,201
2.02.01.02	Debentures	51,879	-
2.02.02	Other liabilities	2,311,323	629,810
2.02.02.02	Others	2,311,323	629,810
2.02.02.02.03	Advance from clients	2,750	2,750
2.02.02.02.09	Liabilities from CCB/CCI issuance	1,272,227	22,680
2.02.02.02.10	Accounts payable for acquisition of ownership interest	388,260	-
2.02.02.02.15	Other liabilities	648,086	604,380
2.02.04	Provisions	72,224	7,699
2.02.04.01	Tax, social security, labor and civil provisions	72,224	7,699
2.02.04.01.09	Provision for contingencies	72,224	7,699
2.03	Shareholders' equity	(932,681)	1,934,255
2.03.01	Realized capital	4,917,843	4,917,843
2.03.02	Capital reserves	1,236,435	1,235,345
2.03.02.01	Goodwill in the issuance of shares	1,206,746	1,206,746
2.03.02.04	Options granted	29,689	28,599
2.03.05	Retained Earnings/Losses	(7,086,959)	(4,218,933)

Income statement - Parent Company
(In thousand of reais)

Code of account	Account description	Current quarter - 07/01/2016– 09/30/2016	Accumulated of the current year - 01/01/2016– 09/30/2016	Same quarter of the prior year - 07/01/2015– 09/30/2015	Accumulated of the prior year - 01/01/2015– 09/30/2015
3.01	Income from sales of goods and/or services	4,621	13,075	10,845	25,512
3.02	Cost of goods and/or services sold	(2,840)	(10,154)	(4,705)	(12,421)
3.03	Gross income	1,781	2,921	6,140	13,091
3.04	Operating expenses/income	(1,570,382)	(2,402,164)	(222,236)	(419,952)
3.04.01	Sales expenses	(406)	(2,012)	(271)	(1,774)
3.04.02	General and administrative expenses	(12,799)	(41,425)	(8,016)	(20,277)
3.04.04	Other operating income	-	802	25,734	30,137
3.04.04.01	Gain (loss) in subsidiaries	-	-	1,446	1,446
3.04.04.02	Others	-	802	24,288	28,691
3.04.05	Other operating expenses	(191,506)	(371,063)	(22,889)	(68,477)
3.04.05.01	Tax expenses	(56)	(375)	(56)	(675)
3.04.05.02	Depreciation and amortization	(21,072)	(27,369)	(7,528)	(26,258)
3.04.05.04	Loss in subsidiaries	-	(127,767)	(3,155)	(18,480)
3.04.05.05	Others	(170,378)	(215,552)	(12,150)	(23,064)
3.04.06	Equity income (loss)	(1,365,671)	(1,988,466)	(216,794)	(359,561)
3.05	Income (loss) before financial income and taxes	(1,568,601)	(2,399,243)	(216,096)	(406,861)
3.06	Financial income (loss)	(148,834)	(468,304)	(186,620)	(388,551)
3.06.01	Financial income	7,833	14,279	4,287	72,527
3.06.02	Financial expenses	(156,667)	(482,583)	(190,907)	(461,078)
3.07	Income (loss) before income tax	(1,717,435)	(2,867,547)	(402,716)	(795,412)
3.08	Income and social contribution taxes	(111)	(479)	(10)	(32)
3.08.01	Current	(111)	(479)	(6)	(19)
3.08.02	Deferred	-	-	(4)	(13)
3.09	Net income from continued operations	(1,717,546)	(2,868,026)	(402,726)	(795,444)
3.11	Income/loss for the period	(1,717,546)	(2,868,026)	(402,726)	(795,444)
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	ON	(34.91515)	(58.30269)	(0.20083)	(0.39666)
3.99.02	Diluted earning per share	-	-	-	-
3.99.02.01	ON	(34.91515)	(58.30269)	(0.18270)	(0.36087)

Statements of Comprehensive income / (loss) for the years - Parent Company
(In thousand of reais)

Code of account	Account description	Current quarter - 07/01/2016– 09/30/2016	Accumulated of the current year - 01/01/2016– 09/30/2016	Same quarter of the prior year - 07/01/2015– 09/30/2015	Accumulated of the prior year - 01/01/2015– 09/30/2015
4.01	Net income for the period	(1,717,546)	(2,868,026)	(402,726)	(795,444)
4.02	Other comprehensive income	-	-	-	-
4.03	Comprehensive income for the period	(1,717,546)	(2,868,026)	(402,726)	(795,444)

Statements of cash flows - Indirect method - Parent Company

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–09/30/2016	Accumulated of the prior year - 01/01/2015–09/30/2015
6.01	Net cash from operating activities	(51,229)	(80,152)
6.01.01	Cash generated in operations	(189,071)	54,467
6.01.01.01	Income (loss) before income and social contribution taxes	(2,867,547)	(795,412)
6.01.01.02	Depreciation and amortization	27,369	26,258
6.01.01.03	Capital gains/losses in Ownership interest	127,767	17,034
6.01.01.05	Financial Expenses - Liability interest and monetary restatement	463,927	446,180
6.01.01.06	Fair value on financial instruments	-	(2,752)
6.01.01.07	Recognition Stand Expenses	32	56
6.01.01.08	Stock option expenses	1,090	962
6.01.01.11	Equity income (loss)	1,988,466	359,561
6.01.01.12	Adjustment to present value	-	1,192
6.01.01.13	Provision for warranty and contingencies	71,516	1,388
6.01.01.14	Others	(1,691)	-
6.01.02	Changes in assets and liabilities	372,172	330,108
6.01.02.01	Operation of Assignment of Credit rights	-	(13,625)
6.01.02.02	Loan agreement receivable	6,594	12,553
6.01.02.03	Accounts receivable	8,876	7,146
6.01.02.05	Recoverable taxes	(942)	(3,355)
6.01.02.06	Real estate inventories for sale	20,575	2,474
6.01.02.07	Unrecognized expenses	-	(714)
6.01.02.09	Active debentures	-	(4,770)
6.01.02.11	Advances from clients	34	(88)
6.01.02.12	Payables for acquisition of real estate	4,391	(2,456)
6.01.02.14	Tax liabilities and taxes payable	4,509	374
6.01.02.15	Suppliers	1,888	1,049
6.01.02.18	Other changes	326,247	331,520
6.01.03	Others	(234,330)	(464,727)
6.01.03.01	Income and social contribution taxes	(176)	(48)
6.01.03.02	Interest paid	(234,154)	(464,679)
6.02	Net cash from investment activities	271,495	(391,091)
6.02.01	(Increase) Decrease in Interest in associated companies and subsidiaries	(398,270)	134,231
6.02.03	Intangible assets	(411)	(6,761)
6.02.04	Advance for future capital increase	670,517	(474,727)
6.02.05	Liabilities for acquisition of ownership interest	-	(49,402)
6.02.07	Interest earning bank deposits measured at fair value	-	6,273
6.02.08	Acquisition of property, plant and equipment	(341)	(705)
6.03	Net cash from financing activities	(227,109)	205,190
6.03.01	Loans	147,960	1,266,715
6.03.02	Loan amortization	(375,069)	(1,561,525)
6.03.05	Capital increase	-	500,000
6.05	Increase (decrease) in cash and cash equivalents	(6,843)	(266,053)
6.05.01	Opening balance of cash and cash equivalents	17,488	285,719
6.05.02	Closing balance of cash and cash equivalents	10,645	19,666

Statements of changes in shareholders' equity - Parent Company - 01/01/2016 - 09/30/2016
(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	4,917,843	1,235,345	-	(4,218,933)	-	1,934,255
5.03	Adjusted opening balances	4,917,843	1,235,345	-	(4,218,933)	-	1,934,255
5.04	Capital transactions with partners	-	1,090	-	-	-	1,090
5.04.03	Recognized options granted	-	1,090	-	-	-	1,090
5.05	Total comprehensive income	-	-	-	(2,868,026)	-	(2,868,026)
5.05.01	Net income for the period	-	-	-	(2,868,026)	-	(2,868,026)
5.07	Closing balances	4,917,843	1,236,435	-	(7,086,959)	-	(932,681)

Statements of changes in shareholders' equity - Parent Company - 01/01/2015 - 09/30/2015
(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	4,907,843	744,162	-	(1,403,191)	(66,592)	4,182,222
5.03	Adjusted opening balances	4,907,843	744,162	-	(1,403,191)	(66,592)	4,182,222
5.04	Capital transactions with partners	10,000	490,715	-	-	-	500,715
5.04.01	Capital increases	10,000	490,000	-	-	-	500,000
5.04.02	Expenses with issuance of shares	-	(247)	-	-	-	(247)
5.04.03	Recognized options granted	-	962	-	-	-	962
5.05	Total comprehensive income	-	-	-	(795,444)	-	(795,444)
5.05.01	Net income for the period	-	-	-	(795,444)	-	(795,444)
5.05.02	Other comprehensive income	-	-	-	-	1,344	1,344
5.05.02.04	Translation adjustments in the period	-	-	-	-	1,344	1,344
5.05.03	Reclassifications to income (loss)	-	-	-	-	(1,344)	(1,344)
5.05.03.02	Reclassifications to income (loss)	-	-	-	-	(1,344)	(1,344)
5.06	Internal changes in shareholders' equity	-	-	-	(66,592)	66,592	-
5.06.04	Other reclassifications	-	-	-	(66,592)	66,592	-
5.07	Closing balances	4,917,843	1,234,877	-	(2,265,227)	-	3,887,493

Statements of added valued - Parent Company
(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2016–09/30/2016	Accumulated of the prior year 01/01/2015–09/30/2015
7.01	Income	14,349	26,638
7.01.01	Sale of goods, products and services	11,008	26,174
7.01.02	Other income	3,341	464
7.02	Inputs acquired from third parties	(372,836)	(39,197)
7.02.01	Cost of products, goods and services sold	(10,154)	(12,421)
7.02.02	Materials, Energy, Third-party services and other	(20,165)	(15,369)
7.02.03	Loss/recovery of asset values	(127,767)	(17,034)
7.02.04	Others	(214,750)	5,627
7.03	Gross added value	(358,487)	(12,559)
7.04	Retentions	(27,369)	(26,258)
7.04.01	Depreciation, amortization and depletion	(27,369)	(26,258)
7.05	Net added value produced	(385,856)	(38,817)
7.06	Added value received as transfer	(1,974,187)	(287,034)
7.06.01	Equity income (loss)	(1,988,466)	(359,561)
7.06.02	Financial income	14,279	72,527
7.07	Total added value payable	(2,360,043)	(325,851)
7.08	Distribution of added value	(2,360,043)	(325,851)
7.08.01	Personnel	18,927	5,363
7.08.01.01	Direct remuneration	17,322	4,900
7.08.01.02	Benefits	328	279
7.08.01.03	Severance Pay Fund (FGTS)	1,277	184
7.08.02	Taxes, duties and contributions	6,400	2,861
7.08.02.01	Federal	6,180	2,861
7.08.02.03	Municipal	220	-
7.08.03	Third-party capital remuneration	482,656	461,369
7.08.03.01	Interest	475,273	439,300
7.08.03.02	Rents	73	291
7.08.03.03	Others	7,310	21,778
7.08.04	Remuneration of own capital	(2,868,026)	(795,444)
7.08.04.03	Retained earnings / Loss for the period	(2,868,026)	(795,444)

Balance sheets - Consolidated

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
1	Total assets	7,245,677	10,958,045
1.01	Current assets	3,530,780	4,850,657
1.01.01	Cash and cash equivalents	234,598	604,093
1.01.01.01	Cash and banks	88,259	164,588
1.01.01.02	Interest earning bank deposits	146,339	439,505
1.01.03	Accounts receivable	1,667,260	2,227,031
1.01.03.01	Trade accounts receivable	1,667,260	2,227,031
1.01.04	Inventories	1,489,623	1,722,545
1.01.04.01	Real estate inventories for sale	1,489,623	1,722,545
1.01.06	Recoverable taxes	46,549	87,691
1.01.06.01	Current taxes recoverable	46,549	87,691
1.01.07	Prepaid expenses	7,842	9,137
1.01.07.01	Unrecognized expenses	7,842	9,137
1.01.08	Other current assets	84,908	200,160
1.01.08.03	Others	84,908	200,160
1.01.08.03.06	Loan agreement	80,352	77,673
1.01.08.03.07	Other receivables	-	120,030
1.01.08.03.08	Deferred taxes	4,556	2,457
1.02	Non-current assets	3,714,897	6,107,388
1.02.01	Long-term assets	3,450,933	5,251,302
1.02.01.03	Accounts receivable	1,773,340	3,264,276
1.02.01.03.01	Trade accounts receivable	1,773,340	3,264,276
1.02.01.04	Inventories	1,449,083	1,798,701
1.02.01.04.01	Real estate inventories for sale	1,449,083	1,798,701
1.02.01.09	Other non-current assets	228,510	188,325
1.02.01.09.03	Current accounts with partners in joint ventures	126,037	185,975
1.02.01.09.10	Other receivables	102,473	2,350
1.02.02	Investments	123,003	691,944
1.02.02.01	Ownership interest	123,003	218,479
1.02.02.01.01	Interest in associated companies	123,003	218,479
1.02.02.02	Investment properties	-	473,465
1.02.03	Property, plant and equipment	29,629	36,219
1.02.03.01	Fixed assets in operation	29,629	36,219
1.02.04	Intangible assets	111,332	127,923
1.02.04.01	Intangible assets	111,332	127,923

Balance sheets - Consolidated

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2	Total liabilities	7,245,677	10,958,045
2.01	Current liabilities	4,733,974	6,567,223
2.01.01	Social and labor obligations	50,042	47,912
2.01.01.02	Labor obligations	50,042	47,912
2.01.02	Suppliers	226,471	230,490
2.01.02.01	Domestic suppliers	226,471	230,490
2.01.03	Tax liabilities	287,829	347,626
2.01.03.01	Federal tax liabilities	287,829	347,626
2.01.03.01.01	Income and social contribution tax payable	91,154	76,288
2.01.03.01.02	Deferred tax liabilities	70,165	103,990
2.01.03.01.05	Tax installments	4,823	7,203
2.01.03.01.06	Other current liabilities	121,687	160,145
2.01.04	Loans and financing	2,314,645	2,693,871
2.01.04.01	Loans and financing	839,627	1,735,042
2.01.04.01.01	In domestic currency	839,627	1,735,042
2.01.04.02	Debentures	1,475,018	958,829
2.01.05	Other liabilities	1,661,137	3,056,454
2.01.05.02	Others	1,661,137	3,056,454
2.01.05.02.04	Payables for acquisition of real estate	112,310	174,774
2.01.05.02.05	Advance from clients	186,511	156,641
2.01.05.02.06	Current account with partners in joint ventures	5,154	9,135
2.01.05.02.07	Co-obligation in the assignment of receivables	24,717	31,460
2.01.05.02.09	Other liabilities	457,272	216,438
2.01.05.02.10	Liabilities from CCB/CCI issuance	867,511	2,460,204
2.01.05.02.11	Loan agreement	7,662	7,802
2.01.06	Provisions	193,850	190,870
2.01.06.01	Tax, social security, labor and civil provisions	140,205	128,735
2.01.06.01.05	Provision for contingencies	140,205	128,735
2.01.06.02	Other provisions	53,645	62,135
2.01.06.02.01	Provisions for guarantees	53,645	62,135
2.02	Non-current liabilities	3,350,149	2,006,257
2.02.01	Loans and financing	790,444	924,278
2.02.01.01	Loans and financing	738,565	924,278
2.02.01.01.01	In domestic currency	738,565	924,278
2.02.01.02	Debentures	51,879	-

Balance sheets - Consolidated
(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2.02.02	Other liabilities	1,975,965	740,352
2.02.02.02	Others	1,975,965	740,352
2.02.02.02.03	Advance from clients	95,128	147,514
2.02.02.02.04	Payables for acquisition of real estate	34,701	101,708
2.02.02.02.05	Deferred tax liabilities	98,931	171,781
2.02.02.02.09	Liabilities from CCB/CCI issuance	1,408,860	45,165
2.02.02.02.10	Tax installments	25,294	21,934
2.02.02.02.14	Provision with guarantee	61,664	67,007
2.02.02.02.15	Other liabilities	251,387	185,243
2.02.04	Provisions	583,740	341,627
2.02.04.01	Tax, social security, labor and civil provisions	583,740	341,627
2.02.04.01.09	Provision for contingencies	583,740	341,627
2.03	Consolidated shareholders' equity	(838,446)	2,384,565
2.03.01	Realized capital	4,917,843	4,917,843
2.03.02	Capital reserves	1,236,435	1,235,345
2.03.02.01	Goodwill in the issuance of shares	1,206,746	1,206,746
2.03.02.04	Options granted	29,689	28,599
2.03.05	Retained Earnings/Losses	(7,086,959)	(4,218,933)
2.03.09	Interest of non-controlling shareholders	94,235	450,310

Income statement - Consolidated

(In thousand of reais)

Code of account	Account description	Current quarter 07/01/2016– 09/30/2016	Accumulated of the current year 01/01/2016– 09/30/2016	Same quarter of the prior year 07/01/2015– 09/30/2015	Accumulated of the prior year 01/01/2015– 09/30/2015
3.01	Income from sales of goods and/or services	(84,254)	175,365	551,240	1,694,091
3.02	Cost of goods and/or services sold	(326,010)	(658,701)	(543,052)	(1,519,002)
3.03	Gross income	(410,264)	(483,336)	8,188	175,089
3.04	Operating expenses/income	(1,146,713)	(1,820,972)	(194,353)	(426,553)
3.04.01	Sales expenses	(27,546)	(83,338)	(43,566)	(122,622)
3.04.02	General and administrative expenses	(47,134)	(157,238)	(63,045)	(199,005)
3.04.04	Other operating income	-	17,196	3,433	34,762
3.04.04.01	Gains with ownership interest	-	-	2,223	21,021
3.04.04.02	Others	-	17,196	1,210	13,741
3.04.05	Other operating expenses	(1,069,068)	(1,597,406)	(118,985)	(239,572)
3.04.05.01	Tax expenses	(1,446)	(7,524)	(1,241)	(8,450)
3.04.05.03	Depreciation and amortization	(29,693)	(57,713)	(15,667)	(40,423)
3.04.05.04	Losses in ownership interest	(71,061)	(214,087)	(8,039)	(39,706)
3.04.05.05	Others	(966,868)	(1,318,082)	(94,038)	(150,993)
3.04.06	Equity income (loss)	(2,965)	(186)	27,810	99,884
3.05	Income (loss) before financial income and taxes	(1,556,977)	(2,304,308)	(186,165)	(251,464)
3.06	Financial income (loss)	(171,913)	(549,035)	(198,197)	(471,893)
3.06.01	Financial income	31,350	96,393	80,814	220,049
3.06.02	Financial expenses	(203,263)	(645,428)	(279,011)	(691,942)
3.07	Income (loss) before income tax	(1,728,890)	(2,853,343)	(384,362)	(723,357)
3.08	Income and social contribution taxes	(5,778)	(36,959)	(25,706)	(81,881)
3.08.01	Current	(17,345)	(64,679)	(35,283)	(118,809)
3.08.02	Deferred	11,567	27,720	9,577	36,928
3.09	Net income from continued operations	(1,734,668)	(2,890,302)	(410,068)	(805,238)
3.11	Consolidated income/loss for the period	(1,734,668)	(2,890,302)	(410,068)	(805,238)
3.11.01	Attributed to the Parent company's partners	(1,717,546)	(2,868,026)	(402,726)	(795,444)
3.11.02	Attributed to non-controlling partners	(17,122)	(22,276)	(7,342)	(9,794)
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	ON	(34.91515)	(58.30269)	(0.20083)	(0.39666)
3.99.02	Diluted earning per share	-	-	-	-
3.99.02.01	ON	(34.91515)	(58.30269)	(0.18270)	(0.36087)

Statements of Comprehensive income / (loss) for the years - Consolidated

(In thousand of reais)

Code of account	Account description	Current quarter 07/01/2016– 09/30/2016	Accumulated of the current year 01/01/2016– 09/30/2016	Same quarter of the prior year 07/01/2015– 09/30/2015	Accumulated of the prior year 01/01/2015– 09/30/2015
4.01	Consolidated net income for the period	(1,734,668)	(2,890,302)	(410,068)	(805,238)
4.02	Other comprehensive income	-	-	-	-
4.03	Consolidated comprehensive income for the period	(1,734,668)	(2,890,302)	(410,068)	(805,238)
4.03.01	Attributed to the Parent company's partners	(1,717,546)	(2,868,026)	(402,726)	(795,444)
4.03.02	Attributed to non-controlling partners	(17,122)	(22,276)	(7,342)	(9,794)

Statements of cash flows - Indirect method - Consolidated
(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2016– 09/30/2016	Accumulated of the prior year 01/01/2015– 09/30/2015
6.01	Net cash from operational activities	556,407	215,345
6.01.01	Cash generated in operations	(1,513,796)	98,434
6.01.01.01	Income (loss) before income and social contribution taxes	(2,853,343)	(723,357)
6.01.01.02	Depreciation and amortization	57,713	40,423
6.01.01.03	Gains/losses with ownership interest	150,088	18,685
6.01.01.05	Financial liabilities, interest paid and monetary restatement	606,380	719,763
6.01.01.06	Fair value on financial instruments	-	(2,752)
6.01.01.07	Recognition Stand Expenses	5,438	12,424
6.01.01.08	Stock option expenses	1,090	962
6.01.01.11	Equity income (loss)	186	(99,884)
6.01.01.12	Adjustment to present value	17,872	22,566
6.01.01.13	Provision for warranty and contingencies	253,583	104,176
6.01.01.14	Others	132,303	-
6.01.01.15	Provision for profit sharing	19,714	6,500
6.01.01.16	Estimated losses with doubtful accounts	95,180	(1,072)
6.01.02	Changes in assets and liabilities	2,424,694	943,424
6.01.02.01	Assignment of credit right operations	-	(10,456)
6.01.02.02	Loan agreement receivable	6,647	(12,388)
6.01.02.03	Accounts receivable	1,562,898	1,508,292
6.01.02.05	Recoverable taxes	2,214	713
6.01.02.06	Real estate inventories for sale	529,373	325,671
6.01.02.08	Unrecognized expenses	(11,299)	6,298
6.01.02.09	Current account with partners in joint ventures	26,935	(61,928)
6.01.02.11	Active debentures	-	(4,770)
6.01.02.13	Advance from clients	40,529	(276,457)
6.01.02.14	Payables for acquisition of real estate	351	(172,642)
6.01.02.16	Tax and labor obligations	6,612	12,357
6.01.02.17	Suppliers	18,270	(13,003)
6.01.02.20	Other changes	242,164	(358,263)
6.01.03	Others	(354,491)	(826,513)
6.01.03.01	Income and social contribution taxes	(75,690)	(121,671)
6.01.03.02	Interest paid	(278,801)	(704,842)
6.02	Net cash from investment activities	(95,786)	128,158
6.02.01	(Increase) Decrease in Interest in associated companies and subsidiaries	(92,438)	162,125
6.02.03	Intangible assets	(2,536)	(6,957)
6.02.06	Interest earning bank deposits measured at fair value	-	6,273
6.02.07	Investment property	-	(35,706)
6.02.08	Acquisition of property, plant and equipment	(1,088)	(751)
6.02.09	Sale of property, plant and equipment	276	3,174
6.03	Net cash from financing activities	(830,111)	(920,745)
6.03.01	Loans	208,074	2,002,649
6.03.02	Loan amortization	(1,038,185)	(3,423,394)
6.03.05	Capital increase	-	500,000
6.05	Increase (decrease) in cash and cash equivalents	(369,490)	(577,242)
6.05.01	Opening balance of cash and cash equivalents	604,093	1,044,265
6.05.02	Closing balance of cash and cash equivalents	234,603	467,023

Statements of changes in shareholders' equity - Consolidated - 01/01/2016 - 09/30/2016
(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	4,917,843	1,235,345	-	(4,218,933)	-	1,934,255	450,310	2,384,565
5.03	Adjusted opening balances	4,917,843	1,235,345	-	(4,218,933)	-	1,934,255	450,310	2,384,565
5.04	Capital transactions with partners	-	1,090	-	-	-	1,090	(333,799)	(332,709)
5.04.03	Recognized options granted	-	1,090	-	-	-	1,090	-	1,090
5.04.08	Net change in non-controlling shareholders	-	-	-	-	-	-	(333,799)	(333,799)
5.05	Total comprehensive income	-	-	-	(2,868,026)	-	(2,868,026)	(22,276)	(2,890,302)
5.05.01	Net income for the period	-	-	-	(2,868,026)	-	(2,868,026)	(22,276)	(2,890,302)
5.07	Closing balances	4,917,843	1,236,435	-	(7,086,959)	-	(932,681)	94,235	(838,446)

Statements of changes in shareholders' equity - Consolidated - 01/01/2015 - 09/30/2015
(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	4,907,843	744,162	-	(1,403,191)	(66,592)	4,182,222	879,527	5,061,749
5.03	Adjusted opening balances	4,907,843	744,162	-	(1,403,191)	(66,592)	4,182,222	879,527	5,061,749
5.04	Capital transactions with partners	10,000	490,715	-	-	-	500,715	(69,454)	431,261
5.04.01	Capital increases	10,000	490,000	-	-	-	500,000	-	500,000
5.04.02	Expenses with issuance of shares	-	(247)	-	-	-	(247)	-	(247)
5.04.03	Recognized options granted	-	962	-	-	-	962	-	962
5.04.08	Net change in non-controlling shareholders	-	-	-	-	-	-	(69,454)	(69,454)
5.05	Total comprehensive income	-	-	-	(795,444)	-	(795,444)	(9,794)	(805,238)
5.05.01	Net income for the period	-	-	-	(795,444)	-	(795,444)	(9,794)	(805,238)
5.05.02	Other comprehensive income	-	-	-	-	1,344	1,344	-	1,344
5.05.02.04	Translation adjustments in the period	-	-	-	-	1,344	1,344	-	1,344
5.05.03	Reclassifications to income (loss)	-	-	-	-	(1,344)	(1,344)	-	(1,344)
5.05.03.02	Reclassifications to income (loss)	-	-	-	-	(1,344)	(1,344)	-	(1,344)
5.06	Internal changes in shareholders' equity	-	-	-	(66,592)	66,592	-	-	-
5.06.04	Other reclassifications	-	-	-	(66,592)	66,592	-	-	-
5.07	Closing balances	4,917,843	1,234,877	-	(2,265,227)	-	3,887,493	800,279	4,687,772

Statements of added valued - Consolidated

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–09/30/2016	Accumulated of the prior year - 01/01/2015–09/30/2015
7.01	Income	188,170	1,747,394
7.01.01	Sale of goods, products and services	136,798	1,653,477
7.01.02	Other income	51,372	93,917
7.02	Inputs acquired from third parties	(2,298,742)	(1,862,034)
7.02.01	Cost of products, goods and services sold	(658,701)	(1,519,002)
7.02.02	Materials, Energy, Third-party services and other	(125,068)	(187,095)
7.02.03	Loss/recovery of asset values	(214,087)	(18,685)
7.02.04	Others	(1,300,886)	(137,252)
7.03	Gross added value	(2,110,572)	(114,640)
7.04	Retentions	(57,713)	(40,423)
7.04.01	Depreciation, amortization and depletion	(57,713)	(40,423)
7.05	Net added value produced	(2,168,285)	(155,063)
7.06	Added value received as transfer	96,207	319,933
7.06.01	Equity income (loss)	(186)	99,884
7.06.02	Financial income	96,393	220,049
7.07	Total added value payable	(2,072,078)	164,870
7.08	Distribution of added value	(2,072,078)	164,870
7.08.01	Personnel	89,399	98,885
7.08.01.01	Direct remuneration	77,228	80,102
7.08.01.02	Benefits	6,219	9,900
7.08.01.03	Severance Pay Fund (FGTS)	5,952	8,883
7.08.02	Taxes, duties and contributions	72,229	162,270
7.08.02.01	Federal	67,280	161,534
7.08.02.03	Municipal	4,949	736
7.08.03	Third-party capital remuneration	656,596	708,953
7.08.03.01	Interest	615,378	646,563
7.08.03.02	Rents	11,168	17,011
7.08.03.03	Others	30,050	45,379
7.08.04	Remuneration of own capital	(2,890,302)	(805,238)
7.08.04.03	Retained earnings / Loss for the period	(2,868,026)	(795,444)
7.08.04.04	Interest of non-controlling shareholders in retained earnings	(22,276)	(9,794)

Notes to the quarterly information

(In thousands of reais)

1 Operations

A PDG Realty S.A. Empreendimentos e Participações ("Company"), its subsidiaries and joint ventures are engaged in: (a) holding interest in other companies that operate in the real estate industry, as shareholder, quotaholder, consortium member, or through other types of investment, such as subscription or acquisition of debentures, subscription bonus or other real estate amounts; (b) acquisition of investment properties; and (c) acquisition of properties for real estate development.

Established as a corporation domiciled in Brazil, the Company's shares are traded at BM&FBOVESPA - "PDGR3". The Company's head office is located at Avenida Dr. Cardoso de Melo, 1.955, 10th floor, Vila Olímpia, São Paulo - SP.

The Company has some real estate development joint ventures that were structured through subsidiaries, associated companies and jointly-controlled subsidiaries. Third parties' interest in investees is held through Special Purpose Entities (SPE's).

In addition to funds generated in its operations, the Company uses funds from the Habitational Financial System ("SFH") and from prime financial institutions.

The Company classifies and allocates the credit facilities for working capital, at regular market conditions, or to produce its joint ventures entered into at SFH conditions and equivalent.

In the Company's strategic planning, Management provided for delivery of almost all construction work existing before 2013, which currently are 9 constructions in progress, sale of remaining units in these joint ventures and, accordingly, growth of operating cash generation.

Generated cash from continued operations has been used to accelerate deleveraging process.

The Company continues executing its strategic plan and continues to generate operating cash that contributes to its deleveraging process.

Since the end of 2012, the Company's total leverage, which includes total costs to be incured, plus onerous net debt, decreased by R$ 7,031 as it was reduced from R$13,062 to R$ 6,031.

The current economic scenario also poses extra risks to execution of our strategic plan.

In order to align the current negotiation context, we hired, in November 2016, RK Partners Assessoria Financeira to be our financial advisor for debt restructuring started in August 2015, maintaining the objective of reinforcing cash flow and optimizing the Company's capital structure so as to preserve the capacity of honoring obligations assumed with creditors and clients.

Measures adopted to continue with the restructuring process include, in addition to hiring RK Partners as financial advisors, the assumption of Mr. Vladimir Kundert Ranevsky as the Company's CEO, CFO and Director of Investors' Relations.

The Company expects that planning and joint work between RK and Mr. Vladimir will bring a new perspective for continuity of its debt restructuring process.

Management continues to adopt actions intended to improve the Company's capital structure.

1. Complete the last negotiations and formalizations to extend corporate debts and those incurred to support production.
2. Conclude sale of non-core assets and inventories aiming at guaranteeing additional liquidity margin.
3. Other actions focused on preserving the Company's cash, whose biggest effort is to sell inventories and accelerate transfer, reducing costs and liabilities, in addition to concluding and registering construction work.

Regarding debt restructuring, we signed a Memorandum of Understanding in May for restructuring debts with our four biggest creditors (Banco do Brasil, Bradesco, CEF and Itaú Unibanco). As a result, the amount of R$ 3.4 billion out of the Company's gross debt was renegotiated, extending the maturities of interest and principal for 4 years. In addition, we concluded all the renegotiations of the production financing agreements, totaling R$1.1 billion, which are in the final stage for final formalization. In August this year, we concluded renegotiation of the Company's debt with Banco Votorantim, in the amount of R$565 million, postponing its maturity to 2020 on the same terms of corporate debts with above-mentioned large banks.

Regarding financing agreement for the Company's general and administrative expenses (G&A Financing), entered into with creditor banks, R$92 million were released up to this date, and these funds are aiding PDG's regular operation. On the other hand, the Company is facing growing difficulties in its real estate joint ventures mainly due to non-compliance by creditors of provisions of the Memorandum of Understanding, related to regularization of production financing facilities already contracted and to the granting of additional lines intended to cover costs associated with construction, sale, transfer and cancellation of real estate units.

Our next step will be to continue to negotiate with creditor banks an agreement that will allow us to improve the Company's immediate cash situation and cover costs and expenses to complete construction work and selling of real estate joint ventures. We received and are evaluating counterproposals presented by institutions. It is true that both parties are willing to reach a negotiated solution and that the path to be taken will depend on the result of talks between the Company and its main creditors, but it is important to clarify that no decision was made regarding possible filing of a request for judicial reorganization.

Regarding sale of assets, in November we announced the uncrossing of partnership between PDG and HM1 in 18 SPE's, when quotas of 15 SPE's will be fully exchanged to HM1 and total quotas of 3 remaining SPE's will remain with PDG. This operation is part of initiatives adopted to accelerate the Company's debt restructuring process started in August 2015 for the purpose of reducing the Company's extended indebtedness and exposure to current and future contingencies of SPE's exchanged to HM1. With completion of operation, after overcoming prevailing conditions, PDG may use the assets of the 3 remaining SPE's.
The Company is still focused on actions to generate future cash flow, improve profitability of its operations, and reorganize its shareholders' equity.

Conclusion of all actions provided for in our strategic planning will consolidate the Company's restructuring process, and will efficiently align materialization of assets and equalization of liabilities.

2 Presentation of quarterly information and main accounting policies

2.1. Basis of presentation

The individual and consolidated quarterly information was prepared according to the Technical Pronouncement CPC 21 - Interim Statement, based on the going concern assumption for the Company and its subsidiaries and associated companies ("Group"). The preparation of Quarterly Information statements requires the adoption of assumptions to account for certain assets, liabilities and other transactions, such as: budgeted cost of building joint ventures under construction, allowance for doubtful accounts, useful life of fixed assets, provision for contingencies and guarantees and, classification of short and long-term assets and liabilities, among other.

The results calculated upon the realization of the facts that led to the recognition of these estimates may differ from the amounts recognized in this quarterly information. Management periodically and timely monitors and reviews these estimates and the assumptions at least once a year.

The functional currency in which the individual and consolidated quarterly information is reported is Real (R$). All amounts presented in this quarterly information are expressed in thousands of Reais, except when otherwise indicated.

The Company's accounting policies have been consistently applied to all the periods presented in this individual and consolidated quarterly information.

2.2. Statement of conformity

Individual quarterly information of PDG Realty S.A Empreendimentos e Participações (the "Parent Company") has been prepared in accordance with accounting practices adopted in Brazil (BR GAAP), which, in the Company's case, differ from separate financial statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) in respect of:

a. Capitalization of interest incurred by the parent company and recorded under caption investments in relation to assets under construction of its subsidiaries, which, for IFRS purposes, this capitalization is only permitted in consolidated quarterly information and not in separate quarterly information.

Consolidated quarterly information has been prepared in accordance with IFRS's issued by IASB and in accordance with BR GAAP practices.
Specifically, consolidated quarterly information is in conformity with IFRS's applicable to entities of real estate development in Brazil, including Guideline OCPC 04, as further described in Note 2.10, regarding treatment given to recognition of revenue in real estate industry, which involves matters related to the application of the concept of continuous transfer of risks, benefits and control over sold real estate units.

As there is no difference between consolidated shareholders' equity and consolidated income attributable to the parent company's shareholders, included in consolidated information prepared in accordance with IFRSs.
The issuance of the Quarterly Information of the Company was authorized by the Management on November 14, 2016.

2.3. Presentation of segment information

Information per operating segment is presented consistently with the internal report provided to the main operating decision maker, the executive responsible for the finance and inventors relations offices, mostly comprised of home real estate development.

2.4. Financial instruments

The financial instruments may be classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, investments held to maturity and available for sale or derivatives classified as effective hedge instruments or financial liabilities at amortized cost, according to the specific case. The Company determines the classification of its financial instruments upon its initial recognition, when it becomes part of the contractual provisions.

The Company's financial assets and liabilities include cash and cash equivalents, interest earning bank deposits, trade accounts receivable, other accounts receivable, debentures payable, bank credit bills payable ('CCBs'), Suppliers, accounts payable for real estate acquisition, loans or financing and related parties.

The subsequent measurement of financial assets and liabilities depends on their classification, which can be as follows:

Financial assets at fair value through profit or loss

a. ***Cash and cash equivalents***

Cash equivalents are maintained for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company considers as cash equivalent, interest earning bank deposits that are immediately convertible into a known cash amount. The Company's interest earning bank deposits are represented by DI funds, Bank Deposit Certificates (CDBs) and repurchase and resale commitments with redemption period lower than 90 days of respective transactions dates.

b. ***Interest earning bank deposits***

They are classified into the heading "Interest earning bank deposits" recognized as contra-entry in income. Classification depends on the purpose for which investment was acquired.

The Company's interest earning bank deposits are trading securities measured at cost plus interest, price-level restatements, mark-to-market, less impairment losses, when applicable, incurred up to dates of individual and consolidated quarterly information not subject to significant changes in value. The breakdown of these interest earning bank deposits is shown in Note 4.

Receivables and loans

a. ***Trade accounts receivable***

Presented at nominal or realization value, subject to adjustment to present value (AVP), indicated in note 5, including price-level restatement and interest, when applicable.
Monetary restatement and earnings on the balance of accounts receivable from units under construction are recorded in income (loss) for the year as "Income from real estate sales". After the construction period, interest is accounted for as "Financial income".

The Company forms allowance for doubtful accounts ("PCLD") for amounts whose recovery is considered remote in a sum considered sufficient by Management. Estimates used to form the allowance for doubtful accounts are based on contracts that are considered as difficult to collect and for which there are no actual guarantees and that, in the Company's case, are directly related to the transfer of real estate unit to buyers.

b. Financial liabilities

They are classified as financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives classified as hedge instruments, as the case may be. The Company classifies its financial liabilities upon initial recognition.

Financial liabilities are initially recognized at fair value, and in the case of financial liabilities at amortized cost, include directly related transaction costs.

The Company's financial liabilities include mainly trade accounts payable, Accounts payable for the purchase of real estate, Other accounts payable, loans and financing, derivative financial instruments and costs and premiums on securities issuance.

c. Derivative financial instruments (liabilities)

They are recognized only as from the date the Company become a party to their contractual provisions. When recognized, they are initially recorded at its fair value plus any transaction costs directly attributed to its acquisition or issue, when applicable. Its subsequent measurement takes place at the balance sheet date and in accordance with the rules set forth and features for each type of classification of financial liabilities.

Classification as debt or equity

Debt instruments or equity instruments are either way classified, according to the substance of contract terms.

Liabilities at amortized cost

Loans and financing, certificates of real estate receivables (CRIs) and debentures payable

The initial recognition of Loans and financing, certificates of real estate receivables and debentures (except the debentures of the 8^{th} issuance which are stated at fair value through profit or loss - see Note 13b and 19) subject to interests are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement upon write-off of liabilities, as well as during the amortization process by the effective interest rate method.
Loans and financing are restated by the monetary variance and charges agreed on in a contract, and allocated up to the balance sheet date. Debentures payable are adjusted in conformity with indices provided for in contract up to the balance sheet date.

The Company settles real estate receivables credit grants when securitization and respective issuance of CRI's is performed. This assignment has right of recourse against the Company and, accordingly, the balance of accounts receivable granted is recorded in the balance sheet as a contra entry to the amount received in advance and recorded in current and non-current liabilities. Contracted credit facilities are presented per type of debt and classified as financing, support to production and working capital.

The Company reports debts at the funded amount deducted from transaction costs, discounts and incurred premiums.

Payables for acquisition of real estate
Obligations established in contract for land acquisitions are recorded at the original value plus, when applicable, corresponding charges and price-level restatements.

2.5. Property for sale

a. Land, property under construction and developed property
Property under construction or the properties already to be marketed are recorded at construction cost incurred, which does not exceed its net realizable value.

The incurred cost includes: land; materials; hired labor; and other related construction costs, including financial cost of applied capital (financial charges for accounts receivable from land acquisition, real estate credit transactions incurred during construction and interest on debenture issuance, which are capitalized under caption “Inventory of real estate for sale” and recognized in the Company’s income at the proportion of costs incurred in caption “Cost of real estate properties sold”).

The net realizable value is the estimated sales price under normal business conditions, minus the execution costs. Land is recorded at the cost of acquisition, plus any financial charges generated by its corresponding accounts payable.

b. Physical exchanges recorded at fair value
Physical exchanges upon purchase of land with units to be built are recorded at fair value, evaluated at sales value of exchanged units, accounted for in caption “Inventory of real estate for sale” as a contra entry to caption “Advances from clients”, and real estate sales income is recognized in accordance with income recognition criteria described in Note 2.10.

2.6. Intangible assets
Intangible assets acquired separately are measured at cost and, subsequently, deducted from accumulated amortization and impairment losses, when applicable. The cost of intangible assets acquired in a business combination corresponds to their fair value at acquisition date. The useful life of the intangible asset is classified as defined or undefined.

Intangible assets with defined useful lives are amortized throughout their economic useful lives and evaluated in relation to impairment losses whenever there is any indication that the asset lost economic value.

Intangible assets with undefined useful lives are not amortized but tested for impairment on an annual basis, individually or at cash generating unit level.

2.7. Adjustment to present value (AVP)
Assets and liabilities resulting from relevant short-term transactions, or long-term transactions with no expected compensation or subject either to: (a) prefixed interest; (b) interest rates notably below market rates for similar transactions; and (c) adjustments solely for inflation absent accrued interest are adjusted to their present value.

On term sales of not concluded real estate units, receivables are adjusted at present value, based on long-term interest rate, and their reversals are recognized in the result for the year under the caption “Income from sale of real estate".

2.8. Provisions

They are recognized when the Company have a present (legal or constructive) obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense referring to any provision is presented in the statement of income, net of any reimbursement.

a. Provision for guarantees

They are recorded during joint ventures' construction work and comprise Cost of properties sold to those related to the period of five years after construction work end. Provision for guarantees based on expenditures budget and history are recognized for projects built by the Company.

Third party construction companies assume the responsibility for guarantees after construction work period of joint ventures built by them. However, in cases in which these construction companies do not pay corresponding costs, the Company is jointly responsible and recorded a Provision for guarantees.

The transfer of amount for the provision for guarantees for the current liabilities is carried as the history of disbursements and budget projection and at the extent joint ventures are completed and delivered to buyers; thus beginning the warranty period.

b. Income and social contribution taxes ("IR and CS")

Deferred tax assets

Deferred tax credits resulting from tax loss or negative social contribution basis are only recognized to the extent their realization is likely, based on the future taxable profitability outlook. Prepayments and amounts that can be offset are presented in current and non-current assets, in accordance with their expected realization.

The book value of deferred tax assets is reviewed monthly and are recognized to the extent in which it is probable that future taxable income will permit that these assets are recovered. Additional details on deferred taxes are included in Note 15b.

Current and deferred tax liabilities

The income and social contribution tax expense comprises current and deferred taxes on income and are recognized in the income (loss).

Current taxes are the expected taxes payable on the taxable income for the year, at tax rates enacted or substantively enacted on the date of presentation of the quarterly information, and any adjustments to taxes payable in relation to prior years.

The deferred tax liabilities are recognized in relation to the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the related amounts used for taxation purposes.

Deferred tax liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on laws enacted or substantively decreed up to the date of presentation of the quarterly information.

Taxable income regime: For the subsidiaries that opted for the taxation regime based on taxable income, the income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 per year for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution limited to 30% of the taxable income.

Special tax regime of detached assets ("RET"): Introduced by Law No. 10,931/2004 and applicable to real estate joint ventures that opted for this regime, on optional and irreversible basis while the rights and obligations of the real estate developer are effective in relation to real estate buyers that comprise the detached assets. Each joint venture under the RET is taxed at the rate of 1.92% for income tax and social contribution, and 2.08% for the tax for social security financing (COFINS) and the contribution to the social integration program (PIS).

Deemed income regime: Applicable to companies which annual revenue for the immediately previous year is lower than R$ 78,000. In this context, the calculation basis of income tax and social contribution is calculated at the rate of 8% and 12% respectively, on gross income (32% when the income arises from service provision and 100% from financial income), to which the regular income tax and social contribution rates are applied, mentioned in taxable income system.

c. Profit sharing - Employees and Management

The Company and its subsidiaries have employees' benefit plan in the form of profit sharing and bonus plans and, when applicable, are recognized in income under caption "General and administrative expenses". Provision for bonus and bonus payments are based on annual income goal duly approved by the Company's Board of Directors.

Additionally, the bylaw of the Company and its subsidiaries establish the profit distribution to the Management.

2.9. Significant judgments, estimates and assumptions

a. Fair value of financial instruments

When the fair value of the financial assets and liabilities presented in the balance sheet cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. The data for these methods are based on those adopted by the market, when possible. However, when such data are not available, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data utilized, such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments.

b. Provision for tax, civil and labor risks

The Company recognizes provision for tax, civil and labor claims. Determination of the likelihood of loss includes determination of evidences available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of external attorneys.

Provision is revised and adjusted to take into account changes in circumstances, such as statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

c. Share-based payment

The Company measures the cost of transactions settled with employees' shares based on fair value of equity instruments on grant date.

Estimates of share-based payments' fair values require the most adequate evaluation method for the granting of equity instruments, which depends on grant terms and conditions.

This also requires determining the most appropriate data for evaluation model, including the expected life of the option, volatility and dividend income yield and related assumptions. Assumptions and models used in fair value estimates of share-based payments are explained in Note 22.

d. Appraisal of recoverable net value of assets (impairment)

The Company's Management annually values the recoverable net value of assets in order to assess events or changes in economic, operating, or technological circumstances likely to point out a deterioration or loss of their recoverable value. In case these evidences are identified, the asset's receivable value is calculated and, if net book value exceeds receivable value, a provision for impairment is recognized by adjusting the respective asset's net book value to its recoverable value.

Assumptions used to determine assets' values are based on the evaluation or indication that the asset's book value exceeds its recoverable value. These indications take into consideration the asset's obsolescence, the significant and unexpected reduction in its market value, changes to macro-economic environment in which the Company operates, and fluctuations in interest rates that may impact future cash flows of cash generating units.

The Company's main assets whose recoverable values are tested at yearend are: Real estate inventories for sale, investments held at cost value and intangible assets with defined useful life.

e. Contingent assets and liabilities and legal obligations

The accounting practices used to recognize and disclose contingent assets and liabilities and legal obligations are as follows:

Contingent assets - Are only recognized when there are real guarantees, or favorable, final and unappealable decisions. Contingent assets with chance of success classified as probable are disclosed in a Note.

Contingent liabilities - Are accrued when the losses are regarded as probable by the Company's legal counsel and the amounts involved can be reliably measured. The contingent liabilities regarded as possible losses are only disclosed in the accompanying notes, whereas those regarded as remote losses are neither accrued nor disclosed.

Legal obligations - Are recorded as liabilities, regardless of the evaluation of the loss likelihood.

2.10. Income recognition

Sale of assets and real estate (Real estate development)

Income from real estate sales is calculated considering contract income plus monetary variations up to delivery of keys, less the following costs: Expenditures with acquisition and regularization of land; Direct and indirect costs related to the projects and construction; Taxes and rates not recoverable and financial charges from borrowing for construction works.

Recognition of income from real estate sales is as follows:

a. On credit sales of completed unit: at the time sale is completed, regardless of contract value receipt period; and

b. In the sale of units not yet completed, according to the criteria established by the following:

i) OCPC 01 (R1) - Real Estate Development Entities, issued by the Accounting Pronouncements Committee (CPC) and approved by the CVM Resolution No. 561 of 12/17/2008;
ii) OCPC - 04 - Application of Technical Interpretation ICPC 02 to the Brazilian Real Estate Development Entities approved by CVM Resolution No. 653 of December 16, 2010;
iii) ICPC 02 - Construction contract of the real estate sector approved by the CVM Resolution No. 612 of 12/22/2009;

Sales income, land and construction costs are recognized in income using the percentage of completion of each joint venture, and this percentage is measured based on contract costs incurred in relation to total budgeted costs of respective projects, including project and land costs.

Determined sales income, including price-level restatement net of installments already received, are accounted for as accounts receivable. Amounts received, higher than recorded income are recognized as advance from clients, and prefixed interest levied after delivery of keys is recognized in income at the accrual basis, regardless of receipt.

The Company evaluated its contracts for the sale of real estate units and contracts executed by its subsidiaries based on analysis brought by OCPC 04, understanding that executed contracts are in the scope of CPC-17 - Construction contracts, as to the extent construction advances, risks and benefits are continuously transferred to the property committed buyer.

Information on balances of operations with real estate projects in progress and advances from clients are detailed in Note 16.

Income from rental of investment properties
The income from rental of investment properties is recognized in the Company's consolidated income under caption "Income from sale of goods/or services" (Note 24 - Other operating income) under the straight-line method over lease period. Granted lease incentives are recognized as an integral part of the total rental income, over the lease period.

Financial income
Financial income comprises income from interest on interest earning bank deposits, recognized in the income, under the effective interest method.

2.11. Unearned sales expenses
Commissions on sales were recorded as assets in income using the same recognition criterion as for income, as described in item 2.10.

Publicity, marketing and promotion expenses are recognized in income as sales expenses when publicity is broadcast and/or marketing action occurs.

2.12. Investment properties
Investment properties are originally measured at cost, including transaction costs.

The carrying value includes the replacement cost of a portion of an investment property existing at the time when the cost is incurred if the criteria for recognition are met; excluding the daily service costs of investment property. After initial recognition, investment properties are presented at fair value.

Gains or losses from changes in fair value of investment properties are included in the income statement in the period they are generated.

2.13. Property, plant and equipment

Property, plant and equipment is recorded by the acquisition, formation or construction cost, less accumulated depreciation, calculated using the straight-line method based on rates determined by the assets' estimated useful life. Expenses incurred with repairs and maintenance are only accounted for if the economic benefits associated with these items are probable and the amounts are measured in a reliable manner, while the other expenses are recorded directly in income/loss when incurred. The recovery of fixed assets by means of future operations as well as the useful lives and the residual value of this property are monitored periodically and adjusted prospectively, if necessary.

2.14. Investments in subsidiaries

The investments of the Company in its subsidiaries are recorded based on the equity method of accounting, for the purposes of the Parent Company’s financial information.

Based on the equity method of accounting, investment in subsidiary is recorded on the Parent Company’s balance sheet at cost, plus the changes following the acquisition of ownership interest in the subsidiary. In the Parent Company, the goodwill related to the subsidiary is included in the book value of the investment which is not amortized. As the goodwill based on future profitability integrates the book value of the investment in the parent company (it is not recognized separately), it is not tested separately in relation to its recoverable value.

The ownership interest in the subsidiary is stated in the parent company’s income statement as equity pick-up, representing the net profit attributable to shareholders of the subsidiary.

Subsidiary quarterly financial statements are prepared for the same reporting period as the Company. Where necessary, adjustments are made so that the accounting policies are consistent with those adopted by the Company.

After applying the equity accounting method, the Company determines whether it is necessary to recognize additional impairment on the Company's investment in its subsidiary.

The Company determines, at each balance sheet closing date, if there is objective evidence that investment in the subsidiary suffered impairment loss. If so, the Company calculates the amount of impairment loss as the difference between the recoverable value of the subsidiary and the book value and recognizes the amount in the statement of income.
When there is loss of significant influence on the subsidiary, the Company evaluates and recognizes investment at fair value. Any difference between the book value of the associated company at the time of the loss of significant influence and the fair value of the remaining investment and proceeds from the sale will be recognized in income.

Associated companies are the entities in which the Company has, directly or indirectly, significant influence but not control or jointly-control on financial and operating policies. The significant influence is characterized by the Company holding, directly or indirectly, from 20% to 50% of the voting rights of the entity.

Investments in associated companies are accounted for using the equity method and are initially recognized at cost, which includes transaction expenses.

Any difference between the book value of the former joint venture upon loss of joint control and the fair value of the investment, as well as any proceeds from the sale of the joint venture, will be recognized in the statement of income. Investments that maintain significant influence will be accounted for as investment in subsidiary. In the parent Company's quarterly information and consolidated, and in such cases, will be valued under the equity method.

2.15. Basic and diluted income (loss) per share

Basic and diluted earnings per share are calculated through income for the period attributable to the Company's shareholders and outstanding common shares' weighted average in the respective period, considering, when applicable, stock split adjustments occurred in the period or in the subsequent event captured in the preparation of quarterly information, as presented in Note 18.

2.16. New standards and interpretations not yet adopted

(New and reviewed) standards and interpretations issued in 2015 and still not adopted:

• **IFRS 9 -** "Financial Instruments" addresses classification, measurement and recognition of financial assets and liabilities: the review project on regulations on financial instruments is divided into three stages:

Phase 1: Classification and measurement of financial assets and liabilities: in relation to classification and measurement pursuant to the terms of IFRS 9, all recognized financial assets that are currently included in IAS 39 scope will be subsequently measured at amortized cost or at fair value.

Phase 2: Methodology of impairment: IFRS 9 impairment model reflects expected credit losses instead of estimated credit losses, pursuant to the terms of IAS 39. In accordance with IFRS 9 approach to impairment, occurrence of a credit event before recognition of credit losses is no longer necessary. Instead, an entity always accounts for expected credit losses and variations in these expected credit losses. The value of expected credit losses should be restated on each date of the quarterly information to reflect changes in credit risk since the initial recognition.

Phase 3: Hedge accounting: hedge accounting requirements established by IFRS 9 maintain the three types of hedge accounting mechanisms from IAS 39. On the other hand, this new regulation brought greater flexibility to types of transactions eligible to hedge accounting, more specifically, increase in types of instruments that qualify as hedge instruments and types of risk components of non-financial items eligible to hedge accounting. In addition, effectiveness test was renewed and replaced by the "economic relationship" principle. Retroactive evaluation of hedge effectiveness is no longer necessary. Additional disclosure requirements were introduced in relation to risk management activities of an entity.
Applicable for annual periods started as of or after January 1, 2018. The early adoption of standards, although encouraged by the IASB, is not allowed in Brazil by the Accounting Pronouncement Committee (CPC):

• **IFRS 15 -** Income from Contracts with Clients: on May 28, 2014, IASB and the Financial Accounting Standards Board (FASB) issued new requirements for acknowledging revenue in both IFRS and U.S. GAAP, respectively. IFRS 15 - Income from Contracts with Clients, requires from the entity recognition of income amount reflecting consideration expected in exchange for control of these assets or services. The new standard will replace most of the detailed guidance on income recognition that currently exists in IFRS and GAAP when this standard is adopted. The adoption is required for years ended on or after January 1, 2018, and early adoption is allowed for IFRS purposes, but not locally allowed before harmonization and approval by CPC and CVM (Securities Commission).

The Company is evaluating effects of IFRS 15 and IFRS 9 on its quarterly information and has not yet completed its analyses, thus, it is not able to estimate impact of adopting these standards.

The Company is awaiting for the definite issuance of CPC 47, once that the Public Hearing to the Technical Pronouncement CPC 47 (equivalent to IFRS-15) was closed on September 8, 2016, promoted by the Accounting Pronouncement Committee (CPC), the Securities Commission (CVM) and the Federal Accounting Council (CFC).

There are no other IFRS or IFRIC interpretations that have not yet entered into effect that could have significant impact on the Company.

3 Consolidation of subsidiaries

The subsidiaries were fully consolidated since the acquisition date, defined as the date when the Company obtains control over it, and continue being consolidated until that control is no longer in effect.

The Quarterly information of subsidiaries is usually prepared for the same reporting period that the parent company, using consistent accounting policies.

Income for the period and each component of other comprehensive income directly recognized in shareholders' equity are attributed to the parent company’s owners and to non-controlling shareholders.

i. *Interest of non-controlling shareholders*

For each business combination, the Group (PG) measures any non-controlling interest on the acquisition date, using one of the following criteria:

At fair value or by proportional interest of identifiable net assets of the acquiree, which are generally at fair value.

Changes to the Group’s (PDG) interest in a subsidiary that do not result in loss of control are accounted for as transactions with shareholders, in the capacity of shareholders. Adjustments to non-controlling shareholders are based on a proportional amount of the subsidiary’s net assets. No adjustment is made to goodwill based on future profitability and, as a result, no gain or loss is recognized in income for the year.

ii. *Loss of control*

Upon loss of control, the Group (PDG) derecognizes assets and liabilities of subsidiary, any non-controlling shareholders and other components recorded in shareholders' equity regarding this subsidiary. Any gain or loss resulting from loss of control is recognized in income (loss) for the year. If the Group (PDG) holds any in interest in former subsidiary, this interest is measured at fair value on the date control is lost. Subsequently, this interest is calculated by using equity in associates or at cost or fair value in an asset available for sale, depending on the level of influence it still has.

iii. *Transactions eliminated in the consolidation*

Intragroup balances and transactions, and any unrealized income or expenses derived from intragroup transactions, are eliminated in the preparation of the consolidated quarterly information. Unrealized gains originating from transactions with investee recorded using the equity method, are eliminated against the investment in the proportion of the Group's (PDG) interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

4 Cash and cash equivalents

a. Cash and cash equivalents

Refer substantially to bank balances and interbank funds applied maturing in less than 90 days without any penalty on redemption, relating to bank deposit certificates and fixed income funds. The Company has investment policies that determine which financial investments are concentrated in low-risk securities, investments in prime financial institutions, and paid on average 96.5% of Interbank Deposit Certificate (CDI):

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Cash and banks	**4,732**	**7,562**	**88,259**	**164,588**
Interest earning bank deposits				
Very short-term interest earnings bank deposits	62	62	2,878	1,497
Fixed-income investment funds	-	-	9,291	13,891
Bank deposit certificates (CDB)	5,851	6,632	70,922	302,412
Purchase and sale commitments	-	3,232	63,248	121,705
Subtotal	**5,913**	**9,926**	**146,339**	**439,505**
Total	**10,645**	**17,488**	**234,598**	**604,093**

5 Trade accounts receivable

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Merger and property sale	71,166	95,208	3,631,277	5,737,633
(-) Allowance for doubtful accounts	(2)	(467)	(171,573)	(209,350)
(-) Adjustment to present value	-	-	(19,104)	(36,976)
Total	**71,164**	**94,741**	**3,440,600**	**5,491,307**
Current portion	69,249	61,177	1,667,260	2,227,031
Non-current portion	1,915	33,564	1,773,340	3,264,276
Total	**71,164**	**94,741**	**3,440,600**	**5,491,307**

Accounts receivable from real estate sales are substantially adjusted at INCC (civil construction national index) variation up to delivery of keys and then at IGP-M (general price index - market) variation plus interest of 12% p.a.

The balances of long-term accounts receivable are broken down by maturity as follow:

Year of maturity	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
2017	124	23,928	1,055,257	2,293,787
2018	292	4,044	329,099	169,265
2019	246	2,393	64,556	147,566
2020	971	2,078	122,493	324,926
2021 onwards	282	1,121	201,935	328,732
Total	**1,915**	**33,564**	**1,773,340**	**3,264,276**

As of September 30, 2016 and December 31, 2015, the Company had balances in its consolidated accounts receivable, in the current portion, distributed as follows:

	09/30/2016			12/31/2015		
	In onlending process	**Direct Portfolio**	**Total**	**In onlending process**	**Direct Portfolio**	**Total**
Falling due	911,904	277,019	1,188,923	1,433,654	270,220	1,703,874
Overdue Days:	**471,117**	**7,220**	**478,337**	**515,886**	**7,271**	**523,157**
0-30	128,716	435	129,151	178,380	1,574	179,954
31-60	14,138	212	14,350	60,470	640	61,110
61-90	100,140	311	100,451	78,137	869	79,006
91-120	124,199	169	124,368	98,220	1,096	99,316
121-360	80,294	1,023	81,317	94,021	864	94,885
>360	23,630	5,070	28,700	6,658	2,228	8,886
Total	**1,383,021**	**284,239**	**1,667,260**	**1,949,540**	**277,491**	**2,227,031**

In onlending process

When the Company delivers its joint ventures, almost the totality of clients undergoes a bank financing process (also known as transfer) that is required for the delivery of keys and entering into possession of the unit. Clients that are not approved for bank financing will be analyzed on an individual basis and may be terminated; therefore, they will not receive the keys and will not enter into possession of the real estate.

Clients that do not address financing conditions will not receive the units and the Company will return, according to contract, a portion of received balance and will place units for sale again.

Balances of accounts receivable from units completed or in construction

The consolidated balances of accounts receivable for completed units, as of September 30, 2016, amounted to R$ 2,739,172 (R$ 3,586,517 as of December 31, 2015) and for joint ventures under construction, as of September 30, 2016 amounted to R$ 701,428 (R$ 1,904,790 as of December 31, 2015).

Adjustment to present value (AVP)

Adjustment to present value of accounts receivable from units not completed and recognized on a proportional basis at criterion described in Note 2.10 is calculated by using a discount rate of 7.12% in the quarterly information at September 30, 2016 (6.70% in the period ended December 31, 2015), calculated at the average rate of the Company’s and its subsidiaries’ loan raising less inflation (IPC-A). This rate is compared to NTN-B and the highest is used. The current rate used is NTN-B. The discount rate is periodically reviewed by the Company's Management.

Allowance for doubtful accounts (PCLD)

The Company recognized PCLD in the amount of R$ 171,573 (R$209,350 as of December 31, 2015), 4.99% on total accounts receivable from Merger and resale of properties on September 30, 2016. Overdue balances refer mainly to cases without recourse, long-term default of accounts receivable from transfer at floor plan.

Units enrolled with the Special Taxation Regime (RET)

As of September 30, 2016, the balances of accounts receivable related to these joint ventures amount to R$ 2,315,575 (as of December 31, 2015, R$ 3,487,611), which represent 62% of the total balance of accounts receivable of the Company on September 30, 2016 (58% as of December 31, 2015).

Untreated units

The Company and its subsidiaries recognize termination of units as a reversal of accumulated income and costs previously recorded to the extent of construction work progress at the time of contract termination.

In the period ended September 30, 2016, the Company recorded net volume of 2,524 terminated units (4,302 units as of December 31, 2015); of this total, 52.89% occurred due to disqualification of income (in 2015: 70.92%), 16.52% due to exchange (in 2015: 13.58%) and 30.59% due to different reasons (in 2015: 15.50%).

6 Real estate inventories for sale

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Property under construction	-	-	518,046	371,242
Property concluded	41,133	12,299	894,623	1,162,013
Lands for future mergers	8,456	22,488	1,449,083	1,873,045
Advances to suppliers	-	-	14,197	15,667
Compound interest	793	2,521	57,004	72,203
Goodwill on launched properties	-	-	5,753	27,076
Total	**50,382**	**37,308**	**2,938,706**	**3,521,246**
Current portion	41,926	14,820	1,489,623	1,722,545
Non-current portion	8,456	22,488	1,449,083	1,798,701
Total	**50,382**	**37,308**	**2,938,706**	**3,521,246**

Book value of a joint venture's land is transferred to caption "Real Estate under Construction", within the heading "Property Inventory to negotiate", when units are placed for sale, that is, when the project is launched.

The goodwill balance corresponds to the valuation of land properties, and the capitalized charges in the parent company are recorded as "Investments" and in "Properties for sale" in the consolidated, in accordance with OCPC No. 01.

Lands for future mergers

The Company reclassifies part of its inventories into non-current assets, according to launches scheduled for subsequent years, into the heading of "Land for future mergers".

The Company records expenses with properties in the city of Salvador, classified as “Land for future mergers”, which will be mainly assigned to joint ventures considered in the project denominated “Mintaka” by the Company. Physical barter referring to future “Mintaka” projects will be recorded in inventories and advances from clients upon definition of corresponding projects.

Allocation of financial charges

Loan, financing and debenture financial expenses, whose funds were used in the process of building real estate joint ventures, are capitalized in caption “Inventories” and recognized in income under caption “Cost of Properties Sold” in the consolidated, in accordance with each project’s sales percentage. The balances of financial charges applicable to the parent company are shown under “Investments”, as note 7. Changes on September 30, 2016 are as follows:

	Parent company		**Consolidated**	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Opening balance	**2,521**	**1,956**	**72,203**	**115,770**
(+) Capitalized financial charges related to:				
Loans and financing	400	1,889	28,292	79,421
Debentures	-	-	13,838	30,040
Total capitalized financial charges in the period	**400**	**1,889**	**42,130**	**109,461**
(-) Charges appropriated to the statement of income in the cost of properties	(2,128)	(1,324)	(57,329)	(153,028)
Total	**793**	**2,521**	**57,004**	**72,203**

7 Investments

a. Information on subsidiaries on September 30, 2016 and December 31, 2015

Interests in subsidiaries evaluated at the equity method are determined in accordance with the balance sheets of the respective investees.

Subsidiaries are engaged in performing real estate joint ventures related to trading of home and commercial real estate.

The Company has shareholders’ agreements related to subsidiaries with interest lower than 100%. Regarding the Management's resolutions of these subsidiaries, the Company takes part of the Board of Directors and/or Executive Board, participating in all strategic decisions of the business.

Subsidiaries’ quarterly information used to calculate equity in investees and to consolidate adopts the same accounting practices adopted by the Company, which are described in Note 2, when applicable. The summary of main Quarterly information of subsidiaries is described in Note 7c.

Changes in the Company’s investments are as follow:

					Parent company				
Company's name	**% of direct interest**	**% of indirect interest**	**Balance at 12/31/2015**	**Increases / Payments**	**Decreases / Write-offs**	**Distribution of dividends**	**Others[1]**	**Equity in net income of subsidiaries**	**Balance at 09/30/2016**
Investments in subsidiaries									
Agre Empreendimentos Imobiliários S.A	99.99%	0.01%	770,684	654,585	-	-	-	(834,885)	590,384
CHL Desenvolvimento Imobiliário S/A	99.99%	0.01%	614,923	428,164	-	-	-	(240,401)	802,686
Goldfarb Incorporações E Construções S.A	99.99%	0.01%	1,050,647	22,176	(32,081)	-	-	(346,586)	694,156
PDG 64 Empreendimentos e Participações S.A	99.99%	0.01%	217,404	35,408	-	-	-	(108,612)	144,200
PDG Desenvolvimento Imobiliário Ltda	99.99%	0.01%	287,213	-	(778)	-	-	(3,861)	282,574
PDG São Paulo Incorporações S.A	99.99%	0.01%	289,625	12	-	-	-	(18,203)	271,434
Agra Empreendimentos Imobiliários S/A.	12.08%	87.92%	-	175,849	-	-	-	(106,095)	69,754
Agre Urbanismo S.A.	99.99%	0.01%	-	469,000	-	-	(272,010)	(153,816)	43,174
Api Spe20 - Planej. e Desenvolv. Imobiliários S/A.	99.99%	0.01%	-	81,513	-	-	-	(2,590)	78,923
Performance Br Empreendimentos Imobiliários S.A.	68.00%	0.00%	68,640	-	-	-	-	(44,845)	23,795
PDG SP 7 Incorporações SPE Ltda	99.99%	0.01%	-	58,317	-	-	-	(6,814)	51,503
Zmf 5 Incorporações S.A	99.99%	0.01%	41,331	-	-	-	-	1,571	42,902
Gold Amorgos Empreendimentos Imobiliário Ltda.	99.99%	0.01%	-	75,366	-	-	-	(32,995)	42,371
Araxá Participações e Empreend. Imobiliários S.A	42.00%	0.00%	-	29,397	-	-	-	(1,757)	27,640
PDG-Ln7 Incorporação e Empreendimentos S.A.	85.29%	14.71%	44,156	-	(6,494)	-	-	(2,165)	35,497
Gold Investimentos S.A.	49.32%	50.68%	43,062	-	(1,710)	-	-	(12,956)	28,396
PDG Araxá Income S/A	99.99%	0.01%	33,379	-	-	-	-	(224)	33,155
Pdg Spe 38 Empreendimentos Imobiliarios Ltda	99.99%	0.01%	264	33,559	-	-	-	(1,223)	32,600
Shimpako Incorporadora Ltda.	66.67%	0.00%	-	28,960	-	-	-	5	28,965
PDG SP 9 Incorporações SPE Ltda	99.99%	0.01%	-	26,899	-	-	-	(35)	26,864
PDG Ln 34 Incorp e Empreend Ltda	80.00%	20.00%	32,827	-	(6,567)	-	-	(1,463)	24,797
PDG SP 15 Incorporações SPE Ltda	99.99%	0.01%	-	24,191	-	-	-	48	24,239
PDG Companhia Securitizadora	99.99%	0.01%	22,963	-	(7)	-	-	(573)	22,383
PDG SP 6 Incorporações SPE Ltda	99.99%	0.01%	-	21,819	-	-	-	106	21,925
PDG SP 2 Incorporações SPE Ltda	99.99%	0.01%	-	22,184	-	-	-	(479)	21,705
LN 29 Incorporação e Empreendimento Ltda	64.00%	16.00%	11,038	10,880	(290)	-	-	(7,229)	14,399
CHL LXVIII incorporações ltda.	70.00%	0.00%	-	20,861	-	-	-	(23)	20,838
Acanto Incorporadora Ltda.	66.66%	0.00%	-	19,270	-	-	-	7	19,277
Gold Mali Empreendimentos Imobiliários Ltda.	50.00%	50.00%	-	17,908	-	-	-	(289)	17,619
Goldfarb Pdg 5 Incorporações S/A	50.00%	50.00%	-	16,781	-	-	-	(300)	16,481
Gold Argentina Empreendimentos Imobiliário Ltda.	50.00%	50.00%	-	14,814	-	-	-	(67)	14,747
Colore Empreendimento Imobiliário Spe S/A	80.00%	0.00%	16,319	-	(1,374)	-	-	(666)	14,279
Club Felicitá Empreendimento Imobiliários S.A.	96.69%	3.31%	14,292	-	(473)	-	-	260	14,079
Talia Incorporadora Ltda.	99.99%	0.01%	-	18,309	-	-	-	(9,582)	8,727
STXROCK 10 Desenvolvimento Imobiliário S/A.	99.99%	0.01%	-	12,152	-	-	-	(448)	11,704
GDP 1 Incorporações SPE Ltda.	99.99%	0.01%	-	12,291	-	-	-	(2,021)	10,270
Spe Cesário de Melo 3600 Incorporações S/A	85.00%	0.00%	-	11,339	-	-	-	(1,827)	9,512
Pdg Spe 15 Empreendimentos Imobiliários Spe Ltda	99.99%	0.01%	5,093	2,839	-	(2,358)	-	4,750	10,324
CHL CXLVIII Incorporações Ltda	99.99%	0.01%	-	11,514	-	-	-	(10,083)	1,431
Vital Palácio Miraflores Incorporadora Ltda.	78.15%	21.85%	-	9,956	-	-	-	49	10,005
Aurora Incorporadora Spe Ltda	99.99%	0.01%	-	13,495	-	-	-	(3,523)	9,972
Pdg Masb Empreendimento Imobiliario Spe Ltda.	50.00%	0.00%	-	10,282	-	-	-	(1,048)	9,234
Dubhe Incorporadora S/A	55.00%	0.00%	-	4,953	-	-	-	4,120	9,073
Club Florença Empreendimento Imobiliários S.A.	99.99%	0.01%	8,683	-	-	-	-	149	8,832
PDG Ln 28 Incorporação e Empreendimento Ltda	86.60%	13.40%	10,259	-	(1,376)	-	-	(339)	8,544
LBC Empreendimento Imobiliario Spe	50.00%	0.00%	-	8,117	-	-	-	173	8,290
CHL CXX Incorporações Ltda.	55.00%	0.00%	-	8,866	-	-	-	(1,801)	7,065
CHL CXLIX incorporacoes ltda	99.99%	0.01%	-	8,026	-	-	-	(1,859)	6,167
LN 8 Incorp e Empreend Ltda	99.99%	0.01%	17,279	-	(4,968)	-	-	(5,565)	6,746
PDG Ln 31 Incorporação e Empreendimentos Ltda	80.00%	20.00%	9,563	-	(1,911)	-	-	(1,667)	5,985
Gold Sao Paulo Empreendimentos Imobiliário Ltda.	50.00%	50.00%	-	5,475	-	-	-	13	5,488
CHL LXIII Incorporações Ltda.	65.00%	0.00%	-	5,216	-	-	-	(223)	4,993
Others[2]			283,143	48,982	(279,340)	(210)	61,848	(28,244)	86,179
			3,892,787	**2,479,725**	**(337,369)**	**(2,568)**	**(210,162)**	**(1,986,131)**	**3,836,282**
Investments in associated companies									
Jetirana Empreendimentos S.A.	50.00%	0.00%	-	23,273	-	-	-	(3,139)	20,134
Queiroz Galvao Mac Cyrela Veneza Empr. Imob. S.A.	20.00%	0.00%	3,691	-	(413)	-	-	568	3,846
Other			20,906	6,904	(21,770)	-	(795)	236	5,481
			24,597	**30,177**	**(22,183)**	**-**	**(795)**	**(2,335)**	**29,461**
Subtotal - Equity interest			**3,917,384**	**2,509,902**	**(359,552)**	**(2,568)**	**(210,957)**	**(1,988,466)**	**3,865,743**
Other									
Intangible assets			95,001	-	(17,306)	-	-	-	77,695
Compound interest			2,621	-	(228)	-	-	-	2,393
Appreciation of land			9,964	-	(4,211)	-	-	-	5,753
Subtotal - other investments			**107,586**	**-**	**(21,745)**	**-**	**-**	**-**	**85,841**
Total investments			**4,024,970**	**2,509,902**	**(381,297)**	**(2,568)**	**(210,957)**	**(1,988,466)**	**3,951,584**

[1] It contains provision for losses in investments reclassified to non-current liabilities under caption "Other obligations".
[2] Investments in subsidiaries with single balances of up to R$5 million on September 30, 2016.

(i) Sale of ownership interest

On June 30, 2016, in view of the verification of the preceding conditions of the "Agreement of Purchase and Sale of Ownership Interest and Other Covenants" ("Agreement"), entered into between the Company and LDI Desenvolvimento Imobiliário S.A. ("LDI"), it was concluded the sale to LDI of the total interest held by the Company in REP Real Estate Partners - Desenvolvimento Imobiliário S.A. ("REP").

As informed in the Communication to the Market, in payment for the disposal of the Company's interest in the capital of REP, LDI delivered to the Company 26 (twenty-six) real estate units of the company controlled by LDI, all of them located in the City of São Paulo, State of São Paulo, and evaluated by the Company, at market value, at approximately R$ 33,868.

b. Information on Group's jointly-controlled subsidiaries and associated companies (PDG) on September 30, 2016 and December 31, 2015.

		Consolidated						Consolidated Balance		
Company's name	**% of direct interest**	**Assets**	**Liabilities**	**Shareholders' equity**	**Total income for the period**	**Equity in net income of subsidiaries**	**Demais2**	**Investments on 09/30/2016**	**Investments on 12/31/2015**	**Equity in subsidiaries on 09/30/2015**
Spe Reserva I Empreendimento Imobiliario S/A	50.00%	102,675	60,788	41,887	1,990	995	-	20,944	6,700	10,247
Gliese Incorporadora Ltda	42.46%	139,592	91,071	48,521	115	49	-	20,602	20,235	442
Jetirana Empreendimentos S.A.	50.00%	118,921	78,653	40,268	(6,278)	(3,139)	-	20,134	24,291	14,116
Inpar - Abyara - Projeto Res. Santo Amaro Spe Ltda	30.00%	50,033	4,147	45,886	-	-	-	13,766	13,820	(74)
Schahin Borges De Figueiredo Incorporadora Ltda	30.00%	28,095	118	27,977	7	2	-	8,393	3,858	(1)
Inpar - Abyara - Projeto Residencial America Spe Ltda	30.00%	32,995	14,469	18,525	-	-	-	5,558	6,180	(44)
Iepe - Investimentos Imobiliarios Ltda	30.00%	24,102	5,650	18,451	(1,813)	(544)	-	5,535	5,362	96
Other investees [1]		548,094	472,254	75,842	6,767	2,451	13,110	28,071	138,033	75,102
Total investments		**1,044,507**	**727,150**	**317,357**	**788**	**(186)**	**13,110**	**123,003**	**218,479**	**99,884**

[1] Investments with balances of up to R$ 5 million as of September 30, 2016.
[2] Provision for losses in investments reclassified to non-current liabilities under caption "Other obligations".

Financial information of Group's subsidiaries (PDG) as of September 30, 2016 and December 31, 2015.

			Consolidated at 09/30/2016						Consolidated balance	
Company's name	**% Total of the company**	**% Minority interest**	**Assets**	**Liabilities**	**Shareholders' equity**	**Income (loss)**	**Income of non-controlling shareholders**	**Shareholders' equity of non-controlling shareholders**	**Shareholders' equity of non-controlling shareholders on 12/31/2015**	**Income (loss) on 09/30/2015**
Araxá Participações e Empreend. Imob. S.A	42.00%	58.00%	109,176	43,368	65,808	(4,184)	(2,427)	38,169	39,827	(4,146)
Gerbera Incorporadora Ltda.	71.67%	28.33%	61,838	8,707	53,131	(4,464)	(1,265)	15,052	16,317	(403)
Shimpako Incorporadora Ltda.	66.67%	33.33%	47,279	3,831	43,448	8	3	14,481	14,458	(3)
Performance Br Empreendimentos Imob. S.A.	68.00%	32.00%	35,929	936	34,993	(65,948)	(21,103)	11,198	32,301	(1,711)
Acanto Incorporadora Ltda.	66.66%	33.34%	29,976	1,057	28,919	11	4	9,642	9,635	-
Dubhe Incorporadora S/A	55.00%	45.00%	17,745	1,247	16,498	7,492	3,371	7,424	7,747	3,081
Astroemeria Incorporadora Ltda.	80.00%	20.00%	39,426	11,501	27,925	482	96	5,585	5,489	(122)
BNI Artico Desenvolvimento Imobiliario Ltda	50.00%	50.00%	21,075	10,095	10,980	924	462	5,490	4,990	(1,272)
Other investments [1]			2,428,065	1,775,630	652,435	(7,226)	(1,417)	(12,805)	319,705	(5,218)
Total			**2,790,509**	**1,856,372**	**934,137**	**(72,905)**	**(22,276)**	**94,235**	**450,469**	**(9,794)**

[1] Investments with balances of up to R$ 5 million as of September 30, 2016

c. Investment in shares

As of September 30, 2016, the Company, through its subsidiary Agra Empreendimentos Imobiliários S.A., maintains an exclusive investment fund (FIP PDG) whose main assets are ownership interests in its subsidiaries. Fund quotas are valued according to equity quotations and its earnings are recognized in subsidiary's income, and are eliminated upon preparation of the Company's consolidated information.

8 Investment properties

The Company does not have balances in investment properties on September 30, 2016, due to the conclusion of the sale of ownership interest in the subsidiary REP-Real Estate Desenvolvimento Imobiliário S.A. (Note 7a (i)).

	Joint ventures in operation	Joint ventures under development [1]	Total
Balances at December 31, 2014	**520,052**	**35,559**	**555,611**
Acquisitions and improvements (a)	45,975	10,782	56,757
Disposal (b)	(24,306)	(14)	(24,320)
Adjustment to fair value (c)	(114,181)	-	(114,181)
Reclassifications	-	(402)	(402)
Balances at December 31, 2015	**427,540**	**45,925**	**473,465**
Acquisitions and improvements (a)	7,063	54	7,117
Disposal (d)	(12,000)	-	(12,000)
Reclassifications (e)	(9,389)	-	(9,389)
Sale of interest - Note 7a (i)	(413,214)	(45,979)	(459,193)
Balances at September 30, 2016	**-**	**-**	**-**

[1] Joint ventures under construction or revitalization phase; non-operating

(a) It refers to the renovation/expansion of Valinhos and Bay Market (Mais) Shopping Malls and acquisition of CCS (Service and Convenience Centers) through SPE (Specific Purpose Society) Santo Eustaquio.

(b) It refers to the sale of the CCS Lapa asset (real estate) and sale of SPE of CCS Jundiaí

(c) Recognized in profit or loss for the year in the heading "Other net operating income (expenses)".

(d) Refers to sale of asset (property) Rio Claro.

(e) The Company assessed tax credits [PIS (Social Integration Program) and COFINS (Contribution for the Financing of Social Security)] arising from improvements made to the real estate properties, and part of the asset amount was reclassified to recoverable taxes

9 Property, plant and equipment

Fixed assets are segregated into well-defined classes. They are related to operating activities.

There are effective controls on fixed asset items that allow the identification of losses and changes in estimated useful lives of assets. The annual depreciation is calculated by the linear method throughout the useful life of the assets, at rates which consider the estimated useful lives of the assets, as follows:

			Parent company		
Cost:	**Machinery and equipment**	**Furniture and fixtures**	**Computers**	**Leasehold improvements**	**Total**
Balance at 12/31/2014	**-**	**379**	**3,831**	**-**	**4,210**
. Additions	-	-	17	705	722
Balance at 12/31/2015	**-**	**379**	**3,848**	**705**	**4,932**
. Additions	648	-	268	-	916
Balance at 09/30/2016	**648**	**379**	**4,116**	**705**	**5,848**

			Parent company		
Depreciation:	**10% p.a. Machinery and equipment**	**10% p.a. Furniture and fixtures**	**20% p.a. Computers**	**Leasehold improvements**	**Total**
Balance at 12/31/2014	**-**	**(273)**	**(3,441)**	**-**	**(3,714)**
. Depreciations	-	(38)	(158)	(47)	**(243)**
Balance at 12/31/2015	**-**	**(311)**	**(3,599)**	**(47)**	**(3,957)**
. Depreciations	(35)	(28)	(126)	(53)	(242)

	Parent company				
Cost:	**Machinery and equipment**	**Furniture and fixtures**	**Computers**	**Leasehold improvements**	**Total**
Balance at 09/30/2016	**(35)**	**(339)**	**(3,725)**	**(100)**	**(4,199)**
Residual balance at 09/30/2016	**613**	**40**	**391**	**605**	**1,649**
Residual balance at 12/31/2015	**-**	**68**	**249**	**658**	**975**
Residual balance at 12/31/2014	**-**	**106**	**390**	**-**	**496**

	Consolidated						
Cost:	**Machinery and equipment**	**Furniture and fixtures**	**Computers**	**Leasehold improvements (ii)**	**Sales Stand (i)**	**Other fixed assets**	**Total**
Balance at 12/31/2014	**31,947**	**17,491**	**26,238**	**24,469**	**9,637**	**5,078**	**114,860**
. Additions	-	838	277	7,110	1,939	112	**10,276**
. Write-offs	(3,641)	(441)	-	(9,461)	(7,553)	(104)	**(21,200)**
Balance at 12/31/2015	**28,306**	**17,888**	**26,515**	**22,118**	**4,023**	**5,086**	**103,936**
. Additions	916	1,050	1,195	1,990	271	-	**5,422**
. Write-offs	(744)	(472)	(788)	(58)	(1,472)	(1,049)	**(4,583)**
Balance at 09/30/2016	**28,478**	**18,466**	**26,922**	**24,050**	**2,822**	**4,037**	**104,775**

	Consolidated						
Depreciation:	**10% p.a. Machinery and equipment**	**10% p.a. Furniture and fixtures**	**20% p.a. Computers**	**Leasehold improvements (ii)**	**Sales Stand (i)**	**Other fixed assets**	**Total**
Balance at 12/31/2014	**(13,925)**	**(10,841)**	**(22,116)**	**(10,326)**	**(5,348)**	**(1,992)**	**(64,548)**
. Depreciations	(2,177)	(1,052)	(1,992)	(1,306)	(5,676)	(414)	**(12,617)**
. Write-offs	1,276	312	-	34	7,761	65	**9,448**
Balance at 12/31/2015	**(14,826)**	**(11,581)**	**(24,108)**	**(11,598)**	**(3,263)**	**(2,341)**	**(67,717)**
. Depreciations	(2,302)	(1,383)	(1,084)	(3,798)	(1,163)	(219)	**(9,949)**
. Write-offs	447	85	306	10	1,632	40	**2,520**
Balance at 09/30/2016	**(16,681)**	**(12,879)**	**(24,886)**	**(15,386)**	**(2,794)**	**(2,520)**	**(75,146)**
Residual balance at 09/30/2016	**11,797**	**5,587**	**2,036**	**8,664**	**28**	**1,517**	**29,629**
Residual balance at 12/31/2015	**13,480**	**6,307**	**2,407**	**10,520**	**760**	**2,745**	**36,219**
Residual balance at 12/31/2014	**18,022**	**6,650**	**4,122**	**14,143**	**4,289**	**3,086**	**50,312**

(i) The depreciation is made according to the useful life of the assets, with average term of 18 months used during the period of sale of the joint ventures and recorded in the result under the caption "Selling Expenses".
The write-off is made as a consequence of the dismantling of the stand.

(ii) The amortization is made over the real estate rental contract.

Recoverability test *(impairment)* of property, plant and equipment

The Group periodically revises the existence of indications of recoverability of Fixed Asset items. When non-recoverable property, plant and equipment items are identified, the Group (PDG) analyzes and records provisions for impairment. For the period ended September 30, 2016, the Group (PDG) did not find any indication or needs of recognizing the provision for impairment of fixed asset items.

10 Intangible assets

	Parent company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Breakdown of goodwill by company				
Agre Empreendimentos Imobiliários S.A.	53,491	53,491	53,491	53,491
Agre Urbanismo S.A.	1,462	1,444	-	-
CHL Desenvolvimento Imobiliários S.A.	19,145	20,774	-	-
Goldfarb Incorporações e Construções S.A.	2,197	17,755	-	-
LN 8 Incorporacao e Empreendimentos Ltda.	127	264	-	-
PDG LN Incorporações e Construções S.A.	1,273	1,273	-	-
Total	**77,695**	**95,001**	**53,491**	**53,491**
Software and other intangible assets	31,957	33,864	57,841	74,432
Subtotal	**109,652**	**128,865**	**111,332**	**127,923**
Reallocation for investments (Note 7) (i)	(77,695)	(95,001)	-	-
Closing balance	**31,957**	**33,864**	**111,332**	**127,923**

(i) In the quarterly information of the "Parent company" and "Consolidated", these Intangible Assets are being presented in the headings of Investments, because they are intangible assets of associated companies (Note 7)

a. Changes in intangible assets

The changes in intangible assets in the periods ended September 30, 2016 and December 31, 2015 could be shown as follows:

	Parent company	Consolidated				
	Right to use software	Trademarks and patents	Right to use software	Subtotal	Goodwill on investments	Total
Cost:						
Balance at 12/31/2014	**42,206**	**88**	**129,221**	**129,309**	**615,132**	**744,441**
. Additions	9,504	-	19,492	19,492	12,233	31,725
. Write-offs	(64)	-	(12,972)	(12,972)	(41,183)	(54,155)
. Transfers	4,362	-	-	-	(74,754)	(74,754)
Balance at 12/31/2015	**56,008**	**88**	**135,741**	**135,829**	**511,428**	**647,257**
. Additions	3,405	-	3,715	3,715	-	3,715
. Write-offs	-	(88)	(701)	(789)	-	(789)
Balance at 09/30/2016	**59,413**	**-**	**138,755**	**138,755**	**511,428**	**650,183**
Amortization:						
Balance at 12/31/2014	**(14,169)**	**-**	**(56,080)**	**(56,080)**	**(129,875)**	**(185,955)**
. Amortizations	(8,039)	-	(18,289)	(18,289)	(7,548)	(25,837)
. Write-offs	64	-	12,972	12,972	(320,514)	(307,542)
Balance at 12/31/2015	**(22,144)**	**-**	**(61,397)**	**(61,397)**	**(457,937)**	**(519,334)**
. Amortizations	(5,312)	-	(19,582)	(19,582)	-	(19,582)
. Write-offs	-	-	65	65	-	65
Balance at 09/30/2016	**(27,456)**	**-**	**(80,914)**	**(80,914)**	**(457,937)**	**(538,851)**
Residual balance on 09/30/2016	**31,957**	**-**	**57,841**	**57,841**	**53,491**	**111,332**
Residual balance at 12/31/2015	**33,864**	**88**	**74,344**	**74,432**	**53,491**	**127,923**
Residual balance at 12/31/2014	**28,037**	**88**	**73,141**	**73,229**	**485,257**	**558,486**

[1] Write-off due to sale of interest in REP DI.

b. Impairment

The impairment test was prepared considering the assumptions used for the projection and the monitoring of the investee's projected cash flows, using a perpetuity model and was divided into three big items: (i) Income from sale of property; (ii) Property merger and construction costs and selling and administrative expenses; and (iii) net indebtedness, represented by total debt less cash and cash equivalents.

Goodwill paid on the acquisition of ownership interest, based on expected future income or the appreciation of the assets of equity holdings acquired, were reevaluated and lead times were defined due to the evolution of corresponding real estate joint ventures, which are amortized over the medium term of three years from the launch of these real estate projects.

Software intangible assets

Assets classified as "Software and other intangible assets" correspond to the Company's operating software acquisition and implementation costs whose amortization started in January 2011. During the period ended September 30, 2016, the amount of R$ 19,582 was amortized and accounted for in the Company's income (R$ 18,289 as of December 31, 2015). Software amortization period was estimated as eight years.

11 Related party transactions and balances

a. Advance for future capital increase (AFAC)

The amounts classified as non-current assets under advances for future capital increase (FACA) refer to contribution intended to make joint ventures' initial stage possible. These contributions are not subject to any index or interest rate and will be the object of a decision by part of shareholders as regards their capitalization.

b. Management remuneration

The Company's administrators' global remuneration limit for the year 2016 has been established as up to R$ 39,485 (R$ 26,988 for the year 2015), for administrators' remuneration, considering the maximum attainable level, direct and indirect, remuneration considered for the tax council, as well as the amounts to be covered as a result of stock option plan granted in view of the Company's Stock Option Plan. Amount recorded as remuneration, profit sharing, dividends and/or benefits in general during the year ended September 30, 2016 and 2015, is as follows:

	Parent company				**Consolidated**			
	07/01/2016-09/30/2016	**01/01/2016-09/30/2016**	**07/01/2015-09/30/2015**	**01/01/2015-09/30/2015**	**07/01/2016-09/30/2016**	**01/01/2016-09/30/2016**	**07/01/2015-09/30/2015**	**01/01/2015-09/30/2015**
Fixed Compensation								
Board of Directors	120	360	191	551	120	360	191	551
Tax Council	88	184	88	240	88	184	88	240
Statutory Board	963	2,793	1,226	2,885	963	2,793	1,226	2,885
Charges	386	913	301	735	386	913	301	735
	1,557	**4,250**	**1,806**	**4,411**	**1,557**	**4,250**	**1,806**	**4,411**
Benefits								
Statutory Board	81	221	30	161	81	221	30	161
	81	**221**	**30**	**161**	**81**	**221**	**30**	**161**
Variable compensation								
Retention bonus	2,296	13,375	-	-	2,296	13,375	-	-
Charges	692	3,651	-	-	692	3,651	-	-
	2,988	**17,026**	**-**	**-**	**2,988**	**17,026**	**-**	**-**
Total fixed and variable	**4,626**	**21,497**	**1,836**	**4,572**	**4,626**	**21,497**	**1,836**	**4,572**
Share-based	455	990	(2,016)	225	455	990	(2,016)	225
Overall total	**5,081**	**22,487**	**(180)**	**4,797**	**5,081**	**22,487**	**(180)**	**4,797**

The variable compensation of Management is composed of profit sharing and these are usually provisioned over the fiscal year, based on the estimate of payment.

The Company, based on item 8 of the CVM/SNC/SEP official circular No. 01/2013 of February 8, 2013, presents the following references regarding disclosure of related-party transactions:

(i) Does not own short-term benefits to employees and management;
(ii) Does not have post-employment benefits;
(iii) Does not have other long-term benefits;
(iv) Does not own benefits on termination of employment contract; and
(v) Share-based remuneration (Share purchase option plan - Disclosed in Note 22).

c. *Collaterals and guaranties*

The Company totals R$ 2,107,336 of sureties and guarantees on September 30, 2016 (R$ 2,204,436 as of December 31, 2015). These amounts derive from sureties and guarantees provided in real estate credit transactions carried out by the Company's investees, based on balances payable and future releases contracted up to this date, proportional to the Company's interest in investees.

d. *Related party balances:*

Balances and transactions with related parties are shown below:

	Parent company		**Consolidated**	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Assets				
Related-party Loans- Current and Non-Current Assets	2,762	41,194	80,352	77,673
Current accounts with partners in joint ventures	-	-	126,037	185,795
FACA - Non-current assets	-	1,918,327	-	-
Liabilities				
Convertible debentures - 8th issuance (Note 19b)	-	1,989	-	1,989
Current accounts with partners in joint ventures	-	-	5,154	9,135
Related-party Loans - Current and non-current liabilities	-	-	7,662	7,802
Accounts payable for acquisition of ownership interest	388,260	-	-	-

Rights to related companies have no established maturities and no financial charges. The main purpose of loan transactions and balances receivable or payable from subsidiaries and current account with associated entities in joint ventures was to fund the initial stage of the joint ventures, based on commercial relationships with the related parties for the merger and construction activities.

e. *Related parties with provision of materials and services*

Transactions and businesses with related parties are carried out at usual market prices and conditions; therefore, they do not generate benefits or losses to the Company or any other party.
In accordance with Article 15 of our Bylaws, it is the Board of Directors' responsibility to decide on: Executing, amending and terminating contracts, as well as on carrying out transactions of any nature between the Company and the Company's shareholders and/or subsidiaries, associated or parent companies of the Company's shareholders. CA' meetings held to decide on these and other investment decisions are installed with the presence of the majority of the Board of Directors' members and decisions are considered valid if approved by the majority of present members.
Main information on transactions carried out with the Company's or its investees' administrators and partners is presented as follows:

	Related party						Costs incurred at	
Relationship with the Company	**Supplier**	**Object of the contract**	**Date of transaction**	**Amount concerned**	**Note:**	**Contract period**	**09/30/2016**	**12/31/2015**
Vinci Partners	Austral Seguradora	Construction work insurance and guarantee insurance	Jun 2013-Nov 2019	3,188	maximum coverage limit per Work insurance: R$ 120,000	construction work + 12 months after construction work	708	1,010
Vinci Partners	Cecrisa R. Cerâmicos S.A	Material: Ceramics	Jun 2013-Jun 2016	14,675	-	6 months	285	4,006
Vinci Partners	Unidas Locadora de Veículos Ltda	Leasing: vehicle	Sep 2013-Sep 2016	28	-	1 year	1	9
Board Member	Instituto de Desenviolvimento Gerencial S.A.	Consulting	Jun 2014	257	total contract value - R$ 2,571		1,306	1,234
Board Member	União Consultoria V. e A. de P. de Gestão S/S	Consulting	Jun 2014	1,157		19 months	-	-
Board Member	União Consulotria E. de Projetos de Gestão	Consulting	Jun 2014	1,157			-	-
Board Member	Instituto de Desenviolvimento Gerencial S.A.	Consulting	Oct 2015	725	total contract value - R$ 7,250			
Board Member	União Consultoria V. e A. de P. de Gestão S/S	Consulting	Oct 2015	3,263		11 months	-	-
Board Member	União Consulotria E. de Projetos de Gestão	Consulting	Oct 2015	3,263			-	-
Board Member	Instituto de Desenviolvimento Gerencial S.A.	Consulting	Jun 2014	25	total contract value - R$ 30		-	7
Board Member	INDG Tecnologia e Serviços Ltda	Consulting	Jun 2014	5		1 month	-	-
			Total	**27,743**			**2,300**	**6,266**

12 Loans and financing

The Company reduces cash exposure of each joint venture using third-party funds to finance/support construction through SFH (housing finance system) conditions and working capital facilities offered by prime financial institutions.

Consolidated breakdown of the Company’s loans as of September 30, 2016 and December 31, 2015, per debt type, is as follows:

	Parent company		Average rate	Guarantee
Type of debt	**09/30/2016**	**12/31/2015**		
SFH	4,344	25,613	TR + 9.00%	Mortgage / Receivables / collateral signatures/ Pledge
Finep/Finame	97,847	97,435	PRE - from 5.25% to	PDG collateral
Working capital/ SFI and Promissory note	323,708	827,960	120% CDI	Pledge of quotas, shares and properties/ Collateral/ Mortgage/ Assignment of credit rights
Total	**425,899**	**951,008**		
Current portion	56,181	791,807		
Non-current portion	369,718	159,201		
Total	**425,899**	**951,008**		

Type of debt	Consolidated 09/30/2016	12/31/2015	Average rate	Guarantee
SFH	1,153,543	1,660,077	TR + 8.30% up to TR + 14% and 118% CDI	Receivables/ Proportional surety/ mortgage/ guarantee/ pledge/ real estate mortgage/ surety
Working capital/ SFI and Promissory note	323,715	898,165	120% CDI	Pledge of quotas, shares and properties/ Collateral/ Mortgage/ Assignment of credit rights
Finep/Finame	100,934	101,078	PRE - from 5.25% to 8.70%	PDG collateral
Total	**1,578,192**	**2,659,320**		
Portion in non-current liabilities	839,627	1,735,042		
Non-current portion	738,565	924,278		
Total	**1,578,192**	**2,659,320**		

The balance of loans and financing consolidated in the long term falls due as follows:

Year	Consolidated 09/30/2016	12/31/2015
2017	57,125	515,049
2018	248,904	276,038
2019	98,972	88,595
2020 onwards	333,564	44,596
Total	**738,565**	**924,278**

13 Bank Credit Bills (CCBs) and Debentures payable

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Liabilities from CCB issuance - Corporate				
3rd series - 1st issuance	1,200	1,251	1,200	1,251
4th series - 1st issuance	653	626	653	626
15th series - 1st issuance	279,488	251,105	279,488	251,105
22nd series - 1st issuance	-	30,426	-	30,426
3rd series - 3rd issuance	-	-	2,626	3,130
5th series - 3rd issuance	10,642	12,064	10,642	12,064
7th series - 3rd issuance	11,274	10,814	11,274	10,814
25th Series - 1st issuance	90,556	107,484	90,556	107,484
26th Series - 1st issuance	-	-	113,281	104,554
27th series - 1st issuance	196,257	171,349	196,257	171,349
28th series - 1st issuance	95,510	-	95,510	-
Other issues by CCB	831,702	927,493	900,924	1,029,477
Corporate Sub-Total	**1,517,282**	**1,512,612**	**1,702,411**	**1,722,280**
Liabilities from CCB issuance Support production *				
3rd series - 2nd issuance	-	-	75,278	110,353
2nd series - 2nd issuance	-	-	61,354	55,713
24th Series - 1st issuance	193,991	176,100	193,991	176,100
CCB CEF 600MM	243,337	373,882	243,337	373,882
Other issues by CCB	-	-	-	67,041
CCB subtotal - Support to production	**437,328**	**549,982**	**573,960**	**783,089**
Total	**1,954,610**	**2,062,594**	**2,276,371**	**2,505,369**
Current portion	682,383	2,039,914	867,511	2,460,204
Non-current portion	1,272,227	22,680	1,408,860	45,165
Total	**1,954,610**	**2,062,594**	**2,276,371**	**2,505,369**

*They are under the same agreement conditions of SFH (Housing Finance System):
a) Derived from credit lines obtained from the Government Severance Indemnity Fund (FGTS) and/or savings account;
b) Destined for real estate financing (residential or commercial real estate development);
c) Remunerated by reference interest rate variation + maximum interest rate of 12% per annum

a. Debentures payable

The main characteristics of the debentures payable issued by the Company and subsidiaries could be shown as follows:

Parent company												
Debentures	**Type**	**Nature**	**Issuance**	**Maturity**	**Kind**	**Condition of remuneration**	**Nominal value**	**Securities issued**	**Securities in the market**	**Method of amortization**	**Installments**	**Guarantees**
Corporate												
1st issuance	Non-convertible	Public	07/02/2007	07/04/2020	Unsecured	120% CDI	10	25,000	25,000	Annual	1	Without guarantee
4th issuance	Non-convertible	Public	08/10/2010	07/04/2020	Unsecured	120% CDI	1,000	280	280	Quarterly	1	Pledge of receivables
7th issuance	Non-convertible	Public	03/15/2012	12/15/2018	Real	IPCA + 6.56% p.a.	1,000	140	140	Irregular	10	Shares
8th issuance	Convertible	Private	09/17/2012	09/17/2016	Unsecured	-	0	199,000	199,000	Sole	1	Without guarantee
9th issuance	Non-convertible	Public	06/08/2016	06/30/2019	Unsecured	120% CDI	1,000	30,000	30,000	Sole	1	Without guarantee
10th issuance	Non-convertible	Public	07/01/2016	06/30/2019	Unsecured	120% CDI	1,000	20,000	20,000	Sole	1	Without guarantee
11st issuance	Non-convertible	Public	08/05/2016	07/04/2020	Unsecured	120% CDI	1,000	565,000	565,000	Sole	1	Shares
Support to production												
5th issuance	Non-convertible	Public	09/23/2010	10/01/2016	Real	TR + 9.35% p.a.	1,000	600	600	Semi-annual	1	Assignment/Pledge of shares and quotas

[1] Issuance fully settled in the 3Q16 (Note 19.b).

	Parent company												Consolidated		
	Support to production			Corporate									Support to production	Corporate	
	3rd Issuance	5th issuance	Subtotal	1st issuance	4th issuance	6th issuance	7th issuance	8th issuance	9th issuance	10th issuance	11th issuance	Subtotal	REP	ZMF 23	Total
a) Debentures payable															
Balance at 12/31/2014	**108,360**	**416,696**	**525,056**	**266,234**	**214,119**	**150,194**	**173,066**	**3,978**	**-**	**-**	**-**	**1,332,647**	**70,195**	**6,059**	**1,408,901**
(+) Restatement	6,979	27,096	**34,075**	36,779	32,856	8,769	29,644	(1,989)	-	-	-	**140,134**	10,413	1,171	**151,718**
(-) Payments (Principal + Interest)	(94,656)	(255,451)	**(350,107)**	(33,472)	(23,281)	(158,963)	(11,113)		-	-	-	**(576,936)**	(9,603)	(7,230)	**(593,769)**
Balance at 12/31/2015	**20,683**	**188,341**	**209,024**	**269,541**	**223,694**	**-**	**191,597**	**1,989**	-	-	-	**895,845**	**71,005**	**-**	**966,850**
(+) Funding	-	-	-		-	-		-	30,000	20,000	561,924	**611,924**	-	-	**611,924**
(+) Restatement	463	13,868	**14,331**	32,519	28,575	-	21,545	-	1,324	555	13,963	**112,812**	2,682	-	**115,494**
(-) Payments (Principal + Interest)	(21,146)	(61,362)	**(82,508)**	-	-	-	(6,497)	(1,989)	-	-	-	**(90,994)**	(2,685)	-	**(93,679)**
(-) Sale of interest 1	-	-	-	-	-	-		-	-	-	-	-	(71,002)	-	**(71,002)**
Balance at 09/30/2016	**-**	**140,847**	**140,847**	**302,060**	**252,269**	**-**	**206,645**	**-**	**31,324**	**20,555**	**575,887**	**1,529,587**	**-**	**-**	**1,529,587**
Composition by year of maturity:															
2016	-	140,847	**140,847**	-	-	-	3,711	-	-	-	575,887	**720,445**	-	-	**720,445**
2017	-	-	-	-	-	-	6,276	-	-	-	-	**6,276**	-	-	**6,276**
2018	-	-	-	-	-	-	196,658	-	-	-	-	**196,658**	-	-	**196,658**
2019	-	-	-	-	-	-	-	-	31,324	20,555	-	**51,879**	-	-	**51,879**
After 2019	-	-	-	302,060	252,269	-	-	-	-	-	-	**554,329**	-	-	**554,329**
Balance at 09/30/2016	-	**140,847**	**140,847**	**302,060**	**252,269**	-	**206,645**	-	**31,324**	**20,555**	**575,887**	**1,529,587**	-	-	**1,529,587**

	Parent company												Consolidated		
	Support to production			Corporate									Support to production	Corporate	
	3rd Issuance	5th issuance	Subtotal	1st issuance	4th issuance	6th issuance	7th issuance	8th issuance	9th issuance	10th issuance	11th issuance	Subtotal	REP	ZMF 23	Total
b) *Expenditure with issuance*															
Balance at 12/31/2014	**(238)**	**(1,562)**	**(1,800)**	**(2,076)**	**(1,205)**	**(118)**	**(2,062)**	**-**	**-**	**-**	**-**	**(7,261)**	**(2,831)**	**-**	**(10,092)**
(-) Funding cost	-	-	-	-	-	-	-	-	-	-	-	-	(776)	-	**(776)**
(-) Amortization of Expenses	119	781	**900**	518	498	118	522	-	-	-	-	**2,556**	291		**2,847**
Balance at 12/31/2015	**(119)**	**(781)**	**(900)**	**(1,558)**	**(707)**	-	**(1,540)**	-	-	-	-	**(4,705)**	**(3,316)**	-	**(8,021)**
(-) Amortization of Expenses	119	586	**705**	390	530		390					**2,015**	50	-	**2,065**
(-) Sale of interest [1]	-	-	-	-	-	-	-	-	-	-	-	-	3,266	-	**3,266**
Balance at 09/30/2016	-	**(195)**	**(195)**	**(1,168)**	**(177)**	-	**(1,150)**	-	-	-	-	**(2,690)**	-	-	**(2,690)**
Net balance on 09/30/2016	-	**140,652**	**140,652**	**300,892**	**252,092**	-	**205,495**		**31,324**	**20,555**	**575,887**	**1,526,897**	-	-	**1,526,897**
Installment:															
Short-term	-	140,652	**140,652**	300,892	252,092	-	205,495	-	-	-	575,887	**1,475,018**	-	-	**1,475,018**
Long term	-		-	-	-	-	-	-	31,324	20,555	-	**51,879**	-	-	**51,879**
Total	-	**140,652**	**140,652**	**300,892**	**252,092**	-	**205,495**	-	**31,324**	**20,555**	**575,887**	**1,526,897**	-	-	**1,526,897**
Net balance on 12/31/2015	**20,564**	**187,560**	**208,124**	**267,983**	**222,987**	-	**190,057**	**1,989**	-	-	-	**891,140**	**67,689**	-	**958,829**
Installment:															
Short-term	20,564	187,560	**208,124**	267,983	222,987	-	190,057	1,989	-	-	-	**891,140**	67,689	-	**958,829**
Long term	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Total	**20,564**	**187,560**	**208,124**	**267,983**	**222,987**	-	**190,057**	**1,989**	-	-	-	**891,140**	**67,689**	-	**958,829**

*They are under the same agreement conditions of SFH (Housing Finance System):
a) Derived from credit lines obtained from the Government Severance Indemnity Fund (FGTS) and/or savings account;
b) Destined for real estate financing (residential or commercial real estate development);
c) Remunerated by reference interest rate variation + maximum interest rate of 12% per annum
[1] Write-off due to sale of interest in REP DI
[2] Issuance fully settled in the 3Q16 (Note 19.b).

Balances of the Company's debentures payable on September 30, 2016 and December 31, 2015 are as follows:

b. *Restrictive contractual Clauses ("Covenants") of Debts taken with Bank Credit Bills ("CCBs") and Debentures Payable*

The Company and its subsidiaries have debenture and Bank credit notes (CCBs) agreements, with covenants, which include restrictive clauses, normally applicable to these types of operations, related to the compliance with financial indicators, cash generation and other items.

These covenants are properly monitored and they do not restrict the ability to operate in the Company's normal course of business.

CCBs and Debentures Payable have covenants, which are calculated using the following indicator below, determined based on the Company's consolidated quarterly information, calculated by the base date of September 30, 2016:

- Adjusted EBIT ratios (Earnings Before Interest and Taxes).
- Indices for maximum indebtedness.
- Indices for minimum levels of liquidity.
- Restrictive contractual clauses (Covenants).

These debts are in the process of being restructured as explained in Note 1 of the Company's Operations. In this process, the Management also requests that the above-mentioned indicators are deleted or changed for new contracts. Some contracts that have already been renegotiated did not return to the Company until September 30, 2016 with all necessary signatures and, for this reason, the Company maintained above calculations and rates based on prevailing contracts.

When analyzing rates and covenants, we included contracts not yet renegotiated or duly formalized up to September 30, 2016 and, as a result, the Company exceeded limits established for the Adjusted EBIT index, maximum indebtedness and minimum liquidity, as well as other non-financial ratios related to the existence of lawsuits, contracts not yet renegotiated or linked, protested notes, and other.

CPC 26 establishes that when the entity does not comply with a covenant of a long-term loan contract at the end of the period or before, at the end of the reporting date, liabilities becoming due and payable at the creditor's order, liabilities are classified as current, even if the creditor has agreed, after balance sheet date and prior to the date of authorization for the issuance of financial statements, not to require the accelerated payment due to the breach of the covenant. Liabilities must be classified as current liabilities because, at balance sheet date, the entity does not have the unconditional right to defer its dissolution for at least 12 months after that date.

Accordingly, even though the Company obtained waiver for reporting base date September 30, 2016 for some exceeded rates, their formalization occurred after the end of reporting period provided for in accounting rule. Thus, the Company followed the accounting guidance defined in CPC 26 and reclassified the CCBs and Debentures Payable to current liabilities, as well as the debts linked to the early maturity of these.

The Company and the creditors are in an advanced stage of restructuring negotiations which are outstanding and understands that debt, formed by these financial institutions, is still without the possibility of being charged on demand according to the contracts of CCBs and Debentures Payable still in force.

Operations affected by covenants and reclassified amounts are as follows:

	Before Covenants			Adjustment	After Covenants		
Debts	**Short-term**	**Long term**	**Total debt**	**Effect covenants**	**Short-term**	**Long term**	**Total debt**
Debentures:							
1 Bradesco 1st issuance	-	302,060	302,060	302,060	302,060	-	302,060
1 Bradesco 4th issuance	-	252,269	252,269	252,269	252,269	-	252,269
CEF 5th Issuance	140,847	-	140,847	-	140,847	-	140,847
BTG 7th Issuance	6,849	199,796	206,645	199,796	206,645	-	206,645
Votorantim 11th issuance	-	575,887	575,887	575,887	575,887	-	575,887
	147,696	**1,330,012**	**1,477,708**	**1,330,012**	**1,477,708**	**-**	**1,477,708**
CCB:							
Fenix 1st issuance 27th series	68,757	127,500	196,257	127,500	196,257	-	196,257
BTG Pactual	53,254	-	53,254	-	53,254	-	53,254
Credit Suisse	25,630	3,203	28,833	3,203	28,833	-	28,833
Investment Credit Bank	46,375	3,493	49,868	3,493	49,868	-	49,868
Panamericano	27,114	29,243	56,357	29,243	56,357	-	56,357
BMG	12,956	6,135	19,091	6,135	19,091	-	19,091
Tykhe	4,747	90,763	95,510	90,763	95,510	-	95,510
RB	19,084	-	19,084	-	19,084	-	19,084
Votorantim	10,673	-	10,673	-	10,673	-	10,673
Itaú	10,868	2,400	13,268	2,400	13,268	-	13,268
	279,458	**262,737**	**542,195**	**262,737**	**542,195**	**-**	**542,195**
SFH:							
Banco do Brasil	29,849	-	29,849	-	29,849	-	29,849
Bradesco	28,162	58,670	86,832	58,670	86,832	-	86,832
Caixa Econômica Federal	17,481	3,017	20,498	3,017	20,498	-	20,498
Santander	86,548	10,480	97,028	10,480	97,028	-	97,028
	162,040	**72,167**	**234,207**	**72,167**	**234,207**	**-**	**234,207**
Total on 09/30/2016	**589,194**	**1,664,916**	**2,254,110**	**1,664,916**	**2,254,110**	**-**	**2,254,110**

[1] Waiver received after base date September 30, 2016 and maintained in the short-term in accordance with CPC 26 rule.

In addition, we confirm that we will comply with other Convents, on September 30, 2016, and have not received any notification from creditors or their fiduciary agents (trustees) in relation to a breach of covenants on loans and financing agreements, or the early maturity of debts reclassified to the short term due to the requirement of CPC 26.

14 Payables for acquisition of real estate

These refer to liabilities taken on with the purchase of land for real estate developments, as seen below:

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Cash - recorded	-	-	20,960	41,474
Cash - to be recorded	-	-	58,195	124,654
Linked to PSV - launched	1,374	1,807	46,016	74,602
Subject to VGV (General Sales Value) - to be recorded	3,017	4,762	21,840	35,752
Total	**4,391**	**6,569**	**147,011**	**276,482**
Current portion	4,391	6,569	112,310	174,774
Non-current portion	-	-	34,701	101,708
Total	**4,391**	**6,569**	**147,011**	**276,482**

The balances of obligations for acquisitions of properties, in regard to the financial barters subject to Total Potential Sales Value (VGV), amount to R$ 67,856 on September 30, 2016, (R$ 110,354 on December 31, 2015).

These operations are based on commitments assumed on the acquisition of land for real estate developments, upon settlement with the barterer of the land concurrently with the financial settlement by the clients of the real estate units sold and upon the transfer of financial resources, as provided for in the agreement.

Liabilities are substantially updated according to the National Civil Construction Index (INCC) or the General Market Price Index (IGP-M), with interest ranging from 6% to 12% per annum.

The amounts of obligations for acquisitions of properties of the non-current portion have the following composition by maturity:

Year	Consolidated	
	09/30/2016	12/31/2015
2017	7,634	25,427
2018	5,032	14,239
2019	4,858	13,222
2020 onwards	17,177	48,820
Total	**34,701**	**101,708**

15 Taxes payable

SRF Regulatory Instruction no. 84/1979 (Building and Sale of Real Estate) provides that for fiscal purposes the Company may defer tax payments in order to match them in proportion to income from sales made. Hence, tax payable is stated in assets or liabilities based on the difference between the profit recognized in such Quarterly information and deferred current tax (“payable”) according to the cash method.

a. Income and social contribution tax expenses

A significant majority of the SPEs chooses the taxation system based on deemed profit, where the tax basis is the income from sales, and, therefore, regardless of the financial results, the taxation rates average 3.08% of sales income.

The consolidated income and social contribution tax expenses are summarized as follow:

	09/30/2016		09/30/2015	
Corporate basis for calculation of taxes:	**IRPJ**	**CSLL**	**IRPJ**	**CSLL**
Income from real estate sales	205,962	205,962	1,716,128	1,716,128
(-) Income from real estate sale - Taxable income	(92,588)	(92,588)	(88,208)	(88,208)
(-) Income from real estate sales at RET	66,490	66,490	(1,358,037)	(1,358,037)
Income from real estate sales at deemed profit	**179,864**	**179,864**	**269,883**	**269,883**
Other income - Real estate development	37,145	37,145	61,844	61,844
Other income - Real estate development (taxable income)	11,011	11,011	(6,775)	(6,775)
(-) Other income - real estate development RET	(35,303)	(35,303)	(15,373)	(15,373)
Other income - Real estate development (deemed profit)	12,853	12,853	39,696	39,696
Presumed profit - Real estate development - IRPJ 8% - CSLL 12%	**15,417**	**23,126**	**24,766**	**37,149**
Rental/service income - taxable income	13,855	13,855	29,240	29,240
Rental/service income - deemed profits	372	372	2,833	2,833
Presumed profit - Services/Rentals - IRPJ - CSLL 32%	**119**	**119**	**907**	**907**
Deemed Profit (Merger + Services)	**15,536**	**23,245**	**25,673**	**38,056**
(+) Financial Income - Deemed income	48,287	48,287	100,087	100,087
(-) Financial income - Taxable income	(2,395)	(2,395)	(119,849)	(119,849)
(+) Other income - Deemed income	2,302	2,302	-	-
(-) Other income - Taxable income	(6,571)	(6,571)	(22,547)	(22,547)
Presumed profit tax basis	**66,125**	**73,834**	**125,760**	**138,143**
(-) Consolidated expense - Presumed profit - IRPJ/CSLL	(16,531)	(6,645)	(31,440)	(12,433)
(+) Deferred IRJP on temporary differences - Taxable income	(8,125)	(2,925)	(9,392)	(3,381)
(-) Consolidated expense - RET	393	206	(17,305)	(9,065)
Companies Taxed under the Presumed + Taxable Profit Methods	**(24,263)**	**(9,364)**	**(58,137)**	**(24,879)**
(+) Other	(751)	(2,581)	3,532	(2,397)
Expense no Income (loss)	**(25,014)**	**(11,945)**	**(54,605)**	**(27,276)**

	09/30/2016		09/30/2015	
Breakdown of expense	**IRPJ**	**CSLL**	**IRPJ**	**CSLL**
Current	(43,143)	(21,536)	(79,090)	(39,719)
Deferred	18,129	9,591	24,485	12,443
Expense no Income (loss)	**(25,014)**	**(11,945)**	**(54,605)**	**(27,276)**

Taxes (Income and social contribution taxes)	**09/30/2016**	**09/30/2015**
Current	(64,679)	(118,809)
Deferred	27,720	36,928
	(36,959)	**(81,881)**

Certain investees of the Group (PDG) shall discharge their income and social contribution taxes by means of the taxable income system. In the periods ended September 30, 2016 and 2015, the calculation under the Taxable Income method did not generate Income tax and social contribution expenses to the Company.

b. Deferred tax assets and liabilities

Deferred tax assets and liabilities from income tax, social contribution, PIS and Cofins are recorded in order to reflect the tax effects arising from temporary differences between the tax base, which defines cash method taxation (SRF Regulatory Instruction no. 84/1979) and the actual appropriation of real property tax, note 2.8b.

Breakdown of deferred tax assets

	Consolidated	
Tax	**09/30/2016**	**12/31/2015**
IRPJ and CSLL	2,064	1,206
PIS and COFINS	2,492	1,251
Total	**4,556**	**2,457**

Breakdown of deferred tax liabilities

	Consolidated	
	09/30/2016	**12/31/2015**
Deferred income tax liabilities	55,837	107,366
Deferred social contribution tax liability	28,267	51,300
Total	**84,104**	**158,666**

Considering the current context of the Parent Company's operations, substantially related to the holding of interest in other companies, tax credits were not recognized on the totality of the accumulated balance of tax losses and social contribution tax loss carryforwards, as well as on the balance of temporarily nondeductible expenses upon calculation of the taxable income.

As of September 30, 2016, the balance of accumulated tax losses for income tax and negative basis for social contributions on net income of the Company is R$ 3,355,182 (R$ 2,601,253 on December 31, 2015).

The balances of deferred tax liabilities are recorded for accounting purposes as follows:

	Parent company		Consolidated	
Tax	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
IRPJ and CSLL	-	-	84,104	158,666
PIS and COFINS	1,078	1,538	84,992	117,105
Total	**1,078**	**1,538**	**169,096**	**275,771**
Current portion	1,078	1,538	70,165	103,990
Non-current portion	-	-	98,931	171,781
Total	**1,078**	**1,538**	**169,096**	**275,771**

16 Operations with Real estate projects under development and Advances from clients

Refer to unrecognized income derived from contracted sales for joint ventures under construction that are not yet reflected in Quarterly information. The amounts are as follows:

	Consolidated	
	09/30/2016	**12/31/2015**
Unrecognized contracted sales (*)	702,139	721,866
Construction commitment	(518,684)	(497,225)
Total	**183,455**	**224,641**

(*) Net of taxes and adjustment to present value (AVP)

The unrecorded income amounts of the contract value of units sold are as follows:

	Consolidated	
Year	**09/30/2016**	**12/31/2015**
2016	60,902	126,683
2017	98,302	77,521
2018 onwards	24,251	20,437
Total	**183,455**	**224,641**

The result of real estate operations is recorded based on the accounting practice presented in note 2.10. Therefore, the balance of accounts receivable from the units sold and not yet concluded are reflected in part in the September 30, 2016 quarterly information, as the respective book entries reflect recognized income, net of the installments received.

The amount classified under the caption "Advances from clients", in current and non-current liabilities is as follows:

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Physical barter - recorded	-	-	100,478	93,104
Physical barter - to be recorded	2,750	2,750	70,102	107,353
Trade accounts receivable	34	34	111,059	103,698
Total	**2,784**	**2,784**	**281,639**	**304,155**
Current portion	34	34	186,511	156,641
Non-current portion	2,750	2,750	95,128	147,514
Total	**2,784**	**2,784**	**281,639**	**304,155**

17 Provisions

The Company and its subsidiaries, are parties in court and administrative proceedings of a labor, tax and civil nature, which arose from its normal course of business. The provision for contingencies of the Company is mainly formed by these subsidiaries.

The respective provision for contingencies were formed considering the assessment of a loss likelihood by legal advisors, and are recorded under "Other net operating income (expenses)."

Based on the opinion of its legal advisors, Management believes that the provision for contingencies formed is sufficient to cover any likely losses in the court proceedings and differences found in tax calculations, as described below:

	Parent company		Consolidated	
Nature - Probable loss	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Labor	12,849	374	106,891	87,026
Tax	346	42	16,854	16,502
Civil	65,590	8,782	600,200	366,834
Total	**78,785**	**9,198**	**723,945**	**470,362**
Current portion	6,561	1,499	140,205	128,735
Non-current portion	72,224	7,699	583,740	341,627
Total	**78,785**	**9,198**	**723,945**	**470,362**

Below follows a breakdown of the contingency provisions of the Company and its subsidiaries:

	Parent company			
	Labor	**Tax**	**Civil**	**Total**
Balance at 12/31/2014	**1,811**		**966**	**2,777**
Additions	43	42	9,018	9,103
Reversals	(1,480)	-	(1,202)	(2,682)
Balance at 12/31/2015	**374**	**42**	**8,782**	**9,198**
Additions	16,184	1,057	85,006	102,247
Reversals	(2,234)	(157)	(30,269)	(32,660)
Balance at 09/30/2016	**14,324**	**942**	**63,519**	**78,785**

	Consolidated			
	Labor	**Tax**	**Civil**	**Total**
Balance at 12/31/2014	**108,126**	-	**137,817**	**245,943**
Additions	42,258	16,502	318,256	377,016
Reversals	(63,358)	-	(89,239)	(152,597)
Balance at 12/31/2015	**87,026**	**16,502**	**366,834**	**470,362**
Additions	80,697	4,189	260,438	345,324
Reversals	(60,832)	(3,837)	(27,072)	(91,741)
Balance at 09/30/2016	**106,891**	**16,854**	**600,200**	**723,945**

The proceeding s with a loss likelihood and deemed “possible” by the Company’s legal advisors are comprised of:

	Parent company		Consolidated	
Nature - Possible loss	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Labor	38,335	4,144	148,476	135,694
Tax	7,173	825	72,301	43,794
Civil	56,563	82,190	540,266	610,761
Total	**102,071**	**87,159**	**761,043**	**790,249**

Civil lawsuits are mainly discussions related to consumers, involving fines on delayed delivery of real estate projects, contract rescissions, questioning on correction indices, as well as repair of construction faults.

Labor lawsuits are mainly labor complaints from outsourced companies’ former employees and, at a smaller proportion, labor complaints from the Company’s former employees. These lawsuits require, above all, payments of overtime and unhealthy work, include labor claims by former employees for unpaid sums of overtime, unhealthy and hazardous work, dangerous work and payment of social charges.

In addition to the already exposed by the Company, below is the amount of the provision for warranty, which was accounted for in accordance with the accounting practice presented in note 2.8a:

	Parent company		Consolidated	
Provision for warranty1	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Current portion	592	516	53,645	62,135
Non-current portion	-	-	61,664	67,007
Total Provision	**592**	**516**	**115,309**	**129,142**

(1)These are recorded under other provisions in the liabilities of the Company and its subsidiaries

18 Shareholders' equity

a. *Capital*

The Company's capital is represented, on September 30, 2016, and December 31, 2015, by 49,192,557 (forty-nine million, a hundred and ninety-two thousand, and five hundred and fifty-seven) registered in common shares with no par value, fully subscribed, of a total value of R$ 4,970,080.

The changes in the Company's share capital between December 31, 2014, and September 30, 2016, is presented as follows:

		Capital		
	Quantity of common shares	**Subscribed**	**Funding expenses**	**Total**
Balance at 12/31/2014	**1,323,264,223**	**4,960,080**	**(52,237)**	**4,907,843**
Capital increase	1,136,363,636	10,000	-	10,000
Subtotal	**2,459,627,859**	**4,970,080**	**(52,237)**	**4,917,843**
Reverse split of shares 50/1	49,192,557	-	-	-
Balance at 12/31/2015	**49,192,557**	**4,970,080**	**(52,237)**	**4,917,843**
Balance at 09/30/2016	**49,192,557**	**4,970,080**	**(52,237)**	**4,917,843**

A realized capital increase carried out in 2015, by private subscription, was approved by the Board of Directors' meeting of the Company on June 30, 2015, as planned at the Special Shareholders' Meeting held on April 15, 2015

The subscription totaled R$ 500,000 and of this total amount R$ 10,000 was allocated to the account of the Company's share capital and the balance of R$ 490,000, net of costs of funding of R$ 247, was allocated to the capital reserve account.

In light of the approval of the capital increase, the Board members also endorsed the issuance of subscription warrants ("Bonus") as an additional benefit to subscribers of the Company's capital increase shares, having been issued 454,545,143 (Four hundred and fifty-four million, five hundred forty-five thousand, a hundred forty-three) warrants, equivalent to 9,090,903 (nine million and ninety thousand, nine hundred and three) shares, considering the reverse share split, carried out on October 08, 2015, the ratio of a warrant for every 2.5 new shares issued.

Subscription Bonuses are up to April 06, 2018, and may be exercised at any time from the date they are issued until its expiration date under holder's criteria. The strike price of each warrant is R$ 0.75 (seventy-five cents; post reverse split it is equivalent to R$ 37.50); It should be adjusted on the occurrence of the assumptions set forth in item "h" of the Special Shareholders' Meeting held on April 15, 2015.

The Special Shareholders' Meeting of the Company held on October 8, 2015, approved the reverse split of all the Company's common shares at a ratio of 50 to 1, so that each batch of fifty shares was grouped into a single ordinary share.

As of September 30, 2016, the Company authorized a capital increase, already considering the reverse split of shares, regardless of statutory reform, by Board of Directors' decision, in issues that total, excluding increases decided by the Special Shareholders' Meeting to the limit of 30,700,000 (thirty million and seven hundred thousand) common shares (on December 31, 2014, and without a reverse split: 1,080,000,000 common shares). This limit considers all the capital increases made within the Company's authorized capital, since the Company's incorporation, including all capital increases approved by the CA. The Board of Directors' decision approving such issuances of shares will define the conditions of the issuance, establishing if the increase will be made by public or private subscription, the price, type and payment conditions.

On September 30, 2016, the total shares issued by the Board, considering the reverse split performed, was 13,421,622 (thirteen million, four hundred twenty-one thousand and six hundred twenty-two) common shares.

b. Income (loss) per share

The tables that follow reconcile losses and the weighted average of shares outstanding with the sums used to calculate basic and diluted loss per share in the parent company's and consolidated figures:

	09/30/2016	09/30/2015
Basic loss per share		
Net loss for the period available for common shares	(2,868,026)	(795,444)
Outstanding average weighted common shares	49,192	2,005,344
Loss per share (in R$) - basic	**(58.30269)**	**(0.39666)**
Loss per share with 2015 shares grouped for comparison purposes	**(58.30269)**	**(19.83305)**
Diluted loss per share		
Net loss for the period available for common shares	(2,868,026)	(795,444)
Outstanding average weighted common shares	49,192	2,005,344
Loss per share (in R$) - diluted	**(58.30269)**	**(0.39666)**
Loss per share with 2015 shares grouped for comparison purposes	**(58.30269)**	**(19.83305)**

The potential increase of common shares due to the capital increase by conversion of debentures or stock options was not considered against the loss of the period.

19 Financial instruments

a. Financial instruments' analysis

The Company and its subsidiaries are party to transactions involving financial instruments for the purpose of financing its activities or investing its available funds.

The key financial instruments commonly employed by the Company and its subsidiaries are those found under "Cash and cash equivalents" and "Loans and financing", "Debentures payable" to fund joint ventures under construction, working capital loans, all under normal market conditions. All of these instruments are recognized under the criteria described in Note 2.4.

The Company restricts its exposure to credit risks associated with banks and short-term investments, by placing investments in first-class financial institutions on high-yield short-term papers. As to accounts receivable, the Company restricts its exposure to credit risks by means of sales to a broad range of clients and the ongoing performance of credit analyses.

As of September 30, 2016, there was no significant concentration of credit risk associated with clients.

The management of these risks is performed through the definition of conservative strategies aiming at liquidity, profitability and safety. The control policy consists of ongoing monitoring of contracted rates against market rates.

Financial instruments category is shown as follows:

	Parent company		Consolidated		Rating
	09/30/2016	**31/12/ 20l5**	**09/30/2016**	**31/12/ 20l5**	
Financial assets					
Cash and cash equivalents	10,645	17,488	234,598	604,093	*Fair value through profit or loss*
Accounts receivable	69,249	94,741	3,440,600	5,491,307	Receivables and loans
Loans receivable	-	41,194	80,352	77,673	Receivables and loans
Current account with partners in joint ventures	-	-	126,037	185,975	Receivables and loans
Advance for future capital increase (AFAC)	-	1,918,327	-	-	Receivables and loans
Credit receivables purchased	-	155,775	-	-	Receivables and loans
Total financial assets	**79,894**	**2,227,525**	**3,881,587**	**6,359,048**	
Financial liabilities					
Suppliers	27,238	23,964	325,402	230,490	Financial liabilities
Accounts payable for acquisition of real property	4,391	6,569	207,438	276,482	Financial liabilities
Debentures payable	1,796,738	889,151	1,473,029	956,840	Financial liabilities
Debentures payable (8th issuance) (Note 19.b)	-	1,989	-	1,989	*Fair value through profit or loss*
Loans and financing	477,778	951,008	1,578,192	2,659,320	Financial liabilities
Liabilities from CCB/CCI issuance	1,099,922	2,062,594	1,285,050	2,505,369	Financial liabilities
Co-obligation in the assignment of receivables	-	-	24,717	31,460	Financial liabilities
Accounts payable for acquisition of ownership interest	388,260	-	-		Financial liabilities
Loans payable	-	-	7,662	7,802	Financial liabilities
Current account with partners in joint ventures	-	-	5,154	9,135	Financial liabilities
Other liabilities	875,011	611,218	518,936	423,615	Financial liabilities
Total financial liabilities	**4,669,338**	**4,546,493**	**5,425,580**	**7,102,502**	

b. *Fair value of assets and liabilities*

The financial instruments’ book values, consisting substantially in short-term investments and loans, are shown in the September 30, 2016 and December 31, 2015 quarterly information as sums that are close to market values, considering similar transactions.

In September 2012, the Company performed the 8th issuance of convertible debentures with maturity on September 17, 2016. Debentures were capitalized through Vinci Partners, are convertible into shares and may be traded in active market.

On September 16, 2016, the Company settled this emission at fair value, which on that date amounted to R$1,989.

c. *Considerations on financial instruments' risks*

Interest rate risk

The Company is exposed to floating interest rates, substantially: The variations of the CDI rate that are remunerated as financial Investments in Bank Deposit Certificates and Repurchase Agreement Backed Debentures denominated in Reais (R$); and interest on loans receivable contracted to IGPM +12% to 18% p.a. and CDI +2% to 3% p.a. The Company is also exposed to interest on bank loans contracted between CDI +1.35% p.a. and 5.83% p.a. and TR +11.02% p.a., loans contracted with the National Housing System (SNH) between TR +8.3% p.a. and 12% p.a. and interest on the Debentures issued at CDI +0.9% p.a. and TR +8.75% p.a.

Sensitivity analysis

As provided in CVM Instruction no. 475 dated December 17, 2008, the Company and its subsidiaries should submit a sensitivity analysis for each type of market risk arising from financial instruments and considered relevant by Management, to which the entity is exposed on the closing date of each fiscal period.

Most of the Company's costs and all the portfolio of receivables from uncompleted projects is adjusted for inflation based on the National Civil Construction Index (INCC).

In order to verify the sensitivity of the index in the financial investments to which the Company is exposed on the base date September 30, 2016, 3 different scenarios were defined. Based on the values of CDI in effect on September 30, 2016 and defined as a probable scenario, as of which scenarios with devaluation of 25% (Scenario II) and 50% (Scenario III).

The "gross financial income" was calculated for each scenario, not taking into account the incidence of taxes on investment yields. The base date used in the portfolio was September 30, 2016, with a one-year projection and checking the sensitivity of the CDI in each scenario.

		Probable scenario		
Operation	**CDI (Interbank Deposit Certificate) risk on balance at 09/30/2016**	**I**	**II**	**III**
Investment funds - fixed income	9,291	14%	11%	7%
Projected income		1,313	985	656
Bank deposit certificates	70,922	14%	11%	7%
Projected income		10,021	7,516	5,011
Resale commitments and immediate liquidity operations	66,126	14%	11%	7%
Projected income		9,343	7,008	4,672
Total projected income		**20,677**	**15,509**	**10,339**

In order to verity the sensitivity of the index in the debts to which the Company is exposed on the base date September 30, 2016, 03 different scenarios were defined.

Based on the values of TR and CDI in effect on September 30, 2016, a likely scenario was defined for the next 12 months, on which basis changes from 25% to 50% on CDI and TR.

				Scenario	
Operation	**Risk**	**Risk on balance on 09/30/2016**	**Probable I**	**Scenario 25%**	**Scenario 50%**
Loans and financing					
Rate subject to variation	CDI	3,902,773	528,227	660,283	792,340
Rate subject to variation	TR	1,187,515	62,162	77,702	93,243
Projected financial charges			**590,389**	**737,985**	**885,583**
Debentures					
Rate/index subject to variations	CDI	1,182,094	164,881	211,242	253,490
Balance of debentures	TR	140,847	1,847	2,309	2,771
Projected financial charges			**166,728**	**213,551**	**256,261**

Capital management

Management of capital is intended to preserve funds in hand to meet the needs for covering liabilities, pursuant to the Company's business plan.

The Company manages capital through leverage ratios, which is net debt, minus debt to production support, divided by consolidated equity. The Company includes in the net debt the loans and financing except for those destined to the financing/support to production, granted under SFH conditions, less cash and cash equivalents and interest earning bank deposits. The following table shows the total of Company's consolidated equity, also debts contracted in the period ended September 30, 2016 and December 31, 2015, giving examples of its own capital structure and obtained from third parties:

	09/30/2016	12/31/2015
Gross debt		
. Debt of Housing Financial System - SFH	1,153,543	1,660,077
. Other corporate debts	424,649	999,243
Total loans and financing	**1,578,192**	**2,659,320**
Debentures payable	1,526,897	958,829
Bank Credit Bills (CCBs) and co-obligations	2,301,088	2,536,829
Total gross debt	**5,406,177**	**6,154,978**
(-) Cash and cash equivalents and interest earning bank deposits	(234,598)	(604,093)
Net debt	**5,171,579**	**5,550,885**
(-) SHF debt	(1,153,543)	(1,660,077)
(-) CCB debt - Support to production *	(573,960)	(783,089)
(-) Debentures debt payable - Support to production *	(140,652)	(275,813)
Net debt less debt with support to production	**3,303,424**	**2,831,906**
Total consolidated shareholders' equity (PL)	**(838,446)**	**2,384,565**
Debt (without SFH and Support to production) / Shareholders' equity	-394.0%	118.8%

*They are under the same agreement conditions of SFH (Housing Finance System):

a) Derived from credit lines obtained from the Government Severance Indemnity Fund (FGTS) and/or savings account;
b) Destined for real estate financing (residential or commercial real estate development);
c) Remunerated by reference interest rate variation + maximum interest rate of 12% per annum

Liquidity risk

The Company manages liquidity risk by planning cash flow and monthly reviewing its projects in accordance with realized flows, always seeking to increase accuracy and revalidation of flows. We give priority to funds from SBPE and SFH financing to production as they permit better matching between maturities of assets and liabilities and, also, funds originated from portfolio transfer to banks are used by them to amortize this debt. Historically and in recent past, the Company has obtained full success in matching asset and liability maturities.

In addition, we have corporate debts issued as debentures, CCB's and CRI's, primarily held by the largest Brazilian banks, with irrelevant participation of distribution channels in capital markets. The Company's focus is on new fund raising with more attractive terms and costs and on anticipated roll-over of transactions coming due so as to adequate cash flow from the Company's financial activities in the short term. Long-term relationship, its size and interest in real estate development industry in Brazil has resulted in great success. Finally, projections of operating cash generation from 2014 onwards have strengthened these efforts.

Foreign exchange risk

As of September 30, 2016, the Company had no debts or amounts receivable denominated in foreign currency. Moreover, none of the Company's relevant costs are in foreign currency.

Credit risk

Credit risk is the risk of a business counterpart not complying with obligations provided in a financial instrument or contract with the client, resulting in financial loss.
Financial instruments which may potentially subject the Company to credit risk concentration are mainly comprised by bank balances, interest earning bank deposits substantially in government bonds and trade accounts receivable.
The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, foreign exchange transactions and other financial instruments. In order to mitigate such risks, the Group (PDG) adopts a conservative management by investing short-term

funds with day-to-day liquidity and post -fixed rates in first-class banks, bearing in mind ratings by the key risk agencies and respecting prudential concentration limits.

The balance of accounts receivable is spread out over a number of clients, with tangible guarantees consisting in the respective properties.

20 Business Risk Management

a. *Implementation of the risk control system*

In order to manage the risk control system effectively, the Company has operational control of all joint ventures in its portfolio, which allows, for example, accelerate unit sales to reduce their risk exposure in relation to certain projects.

Such acceleration usually occurs by reducing the selling price, changing the media vehicles used, etc.

b. *Risk control system*

Risk control system includes an individual risk analysis for each joint venture and an investment portfolio risk analysis. Potential losses are calculated in stress scenario for each individual joint venture and for the portfolio as a whole, as well as the maximum cash exposure required by the portfolio.

c. *Loss risk control*

Risk for a new Company joint venture is calculated bearing in mind what could be the loss should the latter decide to wind up the investment under extreme conditions. To this end a winding up price is defined, which may be estimated only in markets in which price formation is consistent, this consistency being defined as demand sensitivity to changes in price. The maximum loss expected in each project is calculated and a portion of own capital is allocated to support this risk.

The Company’s total risk consists in the sum of each project's individual risks. After being launched, the joint venture’s risk is reduced in proportion to the sale of units. The Company seeks maximum efficiency for its capital and believes that this efficiency is obtained when the sum of the risks in individual projects is close to the total of its available capital.

d. *Control over maximum cash exposure*

The risk control system monitors future cash needs in order to undertake the programmed joint ventures in the Company’s portfolio, based on each development project’s economic feasibility study as well as on the need for individual cash flows regarding the projected cash flow for the portfolio as a whole. The cash flow projection assists in defining funding strategies and decision making with regard to which joint ventures to include in the portfolio.

e. *Operation in a liquid market*

Through its market knowledge and with the assistance of partners, the Company is able to define the need for new joint ventures in different regions, as well as the income bracket of targeted potential purchasers. It concentrates projects in accordance with each geographical location’s liquidity, i.e.: the potential displayed by each region in absorbing a certain number of properties and in responding to price changes.

The Company does not intend to act in markets in which there are no data available and in which there are no partners with specific expertise on such markets. Hence it believes that investment risks will be reduced, by acting in liquid regions with known market data and in association with local partners.

f. *Operating risks*

The operating risk management aims at monitoring: (i) of the construction agreement, in relation to the maximum guaranteed cost of the work; (ii) construction, with the Company retaining specialized companies to inspect the provision of services by the contracted builders (quality and the physical-financial schedule of the construction); (iii) of the financial and accounting audits carried out by the main independent audit firms; (iv) the legal documentation and risks; and (v) of the credit risk of the buyers of units through the active management of the receivables of the joint ventures.

21 Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks for amounts that the Management considers to be sufficient to cover eventual casualties, considering the nature of its activity. The policies in force and the premiums were dully paid. The Company considers that it has an adequate management program with the objective of limiting risk and searching the market for a coverage compatible with its size and operations.

Insurance coverage in amounts for September 30, 2016 is as follows:

Items	Type of coverage	Insured amount
Construction insurance (Engineering and Civil Liability Risk)	Covers property and bodily damages involuntarily caused to third parties resulting from the execution of work, facilities and setting up at the site purpose of insurance; indirect damages caused by possible project errors; and extraordinary expenses such as clearing away of debris, disturbances, strikes etc.	1,649,093
Guarantee of delivery of real estate property insurance	Ensures the delivery of properties to conditional buyers	146
Corporate	Material damage caused by electrical damages, fire, windstorm, riots, assuring the loss of rental income	27,202
D&O	Management's civil liability	100,000
		1,776,441

22 Share-based payment

a. *Stock option plan*

On January 9, 2007, the Board of Directors of the Company established the stock option plan through an Option Contact. Options may be exercised in four equal batches, the term for exercising the first batch starting in January 2011 and the last batch in January 2016.
On September 30, 2016, the Company has no outstanding options for this plan, and the deadline for exercising the option expired and the options were canceled (December 31, 2015: 7,500 options after considering the reverse stock split that took place on October 08, 2015, in the ratio of 50 to 1 share on the 375,000 options of the shares at that date).

b. *Long-term incentive plan*

During the Special Shareholders' Meeting, was approved the Company's Long-Term Incentive Plan, under the Type of Call Option of Shares, whose purposes are as follows:

i. providing incentive for the expansion, success and achievement of the Company's social goals;

ii. to align the interests of the Company's shareholders to the interests of the eligible people; and
iii. to enable the Company or other companies under its control to attract and maintain the eligible people linked to it (them).

The eligible beneficiaries under the type of call option of shares are the administrators and employees of the Company or of other companies under its control, as long as approved by the Company's Board of Directors.

The Company's CA, when considered convenient, will approve the granting of options, electing the beneficiaries to which the options will be granted under the terms of the plan, fixing the strike price of the options and their payment conditions, establishing the terms and conditions of the exercise of the options and imposing any other conditions related to these options.

These options may be exercised as long as the respective beneficiaries remain continuously linked as administrator or employee of the Company or of any other company under its control, for the period between the granting date and its anniversary.

The Options not exercised within the terms and conditions established will be considered automatically extinguished, with no right to indemnity, observing the maximum period of validity of the options, which will be of 6 (six) years from the granting date.

The total shares that may be acquired under the plan will not exceed 8% (eight percent) of the shares representative of the Company's total capital (including the shares issued as result of the exercise of options based on this plan), as long as the total number of shares issued or which may be issued under the terms of the plan is always within the limit of the Company's authorized capital.

The strike price to be paid by the option holders will be deduced by dividends and interests on own capital per share paid by the Company between granting date and the option exercise date.

The fair value of stock options is presented by using option pricing model of Black & Scholes, thus assuming the payment of dividends as per assumptions presented in the following table:

A summary of the main characteristics of Company's stock option, corresponding to this plan on September 30, 2016, is as follows.

	ILP - Realized stock options		
Characteristics of the issuances:	**1st issue**	**2nd issuance**	**3rd issuance**
Grant date	12/19/2013	12/19/2014	11/04/2015
Final year-end deadline	12/19/2018	12/19/2019	11/04/2018
Issued stock options [1]	1,874,639	484,130	2,589,082
Options canceled up to September 30, 2016:	(1,525,192)	(235,149)	-
Strike price [2]	91.00	53.00	2.48
Dividends	7.4%	6.5%	0.0%
Volatility	29.9%	25.1%	24.2%
Risk-free interest rate	11.6%	12.7%	13.8%
Maturity (in years)	5	5	3
% for exercise of the Options:			
. On the 1st stock option anniversary	-	-	33%
. On the 2nd stock option anniversary	20%	20%	33%
. On the 3rd stock option anniversary	20%	20%	33%
. On the 4th stock option anniversary	30%	30%	-
. On the 5th stock option anniversary	30%	30%	-
[1] Issued stock options:	**1st issue**	**2nd issuance**	**3rd issuance**
before grouping on October 8, 2015:	93,731,953	24,206,480	-
Grouped balance 50 shares to 1:	1,874,639	484,130	2,589,082
before grouping on October 8, 2015:	1.82	1.06	-
[2] Equivalent in grouping 50x1	91.00	53.00	2.48

Here follows the movement of the stock options of the Company's shares and the dilution percentage of current beneficiaries in the event of full exercise of the options granted:

	ILP - Issued stock options balance				Total outstanding shares	% Calculated dilution [1]
	1st issue	**2nd issuance**	**3rd issuance**	**Total**		
Balance to be exercised as of December 31, 2013	**93,731,953**	-	-	**93,731,953**	**1,339,547,923**	**7.00%**
Issued stock options	-	24,206,480	-	24,206,480		
Canceled	(6,188,122)	-	-	(6,188,122)		
Balance to be exercised as of December 31, 2014	**87,543,831**	**24,206,480**	-	**111,750,311**	**1,323,264,223**	**8.45%**
Canceled	(66,249,387)	(8,954,578)	-	(75,203,965)		
	21,294,444	**15,251,902**	-	**36,546,346**	**2,459,627,859**	**1.49%**
Balance after Grouping of shares 50/1	425,889	305,038	-	730,927	49,192,557	
Issued stock options	-	-	2,589,082	2,589,082		
Balance to be exercised as of December 31, 2015	**425,889**	**305,038**	**2,589,082**	**3,320,009**	**49,192,557**	**6.75%**
Canceled	(76,442)	(56,057)	-	(132,499)		
Balance to be exercised on 09/30/2016	**349,447**	**248,981**	**2,589,082**	**3,187,510**	**49,192,557**	**6.48%**

[1] Number of stock options to be exercised + outstanding shares on total outstanding shares

Until the settlement of the plan in 2019, the total amount of expense for stock options, considering cancellations occurring due employees leaving, will be R$ 16,150 (December 31, 2015: R$ 16,793), calculated using the Black & Scholes method, bearing in mind the exercise period, volatility based on the background of Company shares, the risk-free rate and dividend payout proposal.

As provided in CPC 10 - Share-Based Payments, approved under CVM Resolution no. 564/08, the premium for these shares was found on the date of their granting and was acknowledged as an expense against shareholders' equity, during the grace period and as the services are provided.

During the period ended September 30, 2016, accumulated an expense appropriation, at the Company's result, in the amount of R$ 1,090 (R$ 962 as of September 30, 2015).

The balances to be recognized in the Company's income are as follows:

ILP - Total expenses with stock option issuances

Year	Gross amount	Recognized	Unrecognized	Residual
Ref. 1st issuance:				
2013	38,772	(385)	-	38,387
2014	-	(11,172)	-	27,215
2015	(27,215)	-	-	-
	11,557	**(11,557)**	-	
Ref. 2nd issuance:				
2014	4,352	(44)	-	4,308
2015	(853)	(1,283)	-	2,172
2016	(643)	(444)	(89)	996
2017	-	-	(475)	521
2018	-	-	(353)	168
2019	-	-	(168)	-
	2,856	**(1,771)**	**(1,085)**	
Ref. 3rd issuance:				
2015	1,737	(147)	-	1,590
2016	-	(646)	(216)	728
2017	-	-	(508)	220
2018	-	-	(220)	-
	1,737	**(793)**	**(944)**	
Balance at 09/30/2016	**16,150**	**(14,121)**	**(305)**	**1,724**
Balance at 12/31/2015	**16,793**	**(13,031)**	**-**	**3,762**
Balance at 12/31/2014	**43,124**	**(11,601)**	**-**	**31,523**

[1] Amount determined upon cancellation of stock options due to termination of employees

23 Segment information

The Company reviews the type of valuation of its business and understands that its business units do not mean different segments, but subdivisions of the real estate segment. Accordingly, not presenting information by segment.

24 Net operating income

Below follows a breakdown of the Company's net operating income in the periods ended September 30, 2016 and 2015:

	Parent company				Consolidated			
	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015
Real estate sales	4,202	12,021	11,111	26,418	(55,565)	205,962	562,617	1,716,128
Other operating income	910	3,341	450	464	(1,323)	51,372	25,506	93,917
(-) Deductions from income	(491)	(2,287)	(716)	(1,370)	(27,366)	(81,969)	(36,883)	(115,954)
Net operating income	**4,621**	**13,075**	**10,845**	**25,512**	**(84,254)**	**175,365**	**551,240**	**1,694,091**

25 Costs of units sold

Below follows a breakdown of the Company's properties sold in the periods ended September 30, 2016 and September 30, 2015:

	Parent company				Consolidated			
	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015
Costs of units sold	(1,381)	(8,026)	(4,565)	(11,136)	(314,404)	(601,372)	(508,783)	(1,388,557)
Capitalized charges	(1,459)	(2,128)	(140)	(1,285)	(11,606)	(57,329)	(34,269)	(130,445)
Cost of properties sold	**(2,840)**	**(10,154)**	**(4,705)**	**(12,421)**	**(326,010)**	**(658,701)**	**(543,052)**	**(1,519,002)**

26 Financial income (loss)

	Parent company				Consolidated			
	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015
Financial income								
Yield from interest earning bank deposits	2,619	3,821	(547)	22,682	8,128	28,393	22,627	74,463
Fair value of debentures	-	-	-	1,989	-	-	-	1,989
Monetary restatement, interest and fines	4,883	9,642	2,130	38,526	18,800	56,870	48,007	123,181
Other financial income	331	816	2,704	9,330	4,422	11,130	10,180	20,416
	7,833	**14,279**	**4,287**	**72,527**	**31,350**	**96,393**	**80,814**	**220,049**
Financial expenses								
Interest on loans	(154,067)	(475,673)	(174,392)	(441,011)	(211,180)	(657,508)	(281,704)	(779,299)
Bank expenses	(7)	(25)	(14)	(37)	(489)	(2,163)	(935)	(2,738)
Other financial expenses	(2,689)	(7,285)	(16,486)	(21,741)	(10,975)	(27,887)	(21,660)	(42,641)
Total financial expenses	**(156,763)**	**(482,983)**	**(190,892)**	**(462,789)**	**(222,644)**	**(687,558)**	**(304,299)**	**(824,678)**
Capitalized interest (note 6)	96	400	(15)	1,711	19,381	42,130	25,288	132,736
	(156,667)	**(482,583)**	**(190,907)**	**(461,078)**	**(203,263)**	**(645,428)**	**(279,011)**	**(691,942)**
Total financial income	**(148,834)**	**(468,304)**	**(186,620)**	**(388,551)**	**(171,913)**	**(549,035)**	**(198,197)**	**(471,893)**

27 Administrative expenses

	Parent company				Consolidated			
	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015
Salaries and payroll charges	(1,032)	(1,701)	(1,015)	(1,820)	(22,062)	(65,836)	(31,582)	(106,450)
Management fees	(4,626)	(21,497)	(1,836)	(4,572)	(4,626)	(21,497)	(1,836)	(4,572)
Stock options	(342)	(1,089)	1,813	(962)	(343)	(1,090)	1,813	(962)
Profit sharing	-	-	-	-	(6,000)	(17,005)	(1,500)	(6,500)
Salaries and payroll charges	**(6,000)**	**(24,287)**	**(1,038)**	**(7,354)**	**(33,031)**	**(105,428)**	**(33,105)**	**(118,484)**
Lawyers' fees and court costs	(36)	(1,313)	(1,934)	(2,743)	(129)	(5,577)	(5,953)	(13,956)
IT maintenance	(2,283)	(5,955)	(2,421)	(4,533)	(2,891)	(8,142)	(5,321)	(10,302)
Consulting	(3,337)	(6,217)	(794)	(2,806)	(4,278)	(9,585)	(3,319)	(10,026)
Other services	-	-	(213)	(238)	(1,230)	(5,028)	(2,748)	(8,307)
Rendering of services	**(5,656)**	**(13,485)**	**(5,362)**	**(10,320)**	**(8,528)**	**(28,332)**	**(17,341)**	**(42,591)**
Traveling	-	-	-	-	(798)	(1,898)	(1,318)	(3,771)
Telecommunications and Internet	(653)	(2,175)	(244)	(517)	(1,158)	(4,650)	(1,235)	(4,611)
Rental and renewal of real estates	(5)	(73)	(109)	(291)	(2,942)	(11,168)	(4,514)	(17,011)
Other expenses	(485)	(1,405)	(1,263)	(1,795)	(677)	(5,762)	(5,532)	(12,537)
Other administrative expenses	**(1,143)**	**(3,653)**	**(1,616)**	**(2,603)**	**(5,575)**	**(23,478)**	**(12,599)**	**(37,930)**
Total	**(12,799)**	**(41,425)**	**(8,016)**	**(20,277)**	**(47,134)**	**(157,238)**	**(63,045)**	**(199,005)**

28 Sales expenses

	Parent company				Consolidated			
	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015	07/01/2016-09/30/2016	01/01/2016-09/30/2016	07/01/2015-09/30/2015	01/01/2015-09/30/2015
Advertising, publicity and others	(242)	(1,360)	(82)	(1,188)	(19,985)	(56,177)	(25,177)	(70,267)
Commissions and bonuses on sales	(153)	(620)	(187)	(530)	(5,755)	(21,723)	(14,461)	(39,931)
Sales Stand	(11)	(32)	(2)	(56)	(1,806)	(5,438)	(3,928)	(12,424)
Total	**(406)**	**(2,012)**	**(271)**	**(1,774)**	**(27,546)**	**(83,338)**	**(43,566)**	**(122,622)**

29 Independent Auditors

KPMG Auditores Independentes (KPMG) was contracted by PDG Group for provision of external audit services in relation to the audit of its annual Financial Statements and reviews of its quarterly information. There are no other services provided in 2016 by KPMG for the Company.

30 Other information

The Company's bylaws establish in its chapter VIII and Article 39, as regards commercial conflicts, the following:

Controversy resolution through arbitration: the Company, its shareholders, managers and Tax Council's members are obliged to resolve through arbitration of the Market Arbitration Panel any dispute or controversy that may arise among them, related to or deriving from the application, validity, effectiveness, interpretation, violation and its effects of provisions of Law 6404/76, of these Bylaws, standards issued by the National Monetary Council, by the Brazilian Central Bank and CVM, as well as other standards applicable to capital market general operation, in addition to those included in New Market Regulations, Market Arbitration Panel Arbitration Regulations, New Market Penalty Regulations and Participation Agreement.

31 Subsequent events

On November 1, 2016, the Company communicated its shareholders and the market in general that it had entered into an agreement with HM1 Empreendimentos e Participações S.A. ("HM1") for the purpose of dissolving the partnership between the Company - through some of its subsidiaries - and HM1 in eighteen special purpose entities that were established as vehicles for the execution and management of certain real estate projects ("SPE's").

Uncrossing of said ownership interest will occur through exchange of total quotas held by the Company in fifteen SPE's ("SPEs HM1") for total quotas held by HM1 in three SPE's ("SPEs PDG"), associated to bilateral termination of the Quotaholders' Agreement.

After uncrossing, the Company will be hired and remunerated for providing real estate management services to HM1 SPE's.

This operation is part of the initiatives adopted by the Company in the context of debt restructuring process started in August 2015, and its main objectives are to reduce extended indebtedness and the Company's exposure to current and future contingencies of HM1 SPE's, as well as to allow the Company to use SPE's and the Company's assets to the benefit of such SPE's and the Company, due to dissolution of Quotaholders' Agreement.

Finally, the Company clarifies that completion of operation is subject to certain precedent conditions that are usual in transactions of this nature.

CONSOLIDATED FORM

Negociation Management and Related Persons - Art. 11 - Instruction CVM nº 358/2002

In 09/2016 the Company not conducted derivate and securities transactions, according to the CVM Nº 358/2002, article 11. Below is the company position regarding securities and derivates:

Company Name: PDG Realty S.A. Empreendimentos e Participações							
Group and related parties	**(X) Management Board**		**( ) Director**		**( ) Fiscal Council**	**( ) Technical or advisory committees**	
Inicial Balance							
Securities/Derivative	Securities Characteristiscs				Amount	% of participation	
						Same Species/Class	Total
Shares*	Ordinary				10,673,475	21.70%	21.70%
PDGRD81*	Debenture				16,412,673	8.25%	8.25%
PDGR11*	Subscription Bonus				130,396,226	28.69%	28.69%
Montly movement– discriminating each purchase or sale transaction within the month (day, quantity, price and volume)							
Securities/Derivative	Securities Characteristiscs	Intermediate	Transaction	Day	Amount	Price (R$)	Volume (R$)
				TOTAL	**0**		**R$ -**
PDGR11	Subscription Bonus			**TOTAL**	**0**		**0,00**
Final Balance							
Securities/Derivative	Securities Characteristiscs (2)				Amount	% of participation	
						Same Species/Class	Total
Shares*	Ordinary				10,673,475	21.70%	21.70%
PDGRD81*	Debenture				16,412,673	8.25%	8.25%
PDGR11*	Subscription Bonus				130,396,226	28.69%	28.69%

*** Including directly and indirectly interest in PDG.**

CONSOLIDATED FORM

Negociation Management and Related Persons - Art. 11 - Instruction CVM nº 358/2002

In 09/2016 the Company not conducted derivate and securities transactions, according to the CVM Nº 358/2002, article 11. Below is the company position regarding securities and derivates:

Company Name: PDG Realty S.A. Empreendimentos e Participações							
Group and related parties	**( ) Management Board**	**(X) Director**		**( ) Fiscal Council**		**( ) Technical or advisory committees**	
Inicial Balance							
Securities/Derivative	Securities Characteristiscs			Amount		% of participation	
						Same Species/Class	Total
Shares*	Ordinary			10		0.00%	0.00%
PDGRD81*	Debenture			0		0.00%	0.00%
PDGR11*	Subscription Bonus			0		0.00%	0.00%
Montly movement– discriminating each purchase or sale transaction within the month (day, quantity, price and volume)							
Securities/Derivative	Securities Characteristiscs	Intermediate	Transaction	Day	Amount	Price (R$)	Volume (R$)
Shares	Ordinary			**TOTAL**	-		-
PDGR11	Subscription Bonus			**TOTAL**	**0**		**0,00**
Final Balance							
Securities/Derivative	Securities Characteristiscs (2)			Amount		% of participation	
						Same Species/Class	Total
Shares*	Ordinary			10		0.00%	0.00%
PDGRD81*	Debenture			0		0.00%	0.00%
PDGR11*	Subscription Bonus			0		0.00%	0.00%

*** Including directly and indirectly interest in PDG.**

CONSOLIDATED FORM

Negociation Management and Related Persons - Art. 11 - Instruction CVM nº 358/2002

In 09/2016 the Company not conducted derivate and securities transactions, according to the CVM Nº 358/2002, article 11. Below is the company position regarding securities and derivates:

Company Name: PDG Realty S.A. Empreendimentos e Participações

Group and related parties	( ) Management Board	( ) Director	(X) Fiscal Council	( ) Technical or advisory committees

Inicial Balance

Securities/Derivative	Securities Characteristiscs	Amount	% of participation	
			Same Species/Class	Total
Shares*	Ordinary	16,663	0.03%	0.03%
PDGRD81*	Debenture	52,938	0.03%	0.03%
PDGR11*	Subscription Bonus	204,652	0.05%	0.05%

Montly movement– discriminating each purchase or sale transaction within the month (day, quantity, price and volume)

Securities/Derivative	Securities Characteristiscs	Intermediate	Transaction	Day	Amount	Price (R$)	Volume (R$)
Shares	Ordinary						
				TOTAL	**0**		**0,00**
PDGR11	Subscription Bonus						
				TOTAL	**0**		**0,00**

Final Balance

Securities/Derivative	Securities Characteristiscs (2)	Amount	% of participation	
			Same Species/Class	Total
Shares*	Ordinary	16,663	0.03%	0.03%
PDGRD81*	Debenture	52,938	0.03%	0.03%
PDGR11*	Subscription Bonus	204,652	0.05%	0.05%

*** Including directly and indirectly interest in PDG.**

Shareholders		Nº Shares
Vinci Equities Gestora de Recursos Ltda	22.38444%	11.011.480
Orbis Investment Management Limited	15.11313%	7.434.535
Vinci Capital Gestora de Recursos Ltda	11.66260%	5.737.130
Director	0.00002%	10
Others	50.83981%	25.009.402
Total number of shares issued	**100%**	**49.192.557**

Tax Council Opinion

Board of Directors’ members unanimously approved without any qualification or restriction the following opinion: “The Tax Council of PDG Realty S.A. Empreendimentos e Participações, exercising the powers conferred upon him by law, in a meeting held on November 14, 2016, analyzed Management Report and Financial Statements referring to the period ended September 30, 2016, including balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flow, statement of added value and notes. Based on conducted reviews and on clarifications provided by Management, Tax Council concluded that said management report and financial statements, in all its relevant respects, are fairly presented and in compliance with applicable laws.

Statement of the Executive Officers on the Financial Statements

DECLARATION FOR THE PURPOSE OF ARTICLE 25, §1, ITEM VI, OF CVM INSTRUCTION No. 480/09

We declare, in the capacity of officers of PDG Realty S.A. Empreendimentos e Participações, a corporation headquartered in the city of São Paulo, São Paulo State, Avenida Dr. Cardoso de Melo, n° 1.955, 10º andar, CEP 04548-005, enrolled with CNPJ/MF under no. 02.950.811/0001-89 (the “Company”), pursuant to the terms of item V of paragraph 1 of Article 25 of CVM Instruction No. 480, of December 7, 2009, that we have reviewed, discussed and agreed with the Company’s financial statements for the period ended September 30, 2016.

São Paulo, November 14, 2016.

Vladimir Kundert Ranevsky
CEO
Vice President of Finance and
Investor Relations Director

Statement of the Executive Officers on the Independent auditors' report

DECLARATION FOR THE PURPOSE OF ARTICLE 25, PARAGRAPH 1, ITEM V, OF CVM INSTRUCTION 480/09

We declare, in the capacity of officers of PDG Realty S.A. Empreendimentos e Participações, a corporation headquartered in the city of São Paulo, São Paulo State, Avenida Dr. Cardoso de Melo, n° 1.955, 10º andar, CEP 04548-005, enrolled with CNPJ/MF under no. 02.950.811/0001-89 (the “Company”), pursuant to the terms of item V of paragraph 1 of Article 25 of CVM Instruction No. 480, of December 7, 2009, that we have reviewed, discussed and agreed with the opinions expressed in the Company’s independent auditors’ report (KPMG Auditores Independentes) regarding the Company’s financial statements for the period ended September 30, 2016.

São Paulo, November 14, 2016.

Vladimir Kundert Ranevsky

CEO
Vice President of Finance and
Investor Relations Director