Portobello

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Portobello S.A.

Quarterly Information (ITR) at June 30, 2011 and Report on Review of Quarterly Information

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Report on Review of Quarterly Information

To the Board of Directors and Stockholders
Portobello S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Portobello S.A., included in the Quarterly Information (ITR) Form for the six-month period ended June 30, 2011, comprising the balance sheet and the statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Portobello S.A.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated interim statements of value added for the six-month period ended June 30, 2011, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, August 12, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" SC

Carlos Biedermann
Contador CRC 1RS029321/O-4 “S” SC

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1. General Information

Corporate name	PORTOBELLO S/A
Date of adoption of the corporate name	12/17/1998
Type	Publicly-held corporation
Previous corporate name	CERÂMICA PORTOBELLO S/A
Date of establishment	12/22/1977
Federal Corporate Taxpayers' Registration Number (CNPJ)	83.475.913/0001-91
Brazilian Securities Commission (CVM) code	1377-3
CVM registration date	1/4/1991
CVM registration status	Active
Date of effectiveness of status	1/4/1991
Home country	Brazil
Country in which the securities are held in custody	Brazil

Other countries in which the securities can be traded

Country	Date of admission

Activity sector	Civil Construction, Construction Materials and Decoration
Description of activities	Manufacture and sale of ceramic tiles
Issuer category	Category A
Date of registration in the current category	1/1/2010
Issuer status	Operating phase
Date of effectiveness of status	1/4/1991
Type of ownership control	Private
Date of last change in ownership control	12/22/1977
Date of last change of the fiscal year	12/31/2009
Month/day of the end of the fiscal year	12/31
Issuer's website on the Internet	www.portobello.com.br

Newspapers in which the issuer discloses its information

Name of newspapers in which the issuer discloses its information	State
Valor Econômico	SP
Diário Catarinense	SC
Diário Oficial do Estado	SC

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2. Address

Mail address	Rodovia BR 101 Km 163, Centro, Tijucas, SC, Brasil, CEP 88200-000, Telephone (48) 32792222, Fax (48) 32792223, E-mail dri@portobello.com.br
Headquarters' address	Rodovia BR 101 Km 163, Centro, Tijucas, SC, Brasil, CEP 88200-000, Telephone (48) 32792222, Fax (48) 32792223, E-mail dri@portobello.com.br

3. Securities

Shares

		Trading			Listing	
Market	**Managing entity**	**Beginning**	**End**	**Business segment**	**Beginning**	**End**
Stock exchange	BM&FBOVESPA	4/30/2008		New Market	4/30/2008	

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4. Auditor

Does the Issuer have an auditor?	YES
CVM code	287-9
Type of auditor	National
Name/Corporate name	PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES
Individual Taxpayers' Registration Number (CPF)/ Federal Corporate Taxpayers' Registration Number (CNPJ)	61.562.112/0014-45
Period of services	1/1/2008

Partner responsible	Period of services	CPF
Carlos Alexandre Peres	1/1/2008	116.814.068-45

5. Share Registrar

Does the Company have a service provider?	YES
Corporate name	BANCO ITAU S/A
CNPJ	60.701.190/0001-04
Period of services	11/21/1991
Service address	Rua: Boa Vista, no. 176, Centro, São Paulo, SP, Brasil, CEP 01014-000, Telephone (011) 32473138

6. Investor Relations Officer or Equivalent

Name	Cláudio Ávila da Silva
	Investor Relations Officer
CPF /CNPJ	179.169.099-87
Mail address	Rodovia BR 101 Km 163, Centro, SC, Brasil, CEP 88200-000, Telephone (48) 32792201, Fax (48) 32792223, E-mail dri@portobello.com.br
Date when the person assumed the position	7/20/2011
Date when the person left the position	

Name	Mario Augusto de Freitas Baptista
	Investor Relations Officer
CPF /CNPJ	245.668.027-87
Mail address	Rodovia BR 101 Km 163, Centro, SC, Brasil, CEP 88200-000, Telephone (48) 32792201, Fax (48) 32792223, E-mail dri@portobello.com.br
Date when the person assumed the position	5/9/2008
Date when the person left the position	7/19/2011

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Company information/Capital composition

Number of shares (thousand)	Current quarter 6/30/2011
Paid-up capital	
Common shares	159,008,924
Preferred shares	0
Total	159,008,924
Treasury Shares	
Common shares	0
Preferred shares	0
Total	0

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Parent Company Financial Statements / Balance Sheet - Assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2011	Prior year 12/31/2010
1	Total assets	601,392	603,992
1.01	Current assets	238,529	248,411
1.01.01	Cash and cash equivalents	10,731	8,719
1.01.02	Financial investments	953	1,120
1.01.02.02	Financial investments at amortized cost	953	1,120
1.01.02.02.01	Securities held to maturity	953	1,120
1.01.03	Trade receivables	99,305	95,996
1.01.03.01	Customers	99,305	95,996
1.01.04	Inventories	89,238	93,276
1.01.06	Taxes recoverable	1,819	1,362
1.01.06.01	Current taxes recoverable	1,819	1,362
1.01.06.01.01	Income tax and social contribution recoverable	445	0
1.01.06.01.02	Other current taxes recoverable	1,374	1,362
1.01.07	Prepaid expenses	275	127
1.01.08	Other current assets	36,208	47,811
1.01.08.03	Other	36,208	47,811
1.01.08.03.01	Dividends receivable	0	10,567
1.01.08.03.02	Receivables from subsidiaries	31,962	33,784
1.01.08.03.03	Advances to suppliers	2,732	1,758
1.01.08.03.04	Other	1,514	1,702
1.02	Non-current assets	362,863	355,581
1.02.01	Long-term receivables	181,995	176,007
1.02.01.03	Trade receivables	311	357
1.02.01.03.01	Customers	311	357
1.02.01.06	Deferred taxes	27,147	29,309
1.02.01.06.01	Deferred income tax and social contribution	27,147	29,309
1.02.01.08	Receivables from related parties	102,911	98,333
1.02.01.08.03	Receivables from controlling stockholders	3,607	3,666
1.02.01.08.04	Receivables from other related parties	99,304	94,667
1.02.01.09	Other non-current assets	51,626	48,008
1.02.01.09.03	Judicial deposits	8,083	8,011
1.02.01.09.04	Receivables from Eletrobrás	28,787	26,131
1.02.01.09.05	Taxes recoverable	1,762	1,455
1.02.01.09.06	Tax assets	11,173	10,590
1.02.01.09.07	Actuarial assets	1,764	1,764
1.02.01.09.08	Other	57	57
1.02.02	Investments	5,239	678
1.02.02.01	Equity investments	5,239	678
1.02.02.01.02	In subsidiaries	5,041	480
1.02.02.01.04	Other investments	198	198
1.02.03	Property, plant and equipment	174,381	177,459
1.02.04	Intangible assets	1,248	1,437

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Parent Company Financial Statements / Balance Sheet - Liabilities and Equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2011	Prior year 12/31/2010
2	Total liabilities and equity	601,392	603,992
2.01	Current liabilities	275,938	278,627
2.01.01	Social and labor obligations	18,656	14,498
2.01.02	Trade payables	76,686	86,777
2.01.03	Tax obligations	24,773	18,399
2.01.03.01	Federal tax obligations	24,773	18,399
2.01.03.01.01	Income tax and social contribution payable	0	590
2.01.03.01.02	Tax liabilities payable in installments	20,162	15,739
2.01.03.01.03	Taxes and contributions	4,611	2,070
2.01.04	Loans and financing	100,776	97,584
2.01.05	Other liabilities	22,281	21,309
2.01.05.02	Other	22,281	21,309
2.01.05.02.04	Advances from customers	14,459	14,189
2.01.05.02.05	Other	7,822	7,120
2.01.06	Provisions	32,766	40,060
2.01.06.02	Other provisions	32,766	40,060
2.01.06.02.04	Provision for loss on investments	31,824	33,738
2.01.06.02.05	Provisions for contingencies	942	6,322
2.02	Non-current liabilities	258,782	264,501
2.02.01	Loans and financing	47,104	44,434
2.02.02	Other liabilities	130,779	146,015
2.02.02.02	Other	130,779	146,015
2.02.02.02.03	Debts with related parties	0	8,484
2.02.02.02.04	Private pension plan	3,256	3,469
2.02.02.02.05	Tax liabilities payable in installments	127,352	134,062
2.02.02.02.06	Other	171	0
2.02.03	Deferred taxes	42,561	44,303
2.02.03.01	Deferred income tax and social contribution	42,561	44,303
2.02.04	Provisions	38,338	29,749
2.02.04.02	Other provisions	38,338	29,749
2.02.04.02.04	Provision for loss on investments	4,363	4,256
2.02.04.02.05	Provisions for contingencies	33,975	25,493
2.03	Equity	66,672	60,864
2.03.01	Paid-up capital	112,957	112,957
2.03.02	Capital reserves	267	267
2.03.05	Retained earnings (accumulated deficit)	-95,198	-99,661
2.03.08	Other comprehensive income	48,646	47,301

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Parent Company Financial Statements / Statement of Income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2011 to 6/30/2011	Accumulated - current year 1/1/2011 to 6/30/2011	Same quarter of prior year 4/1/2010 to 6/30/2010	Accumulated - prior year 1/1/2010 to 6/30/2010
3.01	Sales and/or services revenue	131,491	250,272	114,661	215,336
3.02	Cost of sales and/or services	-98,890	-187,471	-86,767	-162,898
3.03	Gross profit	32,601	62,801	27,894	52,438
3.04	Operating expenses/income	-24,360	-48,859	-12,043	-24,469
3.04.01	Selling expenses	-20,673	-38,624	-14,484	-26,538
3.04.02	General and administrative expenses	-3,663	-6,835	-3,139	-6,169
3.04.04	Other operating income	4,953	6,104	4,978	6,698
3.04.04.01	Other operating income	4,953	6,104	4,227	5,175
3.04.04.02	Other gains (losses), net	0	0	751	1,523
3.04.05	Other operating expenses	-6,798	-13,737	-667	-1,153
3.04.05.01	Other operating expenses	-5,267	-11,276	-667	-1,153
3.04.05.02	Other gains (losses), net	-1,531	-2,461	0	0
3.04.06	Equity in the earnings of subsidiaries	1,821	4,233	1,269	2,693
3.05	Profit before finance result and taxes	8,241	13,942	15,851	27,969
3.06	Finance result	-5,396	-9,849	-7,404	-14,628
3.06.01	Finance income	6,709	11,962	3,080	5,783
3.06.01.01	Finance income	4,643	8,906	3,035	5,783
3.06.01.02	Foreign exchange variations, net	2,066	3,056	45	0
3.06.02	Finance costs	-12,105	-21,811	-10,484	-20,411
3.06.02.01	Finance costs	-12,105	-21,811	-10,484	-20,311
3.06.02.02	Foreign exchange variations, net	0	0	0	-100
3.07	Profit before taxation	2,845	4,093	8,447	13,341
3.08	Income tax and social contribution on net income	-795	-420	-1,309	-1,454
3.08.01	Current	315	0	-933	-1,599
3.08.02	Deferred	-1,110	-420	-376	145
3.09	Profit from continuing operations	2,050	3,673	7,138	11,887
3.11	Profit for the period	2,050	3,673	7,138	11,887
3.99	Earnings per share - (Reais / share)				
3.99.01	Basic earnings per share - R$				
3.99.01.01	Common share	0.01289	0.02310	0.04489	0.07476
3.99.02	Diluted earnings per share - R$				
3.99.02.01	Common share	0.01289	0.02310	0.04489	0.07476

Parent Company Financial Statements / Statement of Comprehensive Income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2011 to 6/30/2011	Accumulated - current year 1/1/2011 to 6/30/2011	Same quarter of prior year 4/1/2010 to 6/30/2010	Accumulated - prior year 1/1/2010 to 6/30/2010
4.01	Profit for the period	2,050	3,673	7,138	11,887
4.02	Other comprehensive income (loss)	1,769	2,925	81	-135
4.02.01	Realization of revaluation reserve	395	790	395	791
4.02.02	Exchange variation of subsidiary located abroad	1,374	2,135	-314	-926
4.03	Total comprehensive income for the period	3,819	6,598	7,219	11,752

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Parent Company Financial Statements / Statement of Cash Flows - Indirect Method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2010 to 6/30/2010
6.01	Net cash provided by (used in) operating activities	-6,414	-10,261
6.01.01	Cash provided by operating activities	976	-1,633
6.01.03	Other	-7,390	-8,628
6.01.03.01	Interest paid	-6,384	-7,690
6.01.03.02	Income tax and social contribution paid	-1,006	-938
6.02	Net cash provided by (used in) investing activities	7,862	-5,142
6.02.01	Purchases of property, plant and equipment	-4,583	-8,233
6.02.02	Purchases of intangible assets	-5	-4
6.02.03	Dividends received	10,567	5,910
6.02.04	Received from related parties	1,883	-2,815
6.03	Net cash provided by financing activities	564	13,753
6.03.01	New loans and financing	63,742	148,625
6.03.02	Payments of loans and financing	-54,548	-132,324
6.03.03	Payments to related companies	-8,630	-2,548
6.05	Increase (decrease) in cash and cash equivalents	2,012	-1,650
6.05.01	Opening balance of cash and cash equivalents	8,719	7,014
6.05.02	Closing balance of cash and cash equivalents	10,731	5,364

Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2011 to 6/30/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	112,957	267	0	-99,661	47,301	60,864
03	Adjusted opening balance	112,957	267	0	-99,661	47,301	60,864
5.05	Total comprehensive income	0	0	0	4,463	1,345	5,808
5.05.01	Profit for the period	0	0	0	3,673	0	3,673
5.05.02	Other comprehensive income	0	0	0	790	1,345	2,135
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	2,135	2,135
5.07	Closing balance	112,957	267	0	-95,198	48,646	66,672

Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2010 to 6/30/2010

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	112,957	267	0	-133,622	47,575	27,177
5.03	Adjusted opening balance	112,957	267	0	-133,622	47,575	27,177
5.05	Total comprehensive income	0	0	0	12,678	-1,717	10,961
5.05.01	Profit for the period	0	0	0	11,887	0	11,887
5.05.02	Other comprehensive income (loss)	0	0	0	791	-1,717	-926
5.05.02.06	Realization of revaluation reserve	0	0	0	791	-791	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	-926	-926
5.07	Closing balance	112,957	267	0	-120,944	45,858	38,138

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Parent Company Financial Statements / Statement of Value Added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2010 to 6/30/2010
7.01	Revenue	316,492	273,703
7.01.01	Sales of products and services	311,839	266,880
7.01.02	Other income	3,952	7,034
7.01.04	Changes in the provision for doubtful trade receivables	701	-211
7.02	Inputs acquired from third parties	-174,250	-141,486
7.02.01	Cost of sales and services	-135,249	-178,190
7.02.02	Materials, energy, outsourced services and other	-39,020	36,544
7.02.03	Impairment/recovery of assets	19	160
7.03	Gross value added	142,242	132,217
7.04	Retentions	-7,850	-8,390
7.04.01	Depreciation, amortization and depletion	-7,850	-8,390
7.05	Net value added generated by the entity	134,392	123,827
7.06	Value added received through transfer	17,882	20,212
7.06.01	Equity in the earnings of subsidiaries	4,234	2,693
7.06.02	Finance income	13,648	17,519
7.07	Total value added to distribute	152,274	144,039
7.08	Distribution of value added	152,274	144,039
7.08.01	Personnel	46,707	37,784
7.08.01.01	Direct remuneration	39,905	32,319
7.08.01.02	Benefits	3,945	3,235
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	2,857	2,230
7.08.02	Taxes and contributions	72,676	61,173
7.08.02.01	Federal	37,476	31,497
7.08.02.02	State	35,029	29,611
7.08.02.03	Municipal	171	65
7.08.03	Remuneration of third party capital	29,218	33,195
7.08.03.01	Interest	25,958	31,047
7.08.03.02	Rentals	3,260	2,148
7.08.04	Remuneration of own capital	3,673	11,887
7.08.04.03	Earnings reinvested for the period	3,673	11,887

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Balance Sheet - Assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2011	Prior year 12/31/2010
1	Total assets	572,033	567,422
1.01	Current assets	216,404	214,527
1.01.01	Cash and cash equivalents	13,423	12,802
1.01.02	Financial investments	953	1,120
1.01.02.02	Financial investments at amortized cost	953	1,120
1.01.02.02.01	Securities held to maturity	953	1,120
1.01.03	Trade receivables	103,734	101,491
1.01.03.01	Customers	103,734	101,491
1.01.04	Inventories	89,268	93,745
1.01.06	Taxes recoverable	4,488	2,154
1.01.06.01	Current taxes recoverable	4,488	2,154
1.01.06.01.01	Income tax and social contribution recoverable	2,502	215
1.01.06.01.02	Other current taxes recoverable	1,986	1,939
1.01.07	Prepaid expenses	757	193
1.01.08	Other current assets	3,781	3,022
1.01.08.03	Other	3,781	3,022
1.01.08.03.01	Advances to suppliers	1,555	747
1.01.08.03.02	Other	2,226	2,275
1.02	Non-current assets	355,629	352,895
1.02.01	Long-term receivables	178,948	172,899
1.02.01.03	Trade receivables	311	357
1.02.01.03.01	Customers	311	357
1.02.01.06	Deferred taxes	27,147	29,309
1.02.01.06.01	Deferred income tax and social contribution	27,147	29,309
1.02.01.08	Receivables from related parties	99,304	94,667
1.02.01.08.04	Receivables from other related parties	99,304	94,667
1.02.01.09	Other non-current assets	52,186	48,566
1.02.01.09.03	Judicial deposits	8,120	8,043
1.02.01.09.04	Receivables from Eletrobrás	28,787	26,131
1.02.01.09.05	Taxes recoverable	1,762	1,455
1.02.01.09.06	Tax assets	11,173	10,590
1.02.01.09.07	Actuarial assets	1,764	1,764
1.02.01.09.08	Other	580	583
1.02.02	Investments	215	226
1.02.02.01	Equity investments	215	226
1.02.02.01.04	Other investments	215	226
1.02.03	Property, plant and equipment	175,122	178,226
1.02.04	Intangible assets	1,344	1,544

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Balance Sheet - Liabilities and Equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2011	Prior year 12/31/2010
2	Total liabilities and equity	572,033	567,422
2.01	Current liabilities	247,772	251,275
2.01.01	Social and labor obligations	19,945	15,334
2.01.02	Trade payables	77,252	87,689
2.01.03	Tax obligations	28,420	20,283
2.01.03.01	Federal tax obligations	28,420	20,283
2.01.03.01.01	Income tax and social contribution payable	2,265	1,049
2.01.03.01.02	Tax liabilities payable in installments	21,017	16,552
2.01.03.01.03	Taxes and contributions	5,138	2,682
2.01.04	Loans and financing	100,776	97,584
2.01.05	Other liabilities	20,412	24,040
2.01.05.02	Other	20,412	24,040
2.01.05.02.04	Advances from customers	14,764	14,659
2.01.05.02.05	Dividends payable	0	11
2.01.05.02.06	Other	5,648	9,370
2.01.06	Provisions	967	6,345
2.01.06.02	Other provisions	967	6,345
2.01.06.02.04	Provisions for contingencies	967	6,345
2.02	Non-current liabilities	257,576	255,311
2.02.01	Loans and financing	47,913	45,242
2.02.02	Other liabilities	133,120	140,267
2.02.02.02	Other	133,120	140,267
2.02.02.02.03	Private pension plan	3,256	3,469
2.02.02.02.04	Tax liabilities payable in installments	129,683	136,657
2.02.02.02.05	Other	181	141
2.02.03	Deferred taxes	42,561	44,303
2.02.03.01	Deferred income tax and social contribution	42,561	44,303
2.02.04	Provisions	33,982	25,499
2.02.04.02	Other provisions	33,982	25,499
2.02.04.02.04	Provisions for contingencies	33,982	25,499
2.03	Consolidated equity	66,685	60,836
2.03.01	Paid-up capital	112,957	112,957
2.03.02	Capital reserves	267	267
2.03.05	Retained earnings (accumulated deficit)	-95,198	-99,699
2.03.08	Other comprehensive income	48,646	47,301
2.03.09	Non-controlling interests	13	10

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Statement of Income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2011 to 6/30/2011	Accumulated - current year 1/1/2011 to 6/30/2011	Same quarter of prior year 4/1/2010 to 6/30/2010	Accumulated - prior year 1/1/2010 to 6/30/2010
3.01	Sales and/or services revenue	140,572	268,271	119,769	226,194
3.02	Cost of sales and/or services	-98,856	-187,352	-83,368	-157,868
3.03	Gross profit	41,716	80,919	36,401	68,326
3.04	Operating expenses/income	-32,351	-64,484	-18,938	-37,807
3.04.01	Selling expenses	-24,934	-46,186	-18,200	-33,351
3.04.02	General and administrative expenses	-4,805	-8,995	-4,279	-8,436
3.04.04	Other operating income	4,182	4,438	4,189	5,105
3.04.04.01	Other operating income	4,182	4,438	3,438	3,582
3.04.04.02	Other gains (losses), net	0	0	751	1,523
3.04.05	Other operating expenses	-6,794	-13,741	-648	-1,125
3.04.05.01	Other operating expenses	-5,263	-11,280	-648	-1,125
3.04.05.02	Other gains (losses), net	-1,531	-2,461	0	0
3.05	Profit before finance result and taxes	9,365	16,435	17,463	30,519
3.06	Finance result	-5,427	-9,815	-7,383	-14,541
3.06.01	Finance income	6,824	12,304	3,240	6,127
3.06.01.01	Finance income	4,758	9,248	3,195	6,127
3.06.01.02	Foreign exchange variations, net	2,066	3,056	45	0
3.06.02	Finance costs	-12,251	-22,119	-10,623	-20,668
3.06.02.01	Finance costs	-12,251	-22,119	-10,623	-20,568
3.06.02.02	Foreign exchange variations, net	0	0	0	-100
3.07	Profit before taxation	3,938	6,620	10,080	15,978
3.08	Income tax and social contribution on net income	-1,689	-2,685	-2,456	-3,559
3.08.01	Current	-579	-2,265	-2,080	-3,704
3.08.02	Deferred	-1,110	-420	-376	145
3.09	Profit from continuing operations	2,249	3,935	7,624	12,419
3.10	Loss from discontinued operations	-162	-221	-472	-492
3.10.01	Consolidated profit/loss from discontinued operations	-162	-221	-472	-492
3.11	Consolidated profit for the period	2,087	3,714	7,152	11,927
3.11.01	Attributable to stockholders of the Parent company	2,086	3,711	7,150	11,923
3.11.02	Attributable to non-controlling interests	1	3	2	4
3.99	Earnings per share - (Reais / share)				
3.99.01	Basic earnings per share - R$				
3.99.01.01	Common share	0.01312	0.02334	0.04497	0.07498
3.99.02	Diluted earnings per share - R$				
3.99.02.01	Common share	0.01414	0.02475	0.04795	0.07810

Consolidated Financial Statements / Statement of Comprehensive Income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2011 to 6/30/2011	Accumulated - current year 1/1/2011 to 6/30/2011	Same quarter of prior year 4/1/2010 to 6/30/2010	Accumulated - prior year 1/1/2010 to 6/30/2010
4.01	Consolidated profit for the period	2,087	3,714	7,152	11,927
4.02	Other comprehensive income (loss)	1,769	2,925	81	-135
4.02.01	Realization of revaluation reserve	395	790	395	791
4.02.02	Exchange variation of subsidiary located abroad	1,374	2,135	-314	-926
4.03	Consolidated comprehensive income for the period	3,856	6,639	7,233	11,792
4.03.01	Attributable to stockholders of the Parent company	3,855	6,636	7,231	11,788
4.03.02	Attributable to non-controlling interests	1	3	2	4

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Statement of Cash Flows - Indirect Method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2010 to 6/30/2010
6.01	Net cash provided by (used in) operating activities	-3,959	-10,666
6.01.01	Cash provided by operating activities	5,830	-372
6.01.03	Other	-9,789	-10,294
6.01.03.01	Interest paid	-6,401	-7,690
6.01.03.02	Income tax and social contribution paid	-3,388	-2,604
6.02	Net cash used in investing activities	-4,588	-8,401
6.02.01	Purchases of property, plant and equipment	-4,583	-8,384
6.02.02	Purchases of intangible assets	-5	-17
6.03	Net cash provided by financing activities	9,207	16,291
6.03.01	New loans and financing	63,755	148,615
6.03.02	Payments of loans and financing	-54,548	-132,324
6.04	Exchange variation on cash and cash equivalents	-39	53
6.05	Increase (decrease) in cash and cash equivalents	621	-2,723
6.05.01	Opening balance of cash and cash equivalents	12,802	8,618
6.05.02	Closing balance of cash and cash equivalents	13,423	5,895

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2011 to 6/30/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balance	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.03	Adjusted opening balance	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.05	Total comprehensive income	0	0	0	4,501	1,345	5,846	3	5,849
5.05.01	Profit for the period	0	0	0	3,711	0	3,711	3	3,714
5.05.02	Other comprehensive income	0	0	0	790	1,345	2,135	0	2,135
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0	0	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	2,135	2,135	0	2,135
5.07	Closing balance	112,957	267	0	-95,198	48,646	66,672	13	66,685

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2010 to 6/30/2010

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balance	112,957	267	0	-133,851	47,575	26,948	1	26,949
5.03	Adjusted opening balance	112,957	267	0	-133,851	47,575	26,948	1	26,949
5.05	Total comprehensive income	0	0	0	12,714	-1,717	10,997	4	11,001
5.05.01	Profit for the period	0	0	0	11,923	0	11,923	4	11,927
5.05.02	Other comprehensive loss (loss)	0	0	0	791	-1,717	-926	0	-926
5.05.02.06	Realization of revaluation reserve	0	0	0	791	-791	0	0	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	-926	-926	0	-926
5.07	Closing balance	112,957	267	0	-121,137	45,858	37,945	5	37,950

Consolidated Financial Statements / Statement of Value Added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2010 to 6/30/2010
7.01	Revenue	333,341	283,352
7.01.01	Sales of products and services	332,544	280,306
7.01.02	Other income	45	3,221
7.01.04	Changes in the provision for doubtful trade receivables	752	-175
7.02	Inputs acquired from third parties	-178,871	-139,874
7.02.01	Cost of sales and services	-134,836	-169,848
7.02.02	Materials, energy, outsourced services and other	-43,835	30,306
7.02.03	Impairment/recovery of assets	21	160
7.02.04	Other	-221	-492
7.02.04.01	Loss from discontinued operations	-221	-492
7.03	Gross value added	154,470	143,478
7.04	Retentions	-7,887	-8,625
7.04.01	Depreciation, amortization and depletion	-7,887	-8,625
7.05	Net value added generated by the entity	146,583	134,853
7.06	Value added received through transfer	13,990	17,863
7.06.02	Finance income	13,990	17,863
7.07	Total value added to distribute	160,573	152,716
7.08	Distribution of value added	160,573	152,716
7.08.01	Personnel	49,769	41,257
7.08.01.01	Direct remuneration	42,583	35,284
7.08.01.02	Benefits	4,174	3,535
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,012	2,438
7.08.02	Taxes and contributions	77,470	65,692
7.08.02.01	Federal	42,247	35,929
7.08.02.02	State	35,029	29,670
7.08.02.03	Municipal	194	93
7.08.03	Remuneration of third party capital	29,620	33,840
7.08.03.01	Interest	26,296	31,380
7.08.03.02	Rentals	3,324	2,460
7.08.04	Remuneration of own capital	3,714	11,927
7.08.04.03	Earnings reinvested in the period	3,711	11,923
7.08.04.04	Non-controlling interests in earnings reinvested	3	4

COMMENTS ON THE CONSOLIDATED PERFORMANCE IN 2Q11

Portobello S.A. (BM&FBOVESPA - code: PTBL3), leader in the ceramic tile sector in South America, listed in the traditional segment of BOVESPA from 1991 to 2008, when it was included in the New Market, presents its results of operations for the second quarter and first half of 2011 (2Q11 and 1H11). The Company's financial and operating information below is being presented on a consolidated basis and in reais, unless otherwise stated. This information is presented in accordance with accounting practices adopted in Brazil, including the Standards issued by the Brazilian Accounting Pronouncements Committee (CPCs) and the International Financial Reporting Standards (IFRS). The comparisons made in this release take into consideration the second quarter of 2010 and 2009.

2Q11 HIGHLIGHTS

- Net revenue reached R$ 141 million, 17% higher than in 2Q10;
- Sales revenue in the domestic market increased 22% when compared with 1H10, while the industry index (ABRAMAT) stood at 10%;
- Gross profit totaled R$ 42 million, a 15% increase in relation to 2Q10;
- Conclusion of the consolidation process related to the installment program introduced by Law 11941;
- Conclusion of the manufacturing reengineering program developed in this second quarter.

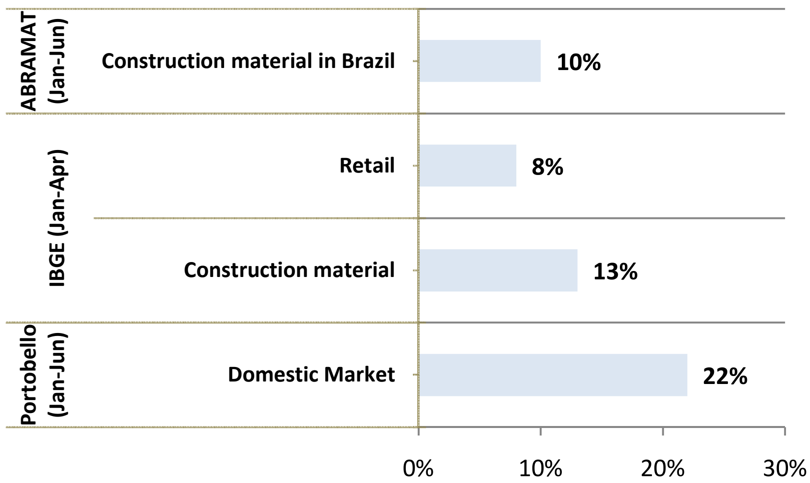
Message from Management

Portobello has taken advantage of the favorable moment of the civil construction market and, in addition to the growth both in sales volume and in revenue; it has also increased its share of the domestic market in the second quarter of 2011. In the first half of 2011, the net revenue in the domestic market presented an expressive growth of 22%, as a result of the increase in its competitiveness in the real estate market with growing operation in large civil construction companies and a significant increase in sales to its network of more than 100 franchised stores. Sales in Brazilian home centers have also grown. The focus in the domestic market and the introduction of new technologies have also boosted the sales of new products with design differential, innovation and profitability.

In spite of the market growth of approximately 10% according to the industry index (ABRAMAT), the initial expectation was an even higher growth of the construction material market, which was not confirmed in the first months of the year. With the market not so demanded in this period, the Company took the opportunity to accelerate its reengineering program with the purpose of introducing improvements in its plants, alignining its production lines to the new product mix and introducing digital printing technology, which increased its competitiveness and innovation power. This process was concluded in this last quarter. In view of this, the operating result was affected by unusual expenses related to plant adjustment. Moreover, in this second quarter the Company incurred extraordinary costs in the warehousing and logistics area, arising from bad weather that impacted the inventories with losses of materials and additional packaging, warehousing and distribution costs.

With these actions, in the six-month period the Company posted a growth of 19% in net revenue and 18% in gross profit. Profit for the six-month period, of R$ 4 million, was lower than in the same period of 2010, when the Company posted a profit of R$ 12 million as a result, as already mentioned, mainly of unusual and non-recurring expenses on plant adjustment and logistics.

Evolution of Net Revenue – 1H11/1H10



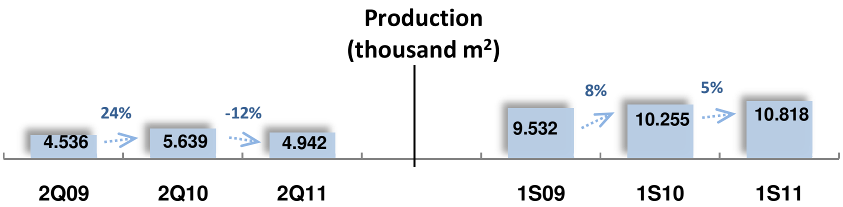
Portobello is confident on the evolution of the Company's results in 2011. The Company's performance in July, with record billings and growth of 17% in net revenue as compared to the same month of the prior year, already reflects the expectation of improved results in the second half of this year. This tendency is reinforced, in addition to the measures already taken for plant adjustment and logistics, by complementary actions such as: (i) outsourcing of the production of items with lower margin; (ii) continuity of the plans for reduction of costs and manufacturing losses; (iii) sales growth in Portobello Shop stores that present growing profitability and mix; (iv) growing limitation of export, increasingly more focused on countries and products of greater profitability; and (v) reduction of working capital, as a result of optimized inventories in the last months, resulting in gains in the Company's operating margins and net profitability.

Outlook

- Portobello expects the continuity of the strong demand for construction materials, also influenced by the exemption from Excise Tax (IPI) up to the end of 2012, as an incentive of the Government for civil construction, although lower than in 2010;
- The Company believes and has been directing its efforts to increase its market share and focus on the domestic market;
- Continuous productivity growth with consequent decreases in production costs and increase in quality. The probable inflationary pressures on the costs of inputs should be neutralized by gains in productivity that the Company expects to obtain with the administrative measures in progress and budgeted investments.
- The Company will continue working in commercial actions to reduce the need for working capital arising from inventories of work in process and finished goods;
- The Company has been developing internal actions to overcome the difficulties faced in the logistics area;
- Maintenance of the levels of products purchased from third parties for resale, including imports, in Portobello's revenue;

Production Performance

The volume produced reached 4,942 thousand m² in 2Q11, 12% lower than in 2Q10, due to the mix of products internally produced and mainly the efforts concentrated in the last months of realignment of production lines. In 1H11, production totaled 10,818 thousand m², 5% higher than in the same period of 2010.



The volume of products purchased from third parties continued growing when compared with the same period of 2010 in order to complement the product line and leverage the power of the Portobello brand. In 2Q11 the volume reached 1,069 thousand m² and in 1H11 it totaled 2,432 thousand m².

Of the total volume available for sale in 1H11, own production accounted for 82% and third-party production accounted for 18%, in the same period of the prior year they corresponded to 93% and 7%, respectively.

Sales Performance

The strong performance of sales in the periods was positively impacted by the growth of the physical sales volume in the domestic market, of 28% in the quarter and 35% in the first half. This was a result of the actions intended to reduce the foreign market share and focus on the Brazilian market. Therefore, sales in the domestic market in relation to total sales corresponded to 92%, 2 percentage points higher than in the same period of the prior year. Exports in 2Q11 decreased 8% over 2Q10 and accounted for 9% of the total sales for the quarter.

Distribution

The Company's distribution network is based on four distinct channels with specific characteristics of products, services and commercial policy:

Domestic market: The three distribution channels are:

Portobello Shop Retail – Franchises that serve the Company's customers in the retail market through franchised stores under the Portobello Shop and Empório Portobello names. With 107 stores located in 93 cities, this channel is the largest Brazilian network of stores specialized in ceramic tiles.

Muti-brand resale – Responsible for the customers who are resellers of construction material, distributing the Company's products in the retail market.

Engineering – Represented by specialized teams that serve civil construction companies and real estate development companies.

Foreign market: This is represented by sales to several countries through the Company's own teams or independent representatives. Exports in 2011 were limited to more profitable markets and decreased in percentage of total sales, in accordance with previously determined plans.

All amounts in thousands of reais unless otherwise stated

	2Q09	% NOR*	2Q10	% NOR	2Q11	% NOR	Variation % 2Q11 x 2Q10
Net operating revenue	94,309	100%	119,769	100%	140,572	100%	17%
Domestic market	84,293	89%	108,386	90%	129,276	92%	19%
Foreign market	10,016	11%	11,383	10%	11,296	8%	-1%
(-) Cost of sales	(71,251)	76%	(83,368)	70%	(98,856)	70%	19%
(=) Gross operating profit	23,058	24%	36,401	30%	41,716	30%	15%

Operating performance	1H09	% NOR	1H10	% NOR	1H11	% NOR	Variation % 1H11 x 1H10
Net operating revenue	182,733	100%	226,194	100%	268,271	100%	19%
Domestic market	164,355	90%	203,771	90%	247,813	92%	22%
Foreign market	18,378	10%	22,423	10%	20,458	8%	-9%
(-) Cost of sales	(134,295)	73%	(157,868)	70%	(187,352)	70%	19%
(=) Gross operating profit	48,438	27%	68,326	30%	80,919	30%	18%

* NOR= Net operating revenue

Economic and financial performance

Consolidated results of operations	2Q09	2Q10	2Q11	Variation % 2Q11 x 2Q10
Net operating revenue	**94,309**	**119,769**	**140,572**	**17%**
Gross operating profit	**23,058**	**36,401**	**41,716**	**15%**
Gross margin	*24%*	*30%*	*30%*	-
Operating expenses	(19,655)	(18,938)	(32,351)	71%
Selling	(13,618)	(18,200)	(24,934)	37%
General and administrative	(3,833)	(4,279)	(4,805)	12%
Other operating income (expenses), net	2,453	2,790	(1,081)	-139%
Other gains (losses), net	(4,657)	751	(1,531)	-304%
EBIT	**3,403**	**17,463**	**9,365**	**-46%**
EBIT margin	*4%*	*15%*	*7%*	*-8 p.p.*
Net finance result	(289)	(7,383)	(5,427)	-26%
Operating profit	**3,114**	**10,080**	**3,938**	**-61%**
Income tax and social contribution	243	(2,456)	(1,689)	-31%
Profit for the period from continuing operations	3,357	7,624	2,249	-71%
Profit for the period from discontinued operations *	(1,038)	(472)	(162)	-66%
Profit for the quarter	**2,319**	**7,152**	**2,087**	**-71%**
Net margin	*2%*	*6%*	*1%*	*-5 p.p.*
EBITDA (*)	**7,513**	**21,856**	**13,301**	**-39%**
EBITDA margin	*8%*	*18%*	*9%*	*-9 p.p.*

(*) The operations of the subsidiary Portobello América, Inc. were discontinued on December 31, 2010 and the data related to this discontinued operation is being presented in the statement of income for the year as one item, according to CPC/IFRS.
The comments herein follow the same classification.

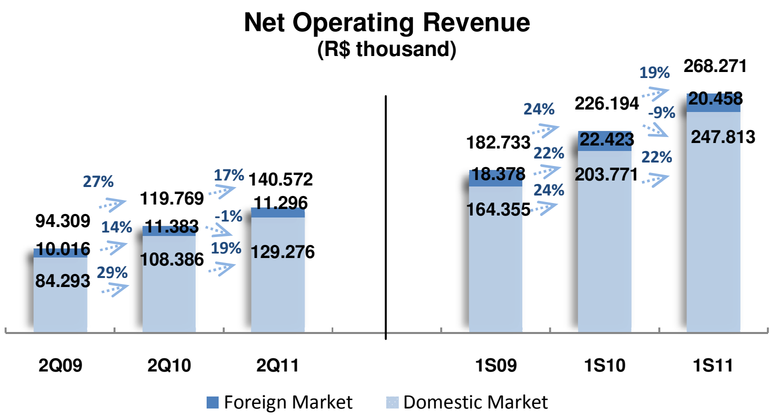
All amounts in thousands of reais unless otherwise stated

Consolidated results of operations	1H09	1H10	1H11	Variation % 1H11 x 1H10
Net operating revenue	**182,733**	**226,194**	**268,271**	**19%**
Gross operating profit	**48,438**	**68,326**	**80,919**	**18%**
Gross margin	*27%*	*30%*	*30%*	-
Operating expenses	(32,812)	(37,807)	(64,484)	71%
Selling	(26,289)	(33,351)	(46,186)	38%
General and administrative	(7,313)	(8,436)	(8,995)	7%
Other operating income (expenses), net	5,943	2,457	(6,842)	-378%
Other gains (losses), net	(5,153)	1,523	(2,461)	-262%
EBIT	**15,626**	**30,519**	**16,435**	**-46%**
EBIT margin	*9%*	*13%*	*6%*	*-7 p.p.*
Net finance result	(7,944)	(14,541)	(9,815)	-33%
Operating profit	**7,682**	**15,978**	**6,620**	**-59%**
Income tax and social contribution	(1,469)	(3,559)	(2,685)	-25%
Profit for the period from continuing operations	6,213	12,419	3,935	-68%
Profit for the period from discontinued operations *	(2,631)	(492)	(221)	-55%
Profit for the quarter	**3,582**	**11,927**	**3,714**	**-69%**
Net margin	*2%*	*5%*	*1%*	*-4 p.p.*
EBITDA (*)	**23,734**	**39,144**	**24,322**	**-38%**
EBITDA margin	*13%*	*17%*	*9%*	*-8 p.p.*

(*) The operations of the subsidiary Portobello América, Inc. were discontinued on December 31, 2010 and the data related to this discontinued operation is being presented in the statement of income for the year as one item, according to CPC/IFRS.
The comments herein follow the same classification.

Net Revenue

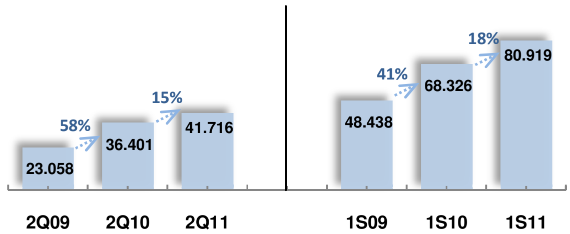
Net revenue grew 17% in 2Q11 when compared with the same period of the prior year, reaching R$ 141 million. In the accumulated for the year, revenue reached R$ 268 million, 19% higher than in 1H10, 92% of which obtained in the domestic market. The increase of 22% in the domestic market was equally shared by the Engineering, Multi-brand Resale and Portobello Shop channels.



Gross Profit

Gross profit reached R$ 42 million in 2Q11, 15% over 2Q10, impacted by the increase in sales volume. In 1H11, gross profit totaled R$ 81 million, with a growth of 18% over the same period of the prior year.

Gross Profit (R$ millions)

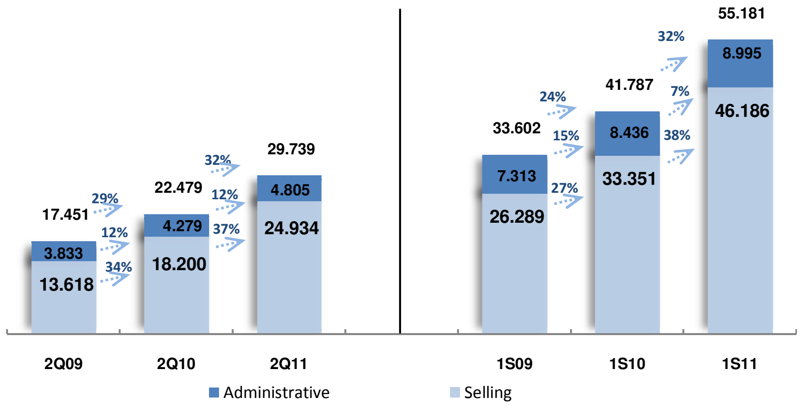


Operating Expenses

Selling expenses totaled R$ 25 million in 2Q11, corresponding to an increase of 37% as compared with the same period of 2010 as a result of: (i) greater sales volume; (ii) increase in sales force; (iii) lauch of new products; (iv) marketing actions to support the sales growth and (v) increase in logistics expenses. Logistics expenses were the main drivers of the growth in selling expenses and considered the recovery of materials, packaging and general expenses caused by rains, notably in May 2011, as well as expenses on physical reallocation of inventories and extraordinary distribution costs. Corrective and preventive actions implemented tend to gradually reduce the operating expense in this area.

Administrative expenses totaled R$ 5 million in the quarter and increased 12% when compared with the quarter ended June 30, 2010, but remained below the operating growth, generating gain in operating efficiency.

Selling and Administrative Expenses



Other operating income (expenses), net: As in this second quarter the Company did not operate at its normal production capacity due to the manufacturing reengineering in its production lines, R$ 3.6 million was recognized for the fixed costs related to the idle part, directly in profit for the period, under this caption. Still in this quarter, the provision for contingencies increased by approximately R$ 1.0 million, related to court decisions on civil and labor claims, and R$ 3.6 million was recognized in other operating income, related to additional benefits of the option for the installment program of Law 11941/09, for which the debts were finally consolidated on June 30, 2011, decreasing other net operating expenses (see note 25 of the Interim Financial Statements at June 30, 2011).

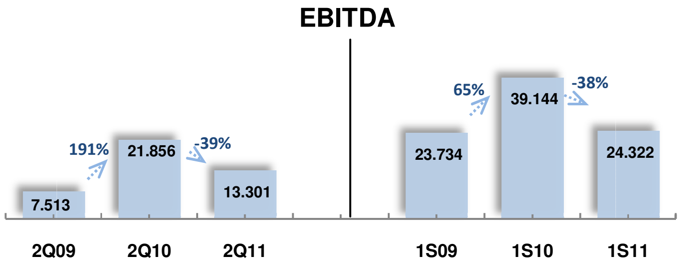
All amounts in thousands of reais unless otherwise stated

Other gains (losses), net: With the appreciation of the real, the Company recognized in 2Q11 an exchange loss equivalent to R$ 1.8 million on trade receivables.

Operating profit before finance result (EBIT) reached R$ 9 million and R$ 16 million, respectively, in 2Q11 and 1Q11, that is, a drop of 46% in relation to the same period of the prior year. The ratio of EBIT to net revenue presented a margin of 7% in 2Q11, 8 percentage points below the ratio in the same period of the prior year, of 15%, and reflects the lower dilution of fixed costs, in view of the realignment of production lines, increase in logistics expenses and other operating expenses mentioned above.

EBITDA

EBITDA, earnings before interest, taxes, depreciation and amortization, profit attributable to non-controlling interests and loss for the period from discontinued operations totaled R$ 13 million in 2Q11 and R$ 24 million in 1H11.



EBITDA	2Q09	2Q10	2Q11	Variation % 2Q11 x 2Q10
Profit attributable to the Company's stockholders	2,318	7,150	2,086	-71%
Net finance income (costs)	289	7,383	5,427	-26%
Depreciation, amortization and depletion	4,110	4,393	3,936	-10%
Income tax and social contribution	(243)	2,456	1,689	-31%
Profit attributable to non-controlling interests	1	2	1	-50%
Loss for the period from discontinued operations	1,038	472	162	-66%
(=) EBITDA from continuing operations (*)	7,513	21,856	13,301	-39%
% of net revenues	8%	18%	9%	-9 p.p.

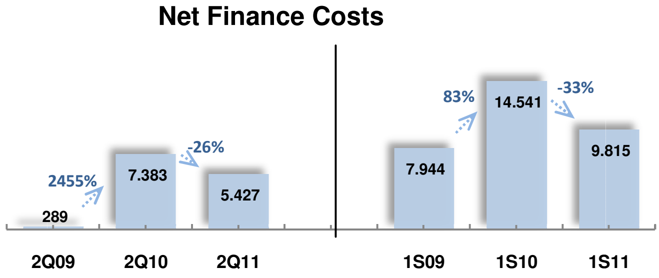
(*) According to CPC/IFRS, discontinued operations are not part of the operating profit (loss).

EBITDA	1H09	1H10	1H11	Variation % 1H11 x 1H10
Profit attributable to the Company's stockholders	3,580	11,923	3,711	-69%
Net finance income (costs)	7,944	14,541	9,815	-33%
Depreciation, amortization and depletion	8,108	8,625	7,887	-9%
Income tax and social contribution	1,469	3,559	2,685	-25%
Profit attributable to non-controlling interests	2	4	3	-25%
Loss for the period from discontinued operations	2,631	492	221	-55%
(=) EBITDA from continuing operations (*)	23,734	39,144	24,322	-38%
% of net revenue	13%	17%	9%	-8 p.p.

(*) According to CPC/IFRS, discontinued operations are not part of the operating profit (loss).

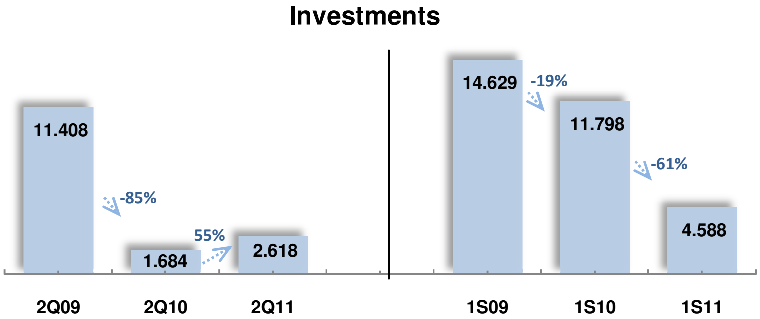
Net Finance Costs

The finance result in 2Q11 presented a net finance cost of R$ 5 million, against a net finance cost of R$ 7 million in 2Q10. In the first half, net finance result totaled R$ 10 million against R$ 15 million in 1H10. Net finance costs were lower by 26% and 33%, respectively, when compared with the same periods of 2010, as a result of lower interest rates, increase in long-term receivables subject to monetary restatement, and effect of exchange variation on the balances of foreign currency financing.



Investments

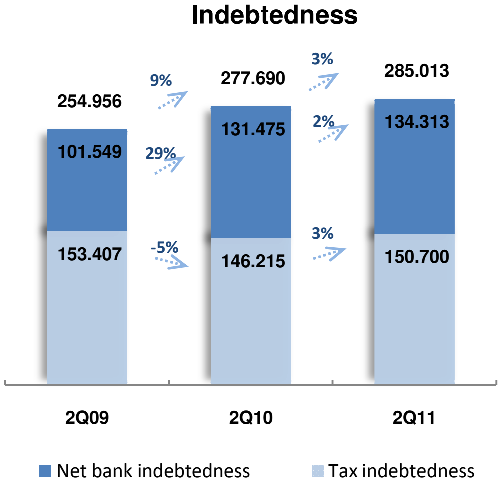
In 2Q11, investments of R$ 3 million were made. These investments focused on improvements in the manufacturing process, aimed at a higher productivity and the solution of deficiencies in the logistics area. In 1H11, investments totaled R$ 5 million. In the second half, the 2011 investment program will focus on the technological and logistic qualification.



All amounts in thousands of reais unless otherwise stated

Indebtedness / Capital Structure

Net bank indebtedness in June 2011 increased 3% over the same month of 2010, due to the increase in working capital to finance the sales and inventories increase. However, the debt has a longer maturity profile and a lower cost. At June 30, 2011, net indebtedness was R$ 134 million, against R$ 131 million at the end of 2Q10.



Net bank indebtedness	2Q09	2Q10	2Q11
Current	91,530	102,857	100,776
Non-current	19,505	36,195	47,913
(=) Total bank indebtedness	111,035	139,052	148,689
Cash and cash equivalents and marketable securities	9,486	7,577	14,376
(=) Total net bank indebtedness	101,549	131,475	134,313

Financial leverage	2Q09	2Q10	2Q11
Net bank indebtedness	101,549	131,475	134,313
Tax indebtedness	153,407	146,215	150,700
EBITDA (last 12 months)	49,122	74,208	71,329
(=) Net bank indebtedness / EBITDA	2.1	1.8	1.9
(=) Net bank indebtedness / EBITDA	5.2	3.7	4.0

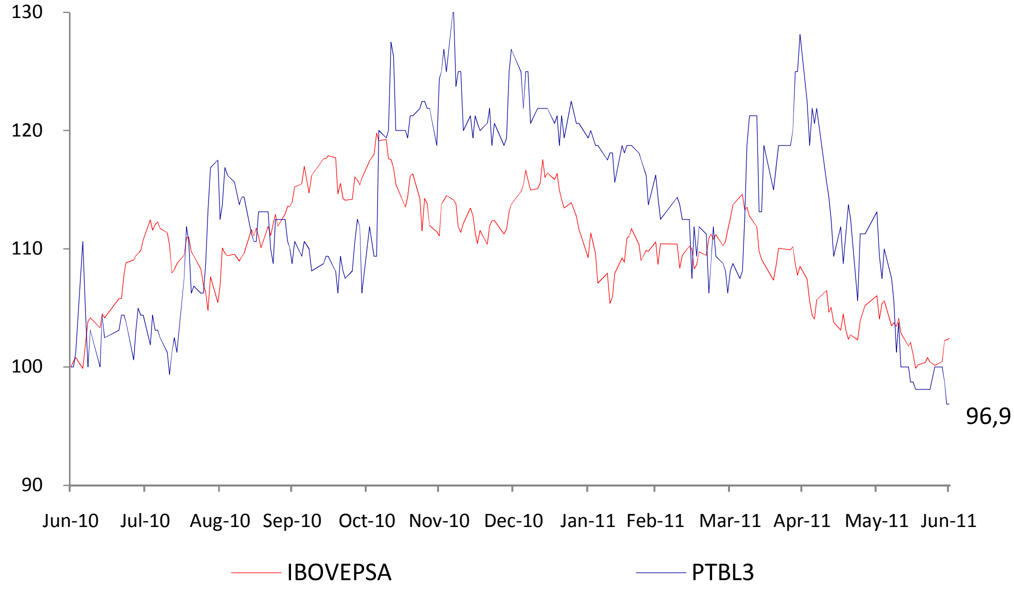
Human Resources

Consolidated personnel at the end of the year comprised 2,472 staff, 2,278 of whom were own personnel, 154 outsourced, 14 interns and 26 temporary workers.

Capital Markets

The quotation for the shares of Portobello (PTBL3) at June 30, 2011 was R$ 1.55, a devaluation of 3.1% in the last 12 months, while in the same period the Ibovespa recorded an appreciation of 2.4%. In 2011, PTBL3 had a fall of 24% and the Ibovespa a decline of 10%. At June 30, 2011, the market value of Portobello was R$ 246 million.

PTBL3 x Ibovespa
From (base 100) 6/30/2010 to 6/30/2011



Products/Marketing/Services

The Company invests in launches, technology and production strategy to keep its growth pace this year. In terms of new products, the Company almost doubled the number of launches. From the average of 12 lines per year, Portobello launched 22 in 2011. To meet the demands and bring trends, they are inspired in natural materials, such as wood, stone and marble, and elements developed by men, such as concrete, cement, glass and corean. The Company purchased a last-generation digital printing equipment, with the purpose of offering products that faithfully reproduce natural elements, such as wood and marble.

Another strategy that Portobello is adopting is to dedicate to the production of products with higher value added. For this, the Company outsourced the production of traditional ceramic floor and keeps the focus of its industrial plant in Tijucas, Santa Catarina, on the manufacture of porcelain.

Portobello has also increased its investment in digital marketing this year, with the implementation of a set of technological actions to promote even further the integration and relationship with its public. They consider from the introduction of tablets for its sales team to the availability of digital resources to specifiers and final consumers in pre- and post- sale activities.

Awards

- *Marcas de Destaques do Século XXI – Empreendedor* publishing house, a survey with personalities of the marketing, communication and business world indicated Portobello as one of the companies in the State of Santa Catarina that will outstand in the second decade of the 21st century.

- *Empresa Cidadã ADVB/SC 2011* award – 13th edition, in the Category "*Preservação Ambiental com o Case Sustentabilidade Portobello: Todos Comprometidos com o Futuro" (*Environmental Preservation with the Portobello Sustaintability Case: Everybody Committed to the Future) – for the recognition of the successful initiatives in social responsibility, in the areas of Environmental Preservation, Community Participation and Cultural Development.

- *ABF 2011 Destaque Franchising e Selo Excelência em Franchising (SEF)* award (Franchising Highlight and Excellence Seal in Franchising) – Portobello Shop receives the SEF seal for the 5th time.

- Honorable Mention Trophy in the Ceramic Floors Category – National Union of Cement Product Industries (Sinaprocim) and National Union of Cement Product Industries of the State of São Paulo (Sinprocim).

- *Onda Verde* Trophy – *18º Prêmio Expressão Ecologia* (18th Ecology Expression Award) - due to the Sustainability programs developed by the Company.

The Company's Management comprises the following members:

Executive Board

Name	Position
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Vice-President and Investor Relations Officer
Gladimir Brzezinski	Chief Financial Officer
Mauro do Valle Pereira	Director

Board of Directors

Name	Position	Observation
Cesar Bastos Gomes	Chairman	
Cesar Gomes Júnior	Vice-Chairman	Chief Executive Officer
Plínio Villares Musetti	Member	
Francisco Amaury Olsen	Member	Independent
Glauco José Côrte	Member	Independent
Mailson Ferreira da Nóbrega	Member	Independent
Mário José Gonzaga Petrelli	Member	Independent
Maurício Levi	Member	Independent
Rami Naun Goldfajn	Member	Independent

Visit the Investor Relations Site: *www.portobello.com.br/ri*

1 General Information

Portobello S.A., also herein referred to as "Company" or "Parent company", is a listed corporation whose shares are traded on the São Paulo Futures, Commodities and Stock Exchange (BM&FBOVESPA S.A.) New Market segment, under the code PTBL3. The Company is controlled by a group of stockholders, formalized in the agreement entered into on April 15, 2011, which holds 60.97% of the Company's shares at June 30, 2011. The remaining 39.03% of the shares is widely held.

With headquarters in Tijucas, State of Santa Catarina, the Company was formed in 1977 with the main purposes of manufacturing and selling ceramic and porcelain products in general, such as floors, technical and enameled porcelain, decorated and special objects, mosaics, products for the lining of interior walls, external façades, as well as the provision of supplementary services for the civil construction industry in Brazil and abroad.

The Company also holds investments in the following subsidiaries: (i) Portobello América, which was established to sell Portobello products in the North American market, and, at June 30, 2011, is classified as a discontinued operation, as described in Note 37; (ii) Mineração Portobello, which supplies about 50% of the raw materials used in the production of ceramic tiles; (iii) PBTech, which was incorporated with the objective of providing civil construction companies a differentiated service, with sales of products and services; and (iv) Portobello Shop, which manages Portobello Shop and Empório Portobello franchised stores specialized in ceramic tiles, being the only franchised ceramic tile chain in Brazil, with 107 stores.

2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the quarterly information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The quarterly information has been prepared under the historical cost convention, as modified by the revaluation in 2006 of land, buildings and improvements and financial assets and liabilities measured at fair value through profit or loss.

The preparation of the quarterly information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated quarterly information are disclosed in Note 3.

a) Consolidated quarterly information

The consolidated quarterly information has been prepared and is being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

All amounts in thousands of reais unless otherwise stated

The consolidated quarterly information has also been prepared and is being presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

b) Parent company quarterly information

The quarterly information of the Parent company has been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and is disclosed together with the consolidated quarterly information.

2.2 Consolidation

2.2.1 Consolidated quarterly information

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, generally accompanying an interest of more than one half of the voting rights. The existence and effect of possible voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The Company's ownership interest percentage in subsidiaries is as follows:

	Percentage of voting capital	
	June 30, 2011	December 31, 2010
Portobello América, Inc.	100.00	100.00
PBTech Com. Serv. Revest. Cer. Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90
Mineração Portobello Ltda.	99.76	99.76

Transactions between the Company and its subsidiaries, as well as unrealized balances, gains and losses, have been eliminated on consolidation.

The reconciliation between the equity and the profit for the periods presented of the Company and Consolidated is as follows:

	Equity		Profit	
	June 30, 2011	December 31, 2010	June 30, 2011	June 30, 2010
Parent company	66,672	60,864	3,673	11,887
Unrealized inventory profit	-	(38)	-	(193)
Reversal of unrealized profit	-	-	38	229
Consolidated excluding non-controlling interests	66,672	60,826	3,711	11,923

The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

b) Transactions and non-controlling interests

The Company and its subsidiaries treats transactions with non-controlling interests as transactions with their equity owners. For purchases from non-controlling interests, the difference between any consideration paid and the proportion of the carrying amount of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. Any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Parent company quarterly information

In the parent company quarterly information, subsidiaries are recorded on the equity method of accounting. In accordance with this method, an investment is initially recognized at cost and, subsequently, adjusted to recognize the interest of the Company in changes in the investee's net assets. Adjustments to the investment's carrying amount are also necessary to recognize the Company's proportionate interest in changes in the investee's carrying value adjustments, recorded directly in equity. These changes are recognized directly in the parent company's equity as carrying value adjustments.

Under the equity method of accounting, the Company's share of profits of subsidiaries allocated to dividends is recognized as dividends receivable, in current assets. Accordingly, the investment is stated net of dividends proposed by the subsidiary. Dividends, therefore, are not recognized in the statement of income.

2.3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, is the Executive Board that makes the strategic decisions of the Company and its subsidiaries.

2.4 Foreign currency translation

a) Functional currency and presentation currency

The items included in the quarterly information of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated quarterly information is presented in Brazilian reais, which is the Company's functional currency, and also the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Brazilian reais using the exchange rates prevailing at the dates of the transactions, or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, as other gains and losses, except for financing transactions, which are recognized in finance income or costs.

c) Subsidiaries

The assets and liabilities recorded in U.S. dollars by the foreign subsidiary were translated to reais at the exchange rate ruling on the balance sheet date and the results of operations at the monthly average exchange rates. The exchange variation on the foreign investment was recorded as a cumulative translation adjustment in equity under "Carrying value adjustments".

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and are subject to immaterial risk of change in value.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, held to maturity, financial assets measured at fair value through profit or loss (held for trading) and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables of the Company and its subsidiaries comprise "trade receivables".

b) Financial assets held to maturity

These are basically financial assets that cannot be classified as loans and receivables because they are quoted in an active market. In this case, these financial assets are acquired with the purpose and financial ability of being held up to their maturity.

c) Financial assets measured at fair value through profit or loss (held for trading):

These are financial assets held for active and frequent trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Gains or losses arising from changes in fair value of financial assets measured at fair value through profit or loss are recorded in the statement of income in "Finance income (costs)" in the period in which they occur.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

2.6.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade-date - the date on which the Company and its subsidiaries commit to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. After initial recognition, loans and receivables and investments held to maturity are measured at amortized cost using the effective interest method, less any impairment loss.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Derivative financial instruments and hedging activities

The Company and its subsidiaries do not have derivative financial instruments and hedging activities.

2.8 Impairment of financial assets

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

The criteria that the Company and its subsidiaries uses to determine whether there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset because of financial difficulties; or
v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

2.9 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the business of the Company and its subsidiaries. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for doubtful trade receivables. Usually, in practice, they are recognized at the amount billed, adjusted by the provision, when necessary. If collection is expected in one year or less (or in the normal operating cycle of the business of the Company and its subsidiaries), they are classified as current assets, otherwise they are stated in non-current assets

The provision for doubtful trade receivables is established when there is objective evidence that the Company or its subsidiaries will not be able to realize the amounts due under the original terms of the trade receivables, and is calculated based on the estimated amount believed to be sufficient to cover losses on the realization of the accounts receivable, taking into account each customer's situation and the guarantees obtained.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. The costs of finished products and work in process comprise raw materials, direct labor, other direct costs and related general production expenses (based on the normal operating capacity), except for borrowing costs. The net realizable value is the estimated sales price in the normal course of business, less completion costs and selling expenses.

2.11 Judicial deposits

Judicial deposits are monetarily restated at the savings account rate and recorded as non-current assets, in long-term receivables.

All amounts in thousands of reais unless otherwise stated

2.12 Receivables from Eletrobrás

Receivables from Eletrobrás arise from the undisputed amount involved in an ongoing lawsuit and are recognized based on calculations of the Federal Court accounting department, restated by the inflation rate plus 12% p.a.

2.13 Investments

Investments in subsidiaries are recorded on the equity method of accounting and the equity in the earnings or loss of subsidiaries is recognized in the statement of income as operating income or expenses. In the case of the investment in the subsidiary Portobello America Inc., the changes in the value of the investment exclusively arising from exchange variations are recorded in the account "Carrying value adjustments", in the Company's equity, and will be taken to the statement of income for the year only when the investment is sold or written down as a loss.

A provision for loss on investments is recorded when there are losses on investments in subsidiaries that exceed their carrying amount. The Company classifies the provision in non-current liabilities, under "Provision for loss on investments", with a corresponding entry in the statement of income, as "Equity in the loss of subsidiaries". The provision for loss on investment in the subsidiary Portobello América, which is under the process of business discontinuation, is classified in current liabilities.

Other investments are recognized at historical cost and adjusted by a provision for impairment, if there is indication of any loss (Note 20).

2.14 Property, plant and equipment

Property, plant and equipment are stated at deemed cost, less accumulated depreciation. The corresponding entries to these revaluations are recorded in a specific account in equity and in deferred taxes under non-current liabilities. As permitted by CPC Pronouncement 13 - First-time adoption of Law 11638/07, the Company opted to maintain the revaluation reserve up to its total realization.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company or its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to production cost, as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings, constructions and improvements	25-40
Machinery and equipment	10-15
Furniture and fittings	10
Computers	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Based on the reviews to date, there is no need to record provisions for any permanent impairment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 21).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income (expenses), net" in the statement of income.

2.15 Intangible assets

Intangible assets relate to trademarks and patents, expenses with the implementation of the management system and software, rights to explore mineral resources and goodwill. Intangible assets are stated at acquisition or formation cost, net of accumulated amortization and impairment losses, when applicable. The amortization is calculated using annual rates applied on the straight-line method, as mentioned in Note 22, based on the defined useful life for the assets, as follows:

	Years
Software	5
Right to explore mineral resources	5
Trademarks and patents	Indefinite
Goodwill	Indefinite

The Company and its subsidiaries assigned indefinite useful lives to trademarks and patents and goodwill, based on an analysis of all relevant factors, since there is no limitation to the period during which these assets are expected to generate net cash inflows to the entities.

The Company and its subsidiaries test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with the corresponding carrying amount, on an annual basis or whenever there is an indication that the intangible asset may be losing its economic substance, as determined by CPC 01 - Impairment of Assets. The book amounts at June 30, 2011 are judged to approximate their fair values.

2.16 Leases

Leases of property, plant and equipment in which the Company and its subsidiaries assume all ownership risks and benefits are classified as finance leases under "Loans and financing". These finance leases are recorded as a financed purchase, recognizing at the beginning of the lease a property, plant and equipment item and a financing liability (lease) at fair value and subsequently at amortized cost. Property, plant and equipment acquired in finance leases are depreciated at the rates disclosed in Note 21.

A lease in which the Company and its subsidiaries assume only part of the ownership risks and benefits is classified as an operating lease. Operating lease payments are charged to income on the straight-line basis over the term of the lease.

2.17 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the related invoice.

2.19 Loans and financing

These are initially recognized at fair value, upon the receipt of funds, net of transaction costs. Subsequently, the loans are presented at amortized cost, that is, plus charges and interest proportional to the period elapsed ("pro rata temporis").

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

2.20 Provisions for contingencies, contingent assets and liabilities

Provisions for contingencies are recognized when the Company has a legal or informal present obligation as a result of past events, it is probable that assets will be surrendered to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and are evaluated individually by the Company's legal counsel, which classifies them in accordance with the expectations of favorable outcomes. The increase in the provision due to passage of time is recognized as finance costs.

Contingent liabilities classified as possible losses are not recorded but are disclosed in the financial statements, and those classified as remote losses are not accrued or disclosed.

Contingent assets are not recognized, except when the Company deems the gain practically certain or when there are current guarantees or judicial unappealable favorable decisions.

2.21 Current and deferred income tax and social contribution

The current income tax and social contribution expense are calculated based on the rates of 25% for income tax and 9% for social contribution effective under the current tax legislation. The offset of income tax and social contribution losses is limited to 30% of taxable income of each year.

Deferred tax assets relate to accumulated income tax and social contribution losses and temporary differences, and deferred tax liabilities relate to revaluations of property, plant and equipment and also to temporary differences. The recognition of tax assets takes into consideration the expectation of future taxable income and they are calculated based on the rates established by current tax legislation. The amount recorded is considered realizable based on estimates prepared by the Company.

Deferred tax assets and liabilities are offset whenever there is a legal right to offset current tax liabilities and assets, and they are related to income tax charged by the same tax authority to the same entity subject to taxation.

2.22 Employee benefits

a) Private pension plan

The Company sponsors a benefit plan with characteristics of a defined contribution plan; however, it offers a minimum retirement benefit for length of service or age (defined benefit components). A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is different from a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. The liability recognized in the balance sheet is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past services. When the calculation results in a benefit to the Company, the asset to be recognized is limited to the total of any unrecognized past-service costs and the present value of economic benefits available in the form of future reimbursements from the plan or decreases in future contributions to the plan.
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as other comprehensive income in equity, under "Carrying value adjustments".

Past-service costs are recognized immediately in profit or loss, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

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

b) Profit-sharing plan

Profit sharing and bonuses, where applicable, are recognized at the end of the year, when the amount can be accurately calculated by the Company. The Company recognizes in current liabilities, under "Other", and in the statement of income, under "Other operating expenses", profit sharing based on a formula that takes into account the achievement of 80% of the budgeted profit before interest and taxes.

2.23 Share capital

The Company's capital is exclusively represented by common shares and is classified in equity, as disclosed in Note 30.

2.24 Share issue costs

Share issue costs are recognized in the Company's equity, deducted from the proceeds from the shares issued.

2.25 Dividend distribution

Distribution of dividends to the Company's stockholders is recognized as a liability in the financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the stockholders in General Meeting.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of the Company and its subsidiaries, and is shown net of value-added tax, returns, rebates and discounts and after eliminating sales between the Company and its subsidiaries.

Sales revenue is recognized at the time the products or services are delivered, on the transfer of ownership and when all the following conditions are fulfilled: a) the customer assumes all significant risks and benefits of ownership; b) the amount of the revenue can be reliably determined; c) the receipt of the trade receivable is probable; and d) the costs incurred or to be incurred related to the transaction can be reliably determined.

a) Sales of goods - wholesale

The Company manufactures and sells a range of ceramic tiles in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler, who has full discretion over the channel and price to resell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until: ((I) the products have been shipped to the specified location; (ii) the risks of obsolescence and loss have been transferred to the wholesaler (iii) the wholesaler has accepted the products in accordance with the sales contract; and (iv) the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

The ceramic tiles are occasionally sold with volume discounts and customers have the right to return defective products purchased in the wholesale market. Sales are recorded based on prices established in the sales contracts. No element of financing is deemed present as the sales are made with a credit term varying in accordance with the type of customer (home centers, real estate development companies, franchised stores), which is consistent with market practice; therefore, these sales are not discounted to present value.

b) Royalty income

Royalty income is recognized on the accrual basis in accordance with the substance of the respective agreements.

c) Interest income

Interest income is recognized on the accrual basis, using the effective interest method, to the extent that it is expected to be realized.

2.27 Result from discontinued operations

The result from discontinued operations is stated as a separate amount in the statement of income, comprising the total result after income tax of these operations less any impairment loss, as mentioned in Note 37.

2.28 Standards, amendments and interpretations to standards that are not yet effective

a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company and its subsidiaries

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2011 or later periods but the Company and its subsidiaries have not early adopted them.

- IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39,"Financial instruments: recognition and measurement" and introduces new requirements for classification and measurement of assets. The standard is not applicable until January 1, 2013 but is available for early adoption.

- "Classification of rights issues" (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

- IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- "Prepayments of a minimum funding requirement" (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

Management will evaluate the total impact of these standards and amendments to standards; however, they are not expected to have any effects on the parent company or consolidated quarterly information.

3 Critical Accounting Estimates and Judgments

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

a) Review of useful life and impairment of assets

The recoverability of assets used in the Company's activities is evaluated whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets might not be recovered through future cash flows. If the carrying amount of these assets exceeds the recoverable amount, the difference is adjusted and the useful life is changed if necessary.

b) Provision for contingencies

The Company is party to labor, civil and tax lawsuits at several stages. The provisions for contingencies to cover expected losses arising from lawsuits in progress are established and updated according to management's evaluation, which is based on the opinion of legal counsel, and require a high level of judgment on the matters involved.

c) Provisions for inventory losses

The provision for inventory losses is recorded when, based on management's estimates, the items are considered as discontinued, of low turnover and when the cost of inventory items exceeds their realizable value.

d) Deferred income tax and social contribution

Deferred tax assets and liabilities are based on tax loss carryfowards and temporary differences between the carrying amounts in the financial statements and the tax basis. If the Company and its subsidiaries incur losses or are not able to generate sufficient future taxable income, or if there is a significant change in current tax rates or the period of time in which the temporary differences become taxable or deductible, a reversal of a significant portion of the deferred tax asset may be necessary, which could result in the increase in effective tax rate.

e) Private pension plan

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (benefit) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, Management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 30.

f) Discontinued operation

The Company recognizes the discontinuation of subsidiaries through the approval of the Board of Directors, and records provisions based on past expectations of the liquidation value, recording the estimated fair value of the loss on business discontinuation.

3.2 Critical judgments in applying the entity’s accounting policies

a) Receivables from Eletrobrás

Receivables from Eletrobrás are recognized based on the opinion of the Company's legal advisors and on the final and unappealable decision of the lawsuit, which is currently waiting judgment. The amounts have already been calculated by the Federal Court accounting department, following the characteristics of the sentence and the rulings of the trial judge and, therefore, in accordance with the legal advisors, the definitive approval of the amounts claimed is practically certain.

b) Credits from related parties with guarantees

Receivables from Refinadora Catarinense are recognized based on the amount of the contract signed with the counterparty and the amount of guarantees given. Credits ceded as guarantee have already been converted into bonds to pay court-ordered debts and are included in the Federal Government's budget for 2011. Accordingly, the Federal Government must start the payment of bonds to pay the court-order debts in 2011, with the consequent settlement of the Company's credits.

c) Payment in installments MP 470

The amount of payment in installments in accordance with Provisional Measure (MP) 470 is based on the assumption that the Company will obtain the approval of its request, according to the opinion of the legal advisors.

The Company has already filed an action to obtain the legal approval of the payment in installments established by MP 470. It is practically certain that this procedure - request for Injunction - will be deemed valid, based on the opinion of the Company's legal department, as well as two legal firms with well-known specialization (Demarest Almeida and Souza Cescon).

4 Financial Risk Management

4.1 Financial risk factors

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

All amounts in thousands of reais unless otherwise stated

Risk management is carried out by the Treasury and Financial Departments under policies approved by the Board of Directors. The Treasury and Financial Departments identify, evaluate and hedge financial risks of the Company and its subsidiaries in close co-operation with their operating units. The Board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity.

a) Market risk

i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar and the euro. Foreign exchange risk arises from future commercial transactions, recorded assets and liabilities and net investments in foreign operations.

The table below presents the assets and liabilities exposed to foreign exchange variation:

	In reais			
	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Trade receivables	11,918	10,201	11,918	10,201
Receivables from subsidiaries	31,962	33,784	-	-
Advances to suppliers	33	336	33	336
Provision for loss on investments	(31,824)	(33,738)	-	-
Trade payables	(6,741)	(5,502)	(6,741)	(5,502)
Loans and financing	(53,958)	(27,698)	(53,958)	(27,698)
Net liability exposure	(48,610)	(22,617)	(48,748)	(22,663)

		In foreign currency			
		Parent company		Consolidated	
		June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Trade receivables	Euro	119	214	119	214
Trade receivables	U.S. dollar	5,457	4,869	5,457	4,869
Receivables from subsidiaries	U.S. dollar	20,474	20,276	-	-
Advances to suppliers	Euro	7	132	7	132
Advances to suppliers	U.S. dollar	6	23	6	23
Provision for loss on investments	U.S. dollar	(20,386)	(20,248)	-	-
Trade payables	Euro	(1,401)	(686)	(1,401)	(686)
Trade payables	U.S. dollar	(2,284)	(2,385)	(2,284)	(2,385)
Loans and financing	Euro	(131)	(686)	(131)	(686)
Loans and financing	U.S. dollar	(34,373)	(14,624)	(34,373)	(14,624)

The strategy adopted to mitigate foreign exchange exposure of the Company's assets and liabilities is to maintain a net liability exchange exposure at amounts that approximate the exports for around 18 months, and, accordingly, providing a natural hedge in its cash flow.

ii) Cash flow and fair value interest rate risk

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

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

b) Credit risk

The Company and its subsidiaries maintain strict control on credit limits granted to their customers and adjust these limits whenever significant changes in the risk levels are detected.

As regards financial investments, these are mainly in federal government securities and private securities of low risk.

c) Liquidity risk

This is the risk of the Company and its subsidiaries not having liquid funds sufficient to meet the financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

To manage liquidity of cash in local and foreign currency, assumptions for future disbursements and receipts are determined, and these are monitored daily by the Treasury and Financial areas.

At June 30, 2011, the Company has an excess of current liabilities over current assets of R$ 37,409 (R$ 30,216 at December 31, 2010) and of R$ 31,368 (R$ 36,748 at December 31, 2010) in the consolidated statements. Management plans to reverse this situation through:

- Restructuring of the debt, aiming at extending the indebtedness profile, obtaining a grace period for payments and the reduction of the financial cost of borrowing. The restructuring is in progress and, so far, has resulted in a decrease in the excess of current liabilities over current assets mentioned above.
- Implementation of measures to strengthen the operating and financial areas in order to improve profit margins, such as: (i) increase in productivity and reduction of costs; (ii) replacement of existing equipment by others with higher productivity; (iii) launching of innovative products; (iv) reduction of the product portfolio aiming at increased productivity; (v) concentration of exports in more profitable markets; (vi) outsourcing of the production of items with lower profit margin; and (vii) increase in the sales of franchised stores, all benefitting the Company's operating efficiency and profitability.

All amounts in thousands of reais unless otherwise stated

The table below analyzes the parent company and consolidated non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date up to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Parent company				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At June 30, 2011					
Loans and financing	100,776	19,443	24,669	6,331	151,219
Trade payables	76,796	-	-	-	76,796
Tax liabilities payable in installments	10,226	19,871	43,344	74,073	147,514
Total	187,798	39,314	68,013	80,404	375,529

	Parent company				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At December 31, 2010					
Loans and financing	97,584	17,134	23,322	6,249	144,289
Trade payables	86,821	-	-	-	86,821
Tax liabilities payable in installments	15,739	15,739	38,433	79,890	149,801
Total	200,144	32,873	61,755	86,139	380,911

	Consolidated				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
June 30, 2011					
Loans and financing	100,776	19,421	25,507	6,324	152,028
Trade payables	77,362	-	-	-	77,362
Tax liabilities payable in installments	10,655	20,725	44,630	74,690	150,700
Total	188,793	40,146	70,137	81,014	380,090

	Consolidated				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2010					
Loans and financing	97,584	17,967	23,301	6,243	145,095
Trade payables	87,733	-	-	-	87,733
Tax liabilities payable in installments	16,552	16,551	39,652	80,454	153,209
Total	201,869	34,518	62,953	86,697	386,037

d) Additional sensitivity analysis required by the Brazilian Securities Commission (CVM)

i) Sensitivity analysis of changes in interest rates

Income from financial investments of the Company and the finance costs arising from loans and financing are affected by interest rate variations, such as the Interbank Deposit Certificate interest rate (CDI) and the Long-term Interest Rate (TJLP).

At June 30, 2011, management defined for the probable scenario a CDI rate of 12.15% and TJLP of 6.00%. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

All amounts in thousands of reais unless otherwise stated

	Consolidated in reais							
	June 30, 2011	Risk	Probable		Possible (25%)		Remote (50%)	
Transaction			%	R$	%	R$	%	R$
Loans – working capital	42,714	CDI increase	12.15%	(5,190)	15.19%	(6,487)	18.23%	(7,785)
Loans - BNDES	3,519	TJLP increase	6.00%	(211)	7.50%	(264)	9.00%	(317)
Total	46,233			(5,401)		(6,751)		(8,102)
Transaction								
Investments – cash and cash equivalents	9,755	CDI decrease	12.15%	1,211	9.11%	908	6.08%	605
Investments – marketable securities	953	CDI decrease	12.15%	113	9.11%	85	6.08%	57
Total	10,708			1,324		993		662

* BNDES - National Bank for Economic and Social Development

ii) Sensitivity analysis of changes in foreign exchange rates

At June 30, 2010, the Company had assets and liabilities denominated in foreign currency and, for sensitivity analysis purposes, adopted as the probable scenario the future market rate in effect during the period of preparation of this quarterly information. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

Accordingly, the table below presents a simulation of the effect of foreign exchange variations on future results:

	Consolidated in reais						
	June 30, 2011	Probable		Possible (25%)		Remote (50%)	
		U.S. dollar rate	Gain (loss)	U.S. dollar rate	Gain (loss)	U.S. dollar rate	Gain (loss)
Trade receivables	11,918	1.5870	-	1.9838	2,980	2.3805	5,959
Advances to suppliers	33	1.5870	-	1.9838	8	2.3805	17
Trade payables	(6,741)	1.5870	-	1.9838	(1,685)	2.3805	(3,371)
Loans and financing	(53,958)	1.5870	-	1.9838	(13,490)	2.3805	(26,979)
Net liability exposure	(48,748)	1.5870	-	1.9838	(12,187)	2.3805	(24,374)

4.2 Capital risk management

Management's objectives when managing capital are to safeguard the ability of the Company and its subsidiaries to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders, as well as provide the best cash management, so as to obtain the lowest cost of funding in the combination of own or third party's capital.

Capital is monitored on the basis of the consolidated gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and payment in installments of tax liabilities less cash and cash equivalents, receivables from other related parties and marketable securities. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

All amounts in thousands of reais unless otherwise stated

The gearing ratios at June 30, 2011 were as follows:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Loans and financing	147,880	142,018	148,689	142,826
Tax liabilities payable in installments	147,514	149,801	150,700	153,209
Less: Cash and cash equivalents	(10,731)	(8,719)	(13,423)	(12,802)
Receivables from other related parties	(99,304)	(94,667)	(99,304)	(94,667)
Marketable securities	(953)	(1,120)	(953)	(1,120)
Net debt	184,406	187,313	185,709	187,446
Total equity	66,672	60,864	66,685	60,836
Total capital	251,078	248,177	252,394	248,282
Gearing ratio (%)	73	75	74	75

The Company has available and unused credit facilities totaling R$ 25,000 at June 30, 2011.

4.3 Fair value estimation

Fair value is the amount by which an asset could be exchanged or a liability settled between knowledgeable, willing parties, in an arm's-length transaction.

The carrying values less provision for doubtful trade receivables and payables are assumed to reasonably approximate their fair values, and therefore an estimation is not necessary.

The Company and its subsidiaries adopted CPC 40/IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

All amounts in thousands of reais unless otherwise stated

Financial assets and liabilities of the Company and its subsidiaries, measured at fair value, were classified in level 2 of the fair value hierarchy, as shown in the table below:

	Parent company			
	Book value		Fair value	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Assets				
Receivables				
Financial investments	9,152	4,133	9,152	4,133
Total	9,152	4,133	9,152	4,133
Liabilities				
Other financial liabilities				
Loans and financing	147,880	142,018	147,880	142,018
Total	147,880	142,018	147,880	142,018

	Consolidated			
	Book value		Fair value	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Assets				
Receivables				
Financial investments	10,708	7,146	10,708	7,146
Total	10,708	7,146	10,708	7,146
Liabilities				
Other financial liabilities				
Loans and financing	148,689	142,826	148,689	142,826
Total	148,689	142,826	148,689	142,826

5 Financial Instruments by Category

In the table below, the financial instruments of the Company and its subsidiaries are classified by category at the balance sheet dates:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Assets as per balance sheet				
Receivables				
Cash and cash equivalents	10,731	8,719	13,423	12,802
Trade receivables	99,616	96,353	104,045	101,848
Total	110,347	105,072	117,468	114,650
Held to maturity				
Marketable securities	953	1,120	953	1,120
Total	953	1,120	953	1,120
Liabilities as per balance sheet				
Other financial liabilities				
Trade payables	76,686	86,777	77,252	87,689
Loans and financing	147,777	141,844	148,586	142,652
Finance lease liabilities	103	174	103	174
Tax liabilities payable in installments	147,514	149,801	150,700	153,209
Total	372,080	378,596	376,641	383,724

All amounts in thousands of reais unless otherwise stated

6 Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. For credit quality of financial institutions, the Company considers the lowest rating of the counterparty disclosed by the three main international rating agencies (Moody's, Fitch and S&P):

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Trade receivables				
Counterparties without external credit rating				
Group 1	9,868	10,780	10,370	11,466
Group 2	86,927	81,148	91,363	86,310
Group 3	4,657	7,018	4,896	7,464
Total	101,452	98,946	106,629	105,240
Cash at bank and short-term bank deposits (not including cash on hand)				
AAA (bra)	9,275	2,136	10,895	2,263
AA+ (bra)	381	5,887	385	9,186
A+ (bra)	25	-	25	-
A (bra)	11	-	11	-
AA- (bra)	615	458	617	461
Other	423	238	1,489	892
Total	10,730	8,719	13,422	12,802
Loans to related parties				
Group 3	786	745	-	-
Total	786	745	-	-

The customer risk internal classification is described below:

- Group 1 – new customers/related parties (less than six months).
- Group 2 – existing customers/related parties (more than six months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than six months) with some defaults in the past.

The rating of financial institutions with which the Company carried out transactions during the year is as follows:

Counterparty	Fitch	Moody's	S&P
Banco ABC Brasil S.A.	AA-(bra)	Aa1.br	-
Banco Alfa	AA-(bra)	Aaa.br	-
Banco Bradesco S.A.	AAA(bra)	Aaa.br	brAAA
Banco Daycoval S.A.	A+ (bra)	-	-
Banco do Brasil S.A	AA+(bra)	-	-
Banco Fibra S.A.	A (bra)	-	-
Banco Industrial e Comercial S.A.	A+ (bra)	-	-
Banco Indusval S.A.	BBB(bra)	-	-
Banco Itaú S.A.	AAA(bra)	Aaa.br	brAAA
Banco Safra	AA+(bra)	Aaa.br	-
Caixa Econômica Federal	AAA(bra)	-	-
HSBC Bank Brasil S.A.	-	Aaa.br	-

All amounts in thousands of reais unless otherwise stated

7 Derivative Financial Instruments

The Company and its subsidiaries do not have derivative financial instruments.

8 Cash and Cash Equivalents

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Cash	1	-	1	-
Checking account	2,531	5,706	3,667	6,776
Financial investments	8,199	3,013	9,755	6,026
Total	10,731	8,719	13,423	12,802

Financial investments designated as cash equivalents are interests in investment funds, which yielded 100.00% of the CDI interest rate in the second quarter of 2011 and can be redeemed at any time.

9 Trade Receivables

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Receivables from third parties:				
Customers – domestic market	88,146	87,603	93,323	93,897
Customers – foreign market	11,918	10,201	11,918	10,201
	100,064	97,804	105,241	104,098
Receivables from related parties:				
Entities related to management	1,388	1,142	1,388	1,142
	1,388	1,142	1,388	1,142
Impairment of trade receivables:				
Provision for doubtful trade receivables	(1,676)	(2,377)	(2,424)	(3,176)
Present value adjustment	(160)	(216)	(160)	(216)
	(1,836)	(2,593)	(2,584)	(3,392)
Total	99,616	96,353	104,045	101,848
Current	99,305	95,996	103,734	101,491
Non-current	311	357	311	357

The fair value of trade receivables at June 30, 2011 is R$ 99,616 (R$ 96,353 at December 31, 2010) in the parent company, and R$ 104,045 (R$ 101,848 at December 31, 2010) in the consolidated financial information. The impairment of trade receivables in the subsidiary is recorded at the total amount of R$ 1,676 (R$ 2,377 at December 31, 2010), in the consolidated financial informations it totals R$ 2,424 (R$ 3,176 at December 31, 2010), and comprises the provision for doubtful trade receivables. The present value adjustment, deducted from trade notes receivable, is R$ 160 (R$ 216 at December 31, 2010).

The provision is believed to be sufficient to cover probable losses on collection of trade receivables considering each customer's situation and the related guarantees. The amount represents an estimated risk of non-realization of receivables due, based on the analysis of the respective manager.

All amounts in thousands of reais unless otherwise stated

The changes in the provision for doubtful trade receivables are as follows:

	Parent company	Consolidated
At December 31, 2010	2,377	3,176
Provision for (reversal of) impairment of trade receivables (a)	(701)	(752)
At June 30, 2011	1,676	2,424

(a) The change in provision is stated at the net amount of additions and reversals.

The provision and reversal are recorded in the statement of income as other selling expenses. In the first half of 2011, the Company did not write-off any accounts receivable as uncollectible.

The aging of trade receivables is as follows:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Not yet due – non-current	376	444	376	444
Not yet due – current	95,538	89,700	99,328	93,846
Overdue up to 30 days	1,779	3,177	1,782	3,657
Overdue from 31 to 60 days	199	1,009	207	1,262
Overdue from 61 to 90 days	171	519	173	725
Overdue from 91 to 180 days	483	1,093	1,522	2,204
Overdue from 181 to 360 days	1,338	736	1,582	736
Overdue for more than 360 days	1,568	2,268	1,659	2,366
Total	101,452	98,946	106,629	105,240

	Parent company							
	June 30, 2011				December 31, 2010			
	Trade notes falling due	Overdue not impaired	Overdue impaired	Total	Trade notes falling due	Overdue not impaired	Overdue impaired	Total
Not yet due – non-current	376	-	-	376	444	-	-	444
Not yet due – current	95,538	-	-	95,538	89,700	-	-	89,700
Overdue up to 30 days	-	1,779	-	1,779	-	3,177	-	3,177
Overdue from 31 to 60 days	-	199	-	199	-	1,009	-	1,009
Overdue from 61 to 90 days	-	170	1	171	-	507	12	519
Overdue from 91 to 180 days	-	479	4	483	-	1,077	16	1,093
Overdue from 181 to 360 days	-	1,235	103	1,338	-	655	81	736
Overdue for more than 360 days	-	-	1,568	1,568	-	-	2,268	2,268
Total	95,914	3,862	1,676	101,452	90,144	6,425	2,377	98,946

	Consolidated							
	June 30, 2011				December 31, 2010			
	Trade notes falling due	Overdue not impaired	Overdue impaired	Total	Trade notes falling due	Overdue not impaired	Overdue impaired	Total
Not yet due – non-current	376	-	-	376	444	-	-	444
Not yet due – current	99,328	-	-	99,328	93,846	-	-	93,846
Overdue up to 30 days	-	1,782	-	1,782	-	3,657	-	3,657
Overdue from 31 to 60 days	-	207	-	207	-	1,262	-	1,262
Overdue from 61 to 90 days	-	171	2	173	-	603	122	725
Overdue from 91 to 180 days	-	987	535	1,522	-	1,597	607	2,204
Overdue from 181 to 360 days	-	1,354	228	1,582	-	655	81	736
Overdue for more than 360 days	-	-	1,659	1,659	-	-	2,366	2,366
Total	99,704	4,501	2,424	106,629	94,290	7,774	3,176	105,240

All amounts in thousands of reais unless otherwise stated

The Company's receivables are pledged in guarantee of certain loans and financing, as described in Note 24, calculated as a percentage of the remaining debt balance. At June 30, 2011, trade receivables pledged in guarantee were R$ 59,216 (R$ 53,345 at December 31, 2010).

10 Marketable Securities

Marketable securities include financial assets classified as held to maturity. The financial assets at June 30, 2011 comprise financial investments pledged in guarantee of loans of R$ 953 (R$ 1,120 at December 31, 2010), remunerated at 98% of the CDI interest rate and maturing on March 7, 2012.

11 Inventories

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Finished products	80,548	82,945	81,542	84,444
Work in process	7,636	7,216	7,636	7,216
Raw and consumption materials	8,025	8,489	8,025	8,489
Provision for loss of inventories	(10,074)	(10,441)	(11,038)	(11,471)
Imports in transit	3,103	5,067	3,103	5,067
Total	89,238	93,276	89,268	93,745

12 Taxes Recoverable

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Current				
ICMS	335	236	372	273
IPI (a)	784	930	784	930
IRRF/CSLL	154	84	525	458
PIS/COFINS	-	-	2	2
Other	101	112	303	276
Total	1,374	1,362	1,986	1,939
Non-current				
ICMS on property, plant and equipment	1,762	1,455	1,762	1,455
Total	1,762	1,455	1,762	1,455

ICMS - Value-added Tax on Sales and Services
IPI - Excise Tax
IRRF/CSRF - Withholding Income Tax/Withholding Social Contribution
PIS/COFINS - Social Integration Program/Social Contribution on Revenues

a) The reduction in the percentages of IPI rates charged on the products manufactured and sold by Portobello S.A., originally prescribed by Decree 7032 of December 14, 2009, was extended for the third time, in accordance with Decree 7542 of August 2, 2011, and will be maintained up to December 31, 2012. This measure generates credits which are used monthly to offset federal taxes payable.

13 Receivables from Other Related Parties

From 2001 to 2003, the Company purchased from the related party Refinadora Catarinense S.A. ("Refinadora") tax credits against the National Treasury, arising from an injunction seeking refund of the IPI premium credits. The Company used these credits to settle federal taxes. According to the terms of the agreement between the parties, if such credits are not validated by the National Treasury, Refinadora must reimburse the Company.

In 2009, the Federal Supreme Court (STF) issued a decision determining that this incentive ended on October 4, 1990, and therefore the credit can no longer be used. Consequently, the Company applied for the installment program established by Law 11941/09, including the debt arising from the credit obtained from Refinadora.

However, Refinadora had already entered into an agreement with the Company guaranteeing the reimbursement of the amounts utilized to offset tax debts. The guarantee was supported by credits arising from the reimbursement of the "IPI credit premium" tax benefit for the calculation period prior to October 4, 1990, on which a final and unappealable decision from the Federal Court in the Federal District had already been passed.

Upon requesting the installment program established by Law 11941/09, the Company and Refinadora entered into an agreement confirming these credits as guarantees and able to settle all the tax debt installments. At June 30, 2011, these credits, which also arise from lawsuit 87.00.00967-9, total R$ 99,304 (R$ 94,667 at December 31, 2010) and are monetarily restated by the Special System for Settlement and Custody (SELIC) rate, as prescribed by the agreement.

It should be pointed out that the credits offered in payment have already been changed to a court-ordered debt and expected to be received beginning in 2011, when the Company may initiate the tax offset procedure, waiting for the conversion into cash, or selling the court-ordered debt.

The Company has already been informed by the related party Refinadora Catarinense S.A. that the National Treasury made the payment of the 1st portion of the debt related to bonds to pay court-ordered debts in July 2011.

Refinadora Catarinense S/A was a parent company in the past and currently has the same stockholders, and remains financially responsible for the payment of the obligation.

All amounts in thousands of reais unless otherwise stated

14 Judicial Deposits

The Company and its subsidiaries are parties to labor, civil and tax lawsuits (see Note 28), and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. These are recorded at the original amount plus the savings account basic remuneration rates, Reference Rate (TR) + 0.5% per month.

Judicial deposits are presented according to the nature of the related claims:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Civil	6	6	6	6
Labor	5,961	5,989	5,998	6,021
Tax	2,116	2,016	2,116	2,016
Total	8,083	8,011	8,120	8,043

15 Receivables from Eletrobrás

With the objective of obtaining reimbursement of a compulsory loan paid through invoices for electrical energy from 1977 to 1993, based on Law 4156/62, the Company filed a legal action against Centrais Elétricas Brasileiras S.A. – Eletrobrás.

A final and unappealable decision in favor of the Company was issued on December 16, 2005, and in February 2006, the Company filed the execution action. Eletrobrás and the Federal Government challenged the action and recognized the undisputed portion of R$ 6,286 (amount at March 1, 2008 price levels), represented by (i) a bank deposit of R$ 4,964 on April 1, 2008 and (ii) 61,209 class B nominative preferred shares of Eletrobrás, which were sold on August 13, 2008 for R$ 1,597.

The Federal Court determined that the Court Accounting Department calculate the amount due to the Company. The accounting department then calculated the amount of R$ 12,064 on February 1, 2006. The Company recognized the amount calculated by the legal experts and maintained these amounts restated at the National Consumer Price Index (INPC) plus 12% p.a. On September 30, 2010, the balance recorded was R$ 15,613, before restatement.

The Federal Court accounting department reviewed the calculation and presented new amounts, determining the net amount of R$ 24,749. In September 2010, the Company recognized the difference between the amounts previously calculated and the current calculation made by the Federal Court accounting department, totaling R$ 9,136, recorded under "Other operating income". At June 30, 2011, the balance of the asset was R$ 28,787 (R$ 26,131 at December 31, 2010).

All amounts in thousands of reais unless otherwise stated

16 Income Tax and Social Contribution on Net Income

a) Income tax and social contribution

The Company adopts the annual taxable income tax method. Accordingly, during the year the prepayments are recorded in current assets and the provision in current liabilities, up to the annual calculation at the end of the year.

Income tax and social contribution recoverable are recorded in current assets and comprise the following:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Income tax	327	-	1,828	144
Social contribution	118	-	674	71
Total	445	-	2,502	215

Income tax and social contribution payable are recorded in current liabilities and comprise the following:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Income tax	-	415	1,663	732
Social contribution	-	175	602	317
Total	-	590	2,265	1,049

b) Deferred income tax and social contribution

Deferred taxes are calculated on income tax and social contribution losses and on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the quarterly information. The current tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to utilize temporary differences and/or tax losses, considering projections of future results of operations based on internal assumptions and future economic scenarios, which may, therefore, suffer changes.

All amounts in thousands of reais unless otherwise stated

The deferred tax calculation bases are as follows:

	Parent company and Consolidated	
	June 30, 2011	December 31, 2010
Tax losses	8,952	8,953
Temporary differences - assets	18,195	20,356
Portobello pension plan	507	590
Adjustment to present value of trade receivables	55	73
Provision for adjustment to market value	3,145	3,064
Provision for contingencies	5,312	5,568
Provision for PIS with ICMS reduction	1,169	936
Provision for COFINS with ICMS reduction	5,391	4,314
Provision for doubtful trade receivables	570	808
Provision for profit sharing	-	946
Provision for contingencies of IPI premium credit - SIMAB	-	1,896
Other temporary differences - assets	2,046	2,161
Temporary differences - liabilities	(42,561)	(44,303)
Revaluation reserve	(18,739)	(19,007)
Receivables from Eletrobrás	(9,787)	(8,885)
Recognition of IPI premium credit – phase II	(3,799)	(3,601)
Discount to present value - Prodec	(1,135)	(772)
Adjustment to present value of suppliers	(37)	(15)
Depreciation adjustment (to the useful lives of assets)	(4,790)	(4,778)
Exchange rate adjustment	(4,274)	(7,245)
Total	(15,414)	(14,994)

* Prodec - Program of Development for Companies of Santa Catarina State

The deferred taxes on tax losses and temporary differences will be used as follows:

	Parent company and Consolidated	
	Deferred taxes	
	June 30, 2011	December 31, 2010
Deferred tax asset to be recovered:		
Within 12 months	16,877	16,660
After 12 months	10,270	12,649
	27,147	29,309
Deferred tax liability to be paid::		
Within 12 months	(4,274)	(7,246)
After 12 months	(38,287)	(37,057)
	(42,561)	(44,303)
Total	(15,414)	(14,994)

The deferred taxes on temporary differences are expected to be used within five years.

All amounts in thousands of reais unless otherwise stated

The net changes in the deferred tax liability in the first half of 2011 and 2010 are as follows:

	Parent company and Consolidated
	June 30, 2011
Opening balance	(14,994)
Temporary differences - assets	(2,161)
Temporary differences - liabilities	1,473
Revaluation reserve	268
Closing balance	(15,414)

The changes in deferred income tax assets and liabilities during the year, without the offset of balances, are as follows:

	Parent company and Consolidated			
	June 30, 2011	June 30, 2010	Accumulated June 30, 2011	Accumulated June 30, 2010
	Charged/(credited) to profit/loss	Charged/(credited) to profit/loss	Charged/(credited) to profit/loss	Charged/(credited) to profit/loss
Deferred tax asset				
Tax losses	138	(3,655)	-	(3,943)
Provisions for contingencies	285	(216)	(256)	(272)
PIS calculation basis reduced as a result of ICMS elimination effects	131	103	234	190
COFINS calculation basis reduced as a result of ICMS elimination effects	599	479	1,077	878
Portobello pension plan	(37)	23	(82)	(11)
Provision for adjustment to market value	191	(95)	81	36
Adjustment to present value	(11)	-	(19)	-
Provision for doubtful trade receivables	(124)	93	(238)	72
Provision for profit sharing	(946)	-	(946)	-
Provision for contingencies of IPI premium credit - SIMAB	(1,896)	-	(1,896)	-
Other temporary differences	(77)	373	(117)	524
Total	(1,747)	(2,895)	(2,162)	(2,526)
Deferred tax liability				
Adjustment to present value - asset	-	(163)	-	(223)
Adjustment to present value - liability	(386)	-	(386)	-
Depreciation adjustment (to the useful lives of assets)	(6)	(322)	(12)	(522)
Provision for contingencies - Eletrobrás	(453)	(188)	(903)	(320)
Contingent assets – IPI premium credit – phase II	(102)	(46)	(198)	(97)
Realization of revaluation reserve	135	134	269	269
Cash basis exchange rate variations	1,449	(100)	2,972	(538)
(-) Valuation allowance	-	3,204	-	4,102
Total	637	2,519	1,742	2,671
	(1,110)	(376)	(420)	145

All amounts in thousands of reais unless otherwise stated

c) Income tax and social contribution expense

The income tax and social contribution expense is as follows:

Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current tax				
Current tax on profit for the period	315	(933)	(579)	(2,080)
Total current tax	315	(933)	(579)	(2,080)
Deferred tax				
Generation and reversal of temporary differences	(1,110)	(376)	(1,110)	(376)
Total deferred tax	(1,110)	(376)	(1,110)	(376)
Income tax and social contribution expense	(795)	(1,309)	(1,689)	(2,456)

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit before tax	2,844	8,447	3,873	10,080
Tax calculated based on the standard tax rates	(967)	(2,872)	(1,316)	(3,427)
Equity in the earnings of subsidiaries	620	431	-	-
Non-deductible expenses for tax purposes	215	1,104	103	1,105
Depreciation of revalued assets	(135)	(134)	(135)	(134)
Tax credits on tax losses and temporary differences	582	404	769	242
Deferred income tax and social contribution	(1,110)	(242)	(1,110)	(242)
Tax expense	(795)	(1,309)	(1,689)	(2,456)

Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current tax				
Current tax on profit for the period	-	(1,599)	(2,265)	(3,074)
Total current tax	-	(1,599)	(2,265)	(3,704)
Deferred tax				
Generation and reversal of temporary differences	(420)	145	(420)	145
Total deferred tax	(420)	145	(420)	145
Income tax and social contribution expense	(420)	(1,454)	(2,685)	(3,559)

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit before tax	4,092	13,341	6,555	15,978
Tax calculated based on the standard tax rates	(1,391)	(4,536)	(2,228)	(5,433)
Equity in the earnings of subsidiaries	1,440	916	-	-
Non-deductible expenses for tax purposes	284	1,148	189	1,148
Depreciation of revalued assets	(269)	(269)	(269)	(269)
Tax credits on tax losses and temporary differences	(64)	1,142	43	850
Deferred income tax and social contribution	(420)	145	(420)	145
Tax expense	(420)	(1,454)	(2,685)	(3,559)

All amounts in thousands of reais unless otherwise stated

17 Tax Assets

The Company filed a lawsuit requesting the recognition of the IPI Premium credit for different calculation periods. Lawsuit 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, was decided in the Company's favor and is at the sentence execution phase, with the related amounts already determined by the Federal Court accounting department. Accordingly, in November 2009, the Company recognized the undisputed amount equivalent to R$ 11,173 restated through June 30, 2011 (R$ 10,590 at December 31, 2010).

18 Contingent Assets

Contingent assets refer to lawsuits 1998.34.00.029022-4 and 1984.00.020114-0 and also are related to the recognition of tax benefits of the "IPI premium credit", as described in Note 17. These lawsuits are in the execution phase. However, as the amounts owed by the Federal Government have not yet been calculated by the Federal Justice Department, they cannot be recorded as assets. The Company's legal consultants estimate credits of R$ 54,605 and R$ 1,848, respectively, net of provisions (see Note 25).
Regarding lawsuit 1998.34.00.029022-4, the Company is waiting for a final judgment for settlement of the decision, which should be made up to December 31, 2011, and in relation to lawsuit 1984.00.020114-0, the Company will offset the amounts against the IPI due, as soon as the IPI rate is increased, according to Decree 7394 of December 15, 2010.

19 Other Long-term Receivables

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Escrow deposits	-	-	523	526
Receivables - SIMAB (a)	4,535	4,535	4,535	4,535
(-) Provision for loss	(4,535)	(4,535)	(4,535)	(4,535)
Other	57	57	57	57
Total	57	57	580	583

a) On September 30, 2007, the Company recorded R$ 4,535 in long-term receivables relating to the transfer of tax credits (IPI premium credits) with Simab S.A., as well as a provision for loss of the same amount as the asset. The Company has been adopting measures to obtain in court the reimbursement of the credits assigned, as a result of the inability to offset them against tax due, as prescribed by the agreement.

All amounts in thousands of reais unless otherwise stated

20 Investments

a) Investments in subsidiaries

The Company controls four companies. Investments are recorded in permanent assets as investments in subsidiaries and in liabilities as provision for loss on investments.

	Investments	Provision for loss on investments
At December 31, 2010	480	(37,994)
Equity in the earning (loss)	4,561	(328)
Exchange variations	-	2,135
At June 30, 2011	5,041	(36,187)
Current	-	31,824
Non-current	5,041	4,363

In the first half of 2011, the provision for loss of R$ 328 (R$ 1,257 at June 30, 2010) on investments that presented net capital deficiency and the equity in earnings of subsidiaries arising from the interest in Portobello Shop S.A. of R$ 4,561 (R$ 3,950 at June 30, 2010), were recorded under "Equity in earnings of subsidiaries" with a net effect of R$ 4,233 (R$ 2,693 at June 30, 2010).

During the quarter ended June 30, 2011, the Company recorded gains of R$ 2,135 (losses of R$ 926 at December 31, 2010) arising from the translation of the foreign currency financial statements of its subsidiary Portobello America, Inc., from the U.S. dollar to the real. The gains are recorded as "Carrying value adjustments", in equity.

The subsidiaries are closely-held companies, in which the Parent Company's share of the assets, liabilities and profit for the year are as follows:

	Country of incorporation	Ownership percentage	Assets	Liabilities	Revenue	Profit (loss)
At December 31, 2010						
Portobello América Inc.	United States	100.00%	2,000	35,738	14,521	(8,125)
PBTech Ltda.	Brazil	99.94%	1,952	5,262	3,865	(968)
Portobello Shop S/A	Brazil	99.90%	17,024	16,544	40,652	10,567
Mineração Portobello Ltda.	Brazil	99.76%	471	1,417	2,260	(570)
At June 30, 2011						
Portobello América Inc.	United States	100.00%	1,278	33,102	549	(221)
PBTech Ltda.	Brazil	99.94%	1,538	4,893	135	(45)
Portobello Shop S/A	Brazil	99.90%	12,587	7,546	19,801	4,561
Mineração Portobello Ltda.	Brazil	99.76%	532	1,540	953	(62)

All amounts in thousands of reais unless otherwise stated

b) Other investments

At June 30, 2011, the Company has a balance of R$ 198 (R$ 198 at December 31, 2010), relating to its interest of 11.72% in Infragás - Infraestrutura de Gás para a Região Sul S.A., which has the specific purpose of enabling the implementation of infrastructure for the supply of natural gas to the states in the south region of Brazil.

21 Property, Plant and Equipment

a) Analysis

		Parent company				Consolidated	
		June 30, 2011			December 31, 2010	June 30, 2011	December 31, 2010
	Annual average depreciation rate - %	Cost	Accumulated depreciation	Net	Net	Net	Net
Land		11,111	-	11,111	11,111	11,488	11,488
Buildings, constructions and improvements	3%	91,496	(11,600)	79,896	79,515	80,057	79,680
Machinery and equipment	10%	267,197	(194,198)	72,999	78,442	72,999	78,442
Furniture and fittings	10%	7,894	(7,022)	872	811	1,056	1,015
Computers	20%	12,225	(11,224)	1,001	844	1,020	865
Other	20%	219	(162)	57	45	57	45
Construction in progress (a)		8,445	-	8,445	6,691	8,445	6,691
Total		398,587	(224,206)	174,381	177,459	175,122	178,226

Management opted to maintain the value of revalued property, plant and equipment because this balance approximates the fair value and deemed cost, since the last revaluation was in 2006 (see Note 31b).

As established by the Technical Interpretation ICPC 10 issued by the CPC and approved by CVM Deliberation 619/09, in 2008 the Company reviewed and changed the useful lives of its property, plant and equipment, based on a technical appraisal of the Engineering department, and these rates were maintained in 2009 and 2010.

b) Changes in property, plant and equipment

	December 31, 2010	Parent company				June 30, 2011
	Net	Additions	Transfers	Depreciation	Disposals	Net
Land	11,111	-	-	-	-	11,111
Buildings, constructions and improvements	79,515	-	1,696	(1,315)	-	79,896
Machinery and equipment	78,442	508	134	(6,083)	(2)	72,999
Furniture and fittings	811	182	-	(121)	-	872
Computers	844	139	146	(127)	(1)	1,001
Other	45	22	-	(10)	-	57
Construction in progress	6,691	3,732	(1,976)	-	(2)	8,445
Total	177,459	4,583	-	(7,656)	(5)	174,381

All amounts in thousands of reais unless otherwise stated

	December 31, 2010	Consolidated				June 30, 2011
	Net	Additions	Transfers	Depreciation	Disposals	Net
Land	11,488	-	-	-	-	11,488
Buildings, constructions and improvements	79,680	-	1,696	(1,319)	-	80,057
Machinery and equipment	78,442	508	134	(6,083)	(2)	72,999
Furniture and fittings	1,015	182	-	(141)	-	1,056
Computers	865	139	146	(129)	(1)	1,020
Other	45	22	-	(10)	-	57
Construction in progress	6,691	3,732	(1,976)	-	(2)	8,445
Total	178,226	4,583	-	(7,682)	(5)	175,122

The depreciation was recorded as cost of sales and selling and administrative expenses, as follows:

Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cost of sales	3,521	3,586	3,521	3,586
Selling expenses	206	188	220	264
Administrative expenses	93	85	93	85
Total	3,820	3,859	3,834	3,935

Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cost of sales	7,087	6,993	7,087	6,993
Selling expenses	399	378	425	578
Administrative expenses	170	178	170	178
Total	7,656	7,549	7,682	7,749

The Company is lessee in finance leases of vehicles and equipment as follows:

	June 30, 2011			December 31, 2010		
	Cost	Accumulated depreciation	Net balance	Cost	Accumulated depreciation	Net balance
Computers	311	(118)	193	332	(108)	224
Other	46	(18)	28	46	(13)	33
Total	357	(136)	221	378	(121)	257

The Company leases various assets under non-cancellable finance lease agreements. The lease terms are for at most two years, and ownership of the assets is then transferred to the Company.

All amounts in thousands of reais unless otherwise stated

22 Intangible Assets

a) Analysis

		Parent company				Consolidated	
		June 30, 2011			December 31, 2010	June 30, 2011	December 31, 2010
	Annual average amortization rate - %	Cost	Accumulated amortization	Net	Net	Net	Net
Trademarks and patents		150	-	150	150	152	152
Software	20%	12,160	(11,812)	348	437	351	448
Right to explore mineral resources	20%	1,000	(250)	750	850	761	864
Goodwill		-	-	-	-	80	80
Total		13,310	(12,062)	1,248	1,437	1,344	1,544

b) Changes in intangible assets

	December 31, 2010	Parent company		June 30, 2011
	Net	Additions	Amortization	Net
Trademarks and patents	150	-	-	150
Software	437	5	(94)	348
Right to explore mineral resources	850	-	(100)	750
Total	1,437	5	(194)	1,248

	December 31, 2010	Consolidated		June 30, 2011
	Net	Additions	Amortization	Net
Trademarks and patents	152	-	-	152
Software	448	5	(102)	351
Right to explore mineral resources	864	-	(103)	761
Goodwill	80	-	-	80
Total	1,544	5	(205)	1,344

The amortization was recorded as cost of sales and selling and administrative expenses, as follows:

Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cost of sales	59	163	60	170
Selling expenses	1	1	5	7
Administrative expenses	37	281	37	281
Total	97	445	102	458

Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Cost of sales	122	281	125	290
Selling expenses	2	2	10	28
Administrative expenses	70	558	70	558
Total	194	841	205	876

All amounts in thousands of reais unless otherwise stated

c) The timing of the amortization of consolidated intangible assets is as follows

	2011	2012	2013	2014	2015
Software	98	142	77	26	8
Right to explore mineral resources	108	203	200	200	50
Total	206	345	277	226	58

The items Trademarks and patents and Goodwill, totaling R$ 232, are not being amortized since they have no defined useful life.

23 Trade Payables

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Suppliers	76,796	86,821	77,362	87,733
Domestic market	70,055	81,319	70,621	82,231
Foreign market	6,741	5,502	6,741	5,502
Present value adjustment	(110)	(44)	(110)	(44)
Total	76,686	86,777	77,252	87,689

All amounts in thousands of reais unless otherwise stated

24 Loans and Financing

	Maturity	2010 charges	Parent company		Consolidated	
			June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Current						
Foreign currency						
Suppliers credit		VC+5.80% p.a.¹	3,055	6,655	3,055	6,655
Advance on export contracts		VC+7.00% p.a.¹	-	1,791	-	1,791
Prepayment (a)		VC+6.07% p.a.¹	8,682	4,627	8,682	4,627
FINIMP (b)		VC+3.87% p.a.¹	19,730	-	19,730	-
4131 (c)		VC+4.26% p.a.	11,845	-	11,845	-
Total foreign currency		VC + 4.55% p.a.	43,312	13,073	43,312	13,073
Local currency						
Exim Pre-shipment TJ 462 (d)		12.80% p.a.	2,019	1,523	2,019	1,523
Exim Pre-shipment PSI (e)		7.00% p.a.	18,650	24,671	18,650	24,671
FINEP (f)		9.00% p.a.	1,008	29	1,008	29
Finance lease		19.80% p.a.	102	136	102	136
Working capital in Brazil		17.26% p.a.¹	35,298	58,152	35,298	58,152
4131 (c)		14.38% p.a¹	387	-	387	-
Total local currency		13.61% p.a.	57,464	84,511	57,464	84,511
Total current liabilities			100,776	97,584	100,776	97,584
Non-current						
Foreign currency						
Suppliers credit	Oct/2016	VC+5.60% p.a.¹	7,466	12,935	7,466	12,935
Prepayment (a)	Jun/2012	VC+5.48% p.a.¹	3,180	1,690	3,180	1,690
Total foreign currency		VC + 5.56% p.a.	10,646	14,625	10,646	14,625
Local currency						
Exim Pre-shipment TJ 462 (d)	Mar/2013	12.80% p.a.	1,500	2,500	1,500	2,500
PRODEC (g)	Feb/2015	4.00% p.a. + UFIR	6,083	4,725	6,083	4,725
FINEP (f)	Sep/2018	9.00% p.a.	12,267	13,248	12,267	13,248
Finance lease	Apr/2012	-	-	38	-	38
Working capital in Brazil	Dec/2013	15.93% p.a.¹	6,608	9,298	7,417	10,106
4131 (c)	Sep/2012	14.75% p.a.¹	10,000	-	10,000	-
Total local currency		11.16% p.a.	36,458	29,809	37,267	30,617
Total non-current liabilities			47,104	44,434	47,913	45,242
Total			147,880	142,018	148,689	142,826

¹ Average rate
VC - Exchange variation
UFIR - Fiscal Reference Unit

a) Prepayment - In 2010, the Company signed export prepayment agreements totaling US$ 4,780. The agreements have terms of up to 24 months and are collateralized by receivables of Portobello Shop S.A. and Portobello S.A. In 2011, the Company signed export prepayment agreements totaling US$ 5,651. The agreements have terms of up to 30 months and are collateralized by receivables of Portobello Shop S.A. and Portobello S.A.

b) FINIMP (special credit facilities for the import of capital assets, machinery, equipment and services) - From February to June 2011, the Company entered into several FINIMP contracts, amounting to US$ 12,638, with an average rate of 3.87% p.a., payable over 6 months, with payments made at the end of each contract. These contracts were collateralized by receivables of Portobello S.A. in the average amount of 50% of the debt due in conformity with the contract, and, in CDB, 20% of the debt due.

c) 4131 (type of loan in foreign currency) - In March 2011, the Company entered into two 4131 contracts. The first, with Banco Santander, amounts to U$$ 7,500 thousand with interest of 4.26% p.a., for 6 months, payable at the end of the contract and collateralized by receivables of Portobello S.A, in the amount of 50% of the balance due. The second, with Banco Itaú, amounts to R$ 9,999 with interest of 2.57% p.a. and 100% of the CDI, for 18 months, payable at the end of the contract, and collateralized by receivables of Portobello S.A, in the amount of 60% of the balance due.

d) Exim Pre-shipment TJ 462 (type of financing with BNDES funds that is used as an advance for the manufacture of export products.)- In April 2010, the Company signed a "BNDES - Exim Pre-shipment TJ-462" agreement of R$ 4,000 subject to TJLP plus 6.80% p.a. The amount is payable over 3 years, with a 1-year grace period and divided in 24 monthly and consecutive installments. This loan is collateralized by receivables of Portobello S.A., in the amount of 50% of the balance due in conformity with the contract.

e) Exim Pre-shipment PSI (type of financing with BNDES funds that is used as an advance for the manufacture of export products.) - In August 2010, the Company signed "BNDES - Exim Pre-shipment PSI" agreements of R$ 16,597, with interest of 7% p.a., which will be paid as follows: R$ 5,597 on December 15, 2011, R$ 4,000 with a 6-month grace period and divided into 12 monthly and consecutive installments, and R$ 7,000 with a 12-month grace period and divided into 6 monthly and consecutive installments. These loans are collateralized by receivables of Portobello S.A. In September 2010, the amount of R$ 8,000 was released, with interest of 7% p.a. and payable over 18 months, corresponding to 6 months of grace period and 12 monthly and consecutive installments. Receivables of the Company were pledged in guarantee for 50% of the debt balance.

f) FINEP - Fund for Financing of Studies and Projects - In May 2010, the Company entered into an agreement with FINEP in the amount of R$ 30,103, with interest of 5% p.a., payable over 80 months, with a 20-month grace period. The loan is expected to be released in four installments. The first installment of R$ 13,248 was fully released on September 2, 2010, and the other installments, of R$ 5,572 (second), R$ 7,496 (third), and R$ 3,787 (fourth), will be released at intervals of 180 days. A letter of guarantee at the cost of 4% p.a. was required for this agreement.

g) PRODEC - Program of Development for Companies of Santa Catarina State - In July 2009, the Company was granted a State of Santa Catarina Special Tax Financing Regime. The balance was adjusted to present value based on the official SELIC rate (10.67% p.a. at June 30, 2011). The conditions are as follows:

- 60% of the ICMS due monthly in excess of R$ 761 (average paid in 2007 and 2008) can be deferred for future payment;
- Grace period of 48 months;
- Term of 120 months;
- Monetary restatement of 4% p.a. plus UFIR variation.

Loans and financing at June 30, 2011 do not have restrictive covenants.

The other loans are mainly guaranteed by mortgages on properties, pledges of equipment and receivables of the parent company (Note 9) and a subsidiary (Note 43), reciprocity with financial investments (Note 10), sureties of the controlling stockholders and of a subsidiary and finished product inventories of R$ 9,463.

All amounts in thousands of reais unless otherwise stated

The long-term loans fall due as follows:

	Parent company		Consolidated	
Maturity in July	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
2012	18,156	16,301	18,156	17,109
2013	13,206	13,485	14,015	13,485
2014	8,404	6,192	8,404	6,192
2015	1,426	2,511	1,426	2,511
2016	2,477	2,511	2,477	2,511
2017	1,963	1,962	1,963	1,962
2018	1,472	1,472	1,472	1,472
Total	47,104	44,434	47,913	45,242

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Consolidated	
	June 30, 2011	December 31, 2010
Six months or less	54,951	32,033
From six to twelve months	9,848	22,993
From one to five years	41,246	39,835
Over five years	4,533	5,117
Total	110,578	99,978

The carrying amounts and fair value of borrowings are denominated in the following currencies:

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Reais	93,922	114,320	94,731	115,128
Euro	297	1,540	297	1,540
U.S. dollars	53,661	26,158	53,661	26,158
Total	147,880	142,018	148,689	142,826

The fair value of the outstanding borrowings approximates their book values as the impact of discounting to present value is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 9.77% (11.52% at December 31, 2010).

All amounts in thousands of reais unless otherwise stated

Finance lease payables are as follows:

	Parent company and Consolidated	
	June 30, 2011	December 31, 2010
Gross finance lease liabilities – minimum lease payments		
Less than one year	107	150
More than one year and no less than five years	-	39
Total	107	189
Future finance charges on finance leases	(5)	(15)
Present value of finance lease liabilities	102	174
The present value of finance lease liabilities is as follows:		
Less than one year	102	136
More than one year and no less than five years	-	38
Total	102	174

25 Tax Liabilities Payable in Installments

	Tax liabilities	Request for installment payment		June 30, 2011	December 31, 2010
		Date	No. of installments not yet due		
Portobello S.A.	INSS	Dec/09	41	9,949	10,809
	IPI	Dec/09	41	6,790	7,419
	PIS	Mar/09	32	364	413
	COFINS	Mar/09	32	1,677	1,903
	IRPJ	Mar/09	32	2,663	3,022
	CSLL	Mar/09	32	990	1,124
	LAW 11941/09 (a)	Nov/09	160	125,081	125,111
Total Parent company				147,514	149,801
Current				20,162	15,739
Non-current				127,352	134,062
PBTech Ltda.	LAW 11941/09 (a)	Nov/09	160	324	309
Portobello Shop S.A.	INSS	Nov/09	40	817	889
	PIS	Mar/09	-	-	1
	COFINS	Mar/09	32	126	143
	IRPJ	Mar/09	32	965	1,095
	CSLL	Mar/09	32	350	397
	LAW 11941/09 (a)	Nov/09	160	604	574
Total subsidiaries				3,186	3,408
Total consolidated				150,700	153,209
Current				21,017	16,552
Non-current				129,683	136,657

INSS - National Institute of Social Security
IRPJ - Corporate Income Tax
CSLL - Social Contribution on Net Income

All amounts in thousands of reais unless otherwise stated

The installments fall due as follows:

	Parent company		Consolidated	
Maturity	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
2011	10,226	15,739	10,655	16,552
2012	19,871	15,739	20,725	16,551
2013	19,871	15,739	20,725	16,551
2014	15,087	13,650	15,450	13,994
2015	8,386	9,044	8,455	9,108
2016	8,386	9,044	8,455	9,108
2017	8,386	9,044	8,455	9,108
2018	8,386	9,044	8,455	9,108
2019	8,386	9,044	8,455	9,108
2020	8,386	9,044	8,455	9,108
2021	8,386	9,044	8,455	9,108
2022	8,386	9,044	8,455	9,108
2023	8,386	9,044	8,455	9,108
2024	6,985	7,538	7,050	7,589
Total	147,514	149,801	150,700	153,209

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

In May and June 2011, the Company concluded the process of consolidation of the installment program established by Law 11941/09, started with the application for the Tax Recovery Program in November 2009.

Between the application date and the Consolidation the Company paid the minimum installment of R$ 395, as permitted by legislation. During this period, and more precisely in the consolidation, it made decisions that had a positive economic impact of R$ 3,013, of which R$ 3,613 in other operating income and R$ 600 in finance costs. The main impact was due to the non-confirmation of the transfer of debts denied in the installment program of Provisional Measure (MP) 470 to the installment program of Law 11941 (see Note 26).

After the consolidation, the Company is required to pay monthly installments of R$ 1,140 without delay exceeding three months and it must discontinue any lawsuit and waive any alleged right on which the referred lawsuits are based, under penalty of immediate cancellation of the installment payment and the consequent loss of the benefits established by Law 11941/09. The termination of lawsuits filed against the tax assessments does not affect the proceedings in course in the judicial sphere, mentioned in Note 17.

26 Tax Debts Law 12249/10 (MP 470 and MP 472)

In November 2009, the Company applied for the installment program established by Provisional Measure 470 (regarding the improper use of IPI premium credits) with the Federal Revenue Secretariat (SRF) and Attorney General's Office of the National Treasury (PGFN). As a result of this application, in addition to paying in installments, there was a reduction in the charges and the Company was allowed to use tax credits arising from tax losses up to 2008 to settle the debts.
In June 2010, when the Provisional Measure was converted into Law 12249/10, the use of tax credits arising from tax losses existing at December 31, 2009 was authorized. The Company used this benefit and

All amounts in thousands of reais unless otherwise stated

recorded in the second quarter R$ 3,252 (see Note 34), thus considering the installment payment as concluded.

PGFN partially denied the request in June 2010 claiming the need of withdrawal from lawsuits challenging the credit. The Company requested the withdrawal/waiver of only the assessments received from SRF. However, the Attorney General's Office of the National Treasury of the State of Santa Catarina understood that the withdrawal/waiver should be extended to the declaratory actions seeking the recognition of IPI premium credits, mentioned in Note 17. The Company's Legal Department is adopting measures against the decision of the PGFN in order to dismiss the demand of withdrawal/waiver of these declaratory suits. This procedure is supported by an opinion issued by the law firm Demarest Almeida, defending that, in relation to debts included in the installment program established by Law 12249/10, the Company is not obliged to withdraw the declaratory suits, which differs from the procedure established by Law 11941/09. The Company's legal department understands as virtually certain a favorable outcome in the various legal levels available to reconsider the unfavorable decisions based on the merits of the case. However, if the decision of the PGFN is not ultimately reversed, the impact on the Company's results would be a loss of R$ 2,523, considering the lack of acknowledgment of the debt and of benefits and the maintenance of debts as contingent liabilities.

27 Taxes and Contributions

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
IRRF	686	860	833	1,065
ICMS	2,589	537	2,589	539
PIS	230	105	276	156
COFINS	1,059	485	1,272	720
Other	47	83	168	202
Total	4,611	2,070	5,138	2,682

28 Provisions for Contingencies

The Company and its subsidiaries are parties to civil, labor and tax lawsuits and in administrative tax proceedings. Based on the opinion of its legal advisors, management believes that the provisions are sufficient to cover the necessary costs to settle the obligations.

The analysis of the provisions is as follows:

Provisions	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Civil	3,731	3,193	3,763	3,222
Labor	10,062	11,442	10,062	11,442
Tax	21,124	17,180	21,124	17,180
Total	34,917	31,815	34,949	31,844
Current	942	6,322	967	6,345
Non-current	33,975	25,493	33,982	25,499

All amounts in thousands of reais unless otherwise stated

Provisions are measured at the present value of the costs necessary to settle the liability. The civil and labor claims are individually evaluated by the Company's legal advisors, who classify them in accordance with the expectation of outcome.

Changes in the provisions are as follows:

	Parent company			Total
	Civil	Labor	Tax	
At December 31, 2010	3,193	11,442	17,180	31,815
Charged (credited) to the statement of income:	2,369	4,287	3,944	10,600
Additional provisions	2,649	4,728	3,128	10,505
Reversal due to lack of use	(280)	(512)	-	(792)
Unwinding of discount	-	71	816	887
Reversal due to realization	(1,831)	(5,667)	-	(7,498)
At June 30, 2011	3,731	10,062	21,124	34,917

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2010	3,222	11,442	17,180	31,844
Charged (credited) to the statement of income:	2,373	4,287	3,944	10,604
Additional provisions	2,657	4,728	3,128	10,513
Reversal due to lack of use	(284)	(512)	-	(796)
Unwinding of discount	-	71	816	887
Reversal due to realization	(1,832)	(5,667)	-	(7,499)
At June 30, 2011	3,763	10,062	21,124	34,949

In this first half, certain events changed substantially the provision for labor contingencies in the Parent company and Consolidated financial information, resulting in a decrease of R$ 1,380 in comparison with December 31, 2010. A portion of this decrease arose from the unfavorable decision received by the Company, which, at March 31, 2011, reversed the amount of R$ 5,559 relating to the provision for labor lawsuit 158600-62.2006.05.0029, to accounts payable, until the calculations are determined by the labor courts. Also in the first half, there were significant events determining an increase in the labor provision of R$ 4,287, net of reversal due to lack of use and unwinding of discount, which decreased the effect of the reversal mentioned above, but influenced the increase in operating expenses, as described in Note 34.

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 144 civil lawsuits (142 civil lawsuits at December 31, 2010) in common courts and special civil courts. Most of the lawsuits have been brought by customers and claim compensation for alleged pain and suffering and tangible damages. When applicable, judicial deposits were made (Note 14).

The civil contingent liabilities are described in Note 29.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 74 labor claims (91 claims at December 31, 2010) brought by former employees and third parties. The claims refer to the payment of termination amounts, premiums, overtime, salary equalization, monetary adjustment of the Government Severance Indemnity Fund for Employees (FGTS), compensation for pain and suffering and tangible damage from occupational accidents/disease. The provisions are reviewed by management based on the opinion of the legal advisors. Some lawsuits are backed by judicial deposits (Note 14).

Labor provisions also cover an assessment relating to social security contributions due by the Company on insured employee remuneration, contributions for financing of benefits for labor disability, and contributions to third parties (National Institute of Colonization and Agrarian Reform (INCRA) and Brazilian Support Service for Small Business (SEBRAE)), plus late payment interest and fine.

These contingent liabilities are disclosed in Note 29.

Tax

The Company filed lawsuits (injunction) against the INSS, which required the payment of the social contribution set forth in article 22, item IV of Law 8212/91, with the wording provided by Law 9879/99.
The Company alleges that in the course of its activities it contracts cooperatives of several labor areas to provide specialized services, which makes it subject to the payment of the contribution. The Company believes that the payment of the contribution is not constitutional, since it does not respect the principles of legality, equality and protection to the cooperatives. A preliminary injunction was requested to declare the right of not paying the social contribution, as well as offsetting the amounts that had been unduly paid. At June 30, 2011, the balance of the provision was R$ 1,829 (R$ 1,741 at December 31, 2010).

On April 16, 2008, the Company was granted Injunction 2008.34.00.011286-4, to exclude the ICMS from the calculation basis of the PIS and COFINS federal contributions. As from the date of this injunction, the Company calculates and pays PIS and COFINS without including the ICMS in the calculation basis.

The provisions for tax contingencies relating to the exclusion of ICMS from the calculation basis of PIS and COFINS at June 30, 2011 amounted to R$ 19,925 (R$ 15,439 at December 31, 2010).

The balances of provisions for tax contingencies are adjusted based on the SELIC interest rate.

29 Contingent Liabilities

In accordance with the assessment of risks arising from the above lawsuits, the Company's legal advisors estimated the amounts of contingent liabilities. In addition to the provisions recorded in the financial statements, the following possible losses arising from civil and labor lawsuits may be incurred:

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Civil	703	650	727	674
Labor	5,280	5,226	5,280	5,226
Total	5,983	5,876	6,007	5,900

30 Employee Benefits

30.1 Private pension plan

Since November 1, 1997, the Company and its subsidiaries sponsor the Portobello Prev benefit plans, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which includes 48 participants. The plan has the characteristics of a defined contribution plan; however, it provides a minimum retirement benefit for length of service or age.

At June 30, 2011, the balance of the special contributions relating to past service, to be deposited in the individual accounts of the participants who meet the conditions established by the regulations of the plan, amounts to R$ 3,256 (R$ 3,469 at December 31, 2010) and is provided in long-term liabilities. The Company will pay the related special reserve amount when each participant in these conditions becomes eligible.

The principal actuarial assumptions used were as follows:

	Parent company	
	June 30, 2011	June 30, 2010
Economic assumptions		
Discount rate	6% p.a. (real)	6% p.a. (real)
Expected rate of return on assets	6% p.a. (real)	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years	2% p.a. (real) up to 47 years
Growth in the benefits and limits of the Government Social Security	2% p.a. (real) as from 48 years	2% p.a. (real) as from 48 years
Inflation	Not considered	Not considered
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions		
Mortality table	AT 83	AT 83
Disability mortality table	Exp. IAPC	Exp. IAPC
Disability table	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

All amounts in thousands of reais unless otherwise stated

30.2 Employee Benefit Expense

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Remuneration	17,767	15,004	19,117	16,163
Benefits				
Private pension plan	162	146	222	199
FGTS	1,437	1,188	1,517	1,259
Other	1,929	1,556	1,979	1,607
Total	21,295	17,894	22,835	19,228

b) Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2009
Remuneration	33,840	27,445	36,426	29,676
Benefits				
Private pension plan	319	281	438	388
FGTS	2,809	2,186	2,963	2,395
Other	3,563	2,896	3,666	2,996
Total	40,531	32,808	43,493	35,455

31 Equity

a) Share capital
(full amounts, not rounding figures)

The Company has a subscribed and paid-up capital of R$ 112,957,487 comprising 159,008,924 common shares with no par value.

Each common share is entitled to one vote at Stockholders' Meetings, pursuant to the rights and privileges established by Brazilian corporate legislation and by the Company's by-laws.

The Company is authorized to increase capital by up to 1,000,000,000 (one billion) new common shares, with no par value, resulting in a total of up to 1,159,008,924 shares. The issue of preferred shares or founder shares is not permitted.

At June 30, 2011, there were 61,947,847 shares outstanding in the market, corresponding to 38.95% of the total shares issued (112,655,178 at December 31, 2010, corresponding to 70.85% of the total). Shares outstanding in the market comprise all securities available for trading in the market, excluding those held by the controlling stockholders and members of the Board of Directors and the Executive Board.

All amounts in thousands of reais unless otherwise stated

The stockholders' agreement signed on April 15, 2011 formalized their adjustments related to the rules and procedures that will regulate the exercise of the Company's power among them and that reduced the percentage of outstanding shares.

b) Revaluation reserve

This reserve was recorded due to the revaluation of land, buildings and improvements, based on the appraisal report prepared by an independent appraisal company. This report established the revalued amount of the assets, as well their remaining useful lives, which became the new basis for depreciation.

The revaluation reserve is being realized proportionally to the depreciation of revalued constructions and improvements with a corresponding entry to retained earnings, net of tax effects. The same amount of realization of revaluation reserve is recorded in the statement of income for the year, as depreciation of the revalued assets.

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of deferred income tax and social contribution on land revalued in 2006, when the legislation did not permit the charge. ICPC 10 requires that entities record a provision for taxes on revaluation of land when "it is probable that the economic benefits associated with the non-depreciable asset will flow to the entity, derived either from current or future sales or own use of the asset". Deferred income tax and social contribution corresponding to the reserve for revaluation of land, constructions and improvements are classified in non-current liabilities, as mentioned in Note 16(b).

Considering the surplus credited to the revaluation reserve approved by the Extraordinary General Meeting of stockholders held on December 29, 2006, the balance of the revaluation of the Company's assets, net of deferred taxes, amounted to R$ 46,082 at June 30, 2011 (R$ 46,872 at December 31, 2010), the depreciation charge on the revaluation, net of deferred IRPJ and CSLL liabilities, for the quarter ended June 30, 2011 was R$ 790 (R$ 791 at June 30, 2010), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 18,739 (R$ 19,007 at December 31, 2010).

The Company opted to maintain the revaluation reserve at December 31, 2006 up to its full realization, in accordance with Law 11638/07.

c) Accumulated deficit

	Parent company	Consolidated
At December 31, 2010	(99,661)	(99,699)
Realization of revaluation reserve	790	790
Profit for the six-month period (excluding non-controlling interests)	3,673	3,711
At June 30, 2011	(95,198)	(95,198)

All amounts in thousands of reais unless otherwise stated

32 Revenue

The reconciliation between gross sales revenue and net revenue, presented in the statement of income for the year, is as follows:

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Gross sales revenue	167,624	145,900	177,701	152,120
Deductions from gross revenue	(36,133)	(31,239)	(37,129)	(32,351)
Net sales revenue	131,491	114,661	140,572	119,769
Domestic market	122,482	101,788	129,276	108,386
Foreign market	9,009	12,873	11,296	11,383

b) Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Gross sales revenue	319,998	273,126	339,987	286,038
Deductions from gross revenue	(69,726)	(57,790)	(71,716)	(59,844)
Net sales revenue	250,272	215,336	268,271	226,194
Domestic market	234,358	191,309	247,813	203,771
Foreign market	15,914	24,027	20,458	22,423

33 Expenses by Nature

Cost of sales and selling and administrative expenses for the quarter ended June 30, 2011 are as follows:

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Changes in inventories of finished products and work in process	6,242	(3,214)	6,242	(3,214)
Direct production costs	44,246	49,532	43,843	49,117
Cost of goods resold	18,828	11,563	19,195	11,577
Employee benefits	21,295	17,894	22,835	19,228
Third-party labor and services	4,102	3,510	5,912	3,726
Transportation of goods sold	788	933	788	933
Marketing and publicity	1,640	1,299	2,808	1,460
Other selling expenses	9,103	6,447	9,911	6,580
Amortization and depreciation	3,895	4,166	3,913	3,966
Other expenditures	13,087	12,260	13,148	12,474
Total	123,226	104,390	128,595	105,847

All amounts in thousands of reais unless otherwise stated

b) Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Changes in inventories of finished products and work in process	(2,895)	(4,046)	(2,895)	(4,046)
Direct production costs	95,551	92,673	94,690	91,901
Cost of goods resold	37,546	17,584	38,284	17,800
Employee benefits	40,531	32,808	43,493	35,455
Third-party labor and services	7,686	6,941	10,624	7,767
Transportation of goods sold	1,415	1,636	1,415	1,636
Marketing and publicity	2,831	2,200	5,049	2,789
Other selling expenses	17,273	12,144	18,676	12,578
Amortization and depreciation	7,797	8,112	7,834	7,973
Other expenditures	25,195	25,553	25,363	25,802
Total	232,930	195,605	242,533	199,655

34 Other Operating Income and Expenses, Net

Other operating income and expenses in the parent company and consolidated financial information, for the years ended December 31, 2010 and 2009, were as follows.

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Other operating income				
Tax credits (a)	-	86	-	86
Related party service revenue	774	794	-	-
Third-party service revenue	292	93	292	93
Use of tax credits as per MP 470 (Note 26)	-	3,252	-	3,252
Profit sharing, balance net of reversal	252	-	252	-
Consolidation of installment payment of Law 11941/09 (Note 25a))	3,613	-	3,613	-
Other revenue	22	2	25	7
Total	4,953	4,227	4,182	3,438
Other operating expenses				
Provision for labor contingencies (Note 28)	(439)	(196)	(439)	(196)
Provision for civil contingencies (Note 28)	(710)	(40)	(708)	(48)
Taxes on other revenues	(148)	(54)	(148)	(54)
Indemnity payable on third-party agreement	-	-	-	-
Municipal taxes and fees (b)	-	(207)	-	(207)
Cost of idleness (c)	(3,610)	-	(3,610)	-
Expenses to adapt to environmental rules	(337)	-	(337)	-
Other expenses	(23)	(170)	(21)	(143)
Total	(5,267)	(667)	(5,263)	(648)
Total, net	(314)	3,560	(1,081)	2,790

All amounts in thousands of reais unless otherwise stated

(a) During 2009 PIS and COFINS credits on purchases of spare and maintenance parts for machinery and equipment, for the period from January 2006 to June 2009, were recognized. The result of the review of the calculation of these taxes is supported by the opinion of independent attorneys.
(b) Request for installment payment of municipal taxes denied in the second quarter of 2010.
(c) During the second quarter of 2011, the production volume was reduced as part of the Company's strategic actions to align its inventory levels. Therefore, part of the fixed costs incurred in the period was immediately recognized in profit for the period in order to prevent the measurement of finished products at a value above its normal cost. The accounting treatment is in accordance with CPC 16.

b) Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Other operating income				
Tax credits (a)	-	86	-	86
Related party service revenue	1,674	1,607	-	-
Third-party service revenue	425	199	425	199
Use of tax credits as per MP 470 (Note 26)	-	3,252	-	3,252
Profit sharing, balance net of reversal	252	-	252	-
Consolidation of installment payment of Law 11941/09 (Note 25 (a))	3,613	-	3,613	-
Other revenue	140	31	148	45
Total	6,104	5,175	4,438	3,582

Other operating expenses				
Provision for labor contingencies (Note 28)	(4,287)	(452)	(4,287)	(452)
Provision for civil contingencies (Note 28)	(2,369)	(42)	(2,373)	(49)
Taxes on other revenues	(263)	(104)	(263)	(104)
Indemnity payable on third-party agreement	-	(121)	-	(121)
Municipal taxes and fees (b)	-	(207)	-	(207)
Cost of idleness (c)	(3,610)	-	(3,610)	-
Expenses to adapt to environmental rules	(701)	-	(701)	-
Other expenses	(46)	(227)	(46)	(192)
Total	(11,276)	(1,153)	(11,280)	(1,125)
Total, net	(5,172)	4,022	(6,842)	2,457

(a) During 2009 PIS and COFINS credits on purchases of spare and maintenance parts for machinery and equipment, for the period from January 2006 to June 2009, were recognized. The result of the review of the calculation of these taxes is supported by the opinion of independent attorneys.
(b) Request for installment payment of municipal taxes denied in the second quarter of 2010.
(c) During the second quarter of 2011, the production volume was reduced as part of the Company's strategic actions to align its inventory levels. Therefore, part of the fixed costs incurred in the period was immediately recognized in profit for the period in order to prevent the measurement of finished products at a value above its normal cost. The accounting treatment is in accordance with CPC 16.

All amounts in thousands of reais unless otherwise stated

35 Other Gains/(Losses) - Net

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company and Consolidated	
	June 30, 2011	June 30, 2010
Foreign exchange variations, net		
Trade receivables	(1,753)	560
Trade payables	222	186
Commissions	-	5
Total	(1,531)	751

b) Changes in the 1st half of 2011 and 2010:

	Parent company and Consolidated	
	June 30, 2011	June 30, 2010
Foreign exchange variations, net		
Trade receivables	(2,646)	1,496
Trade payables	181	16
Commissions	4	11
Total	(2,461)	1,523

All amounts in thousands of reais unless otherwise stated

36 Finance Result

The parent company and consolidated finance results for the quarter ended June 30, 2011 are as follows:

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Finance income				
Interest	486	129	551	271
Discounts received	40	21	88	39
Restatement of Eletrobrás compulsory loan (Note 15)	1,332	793	1,332	793
Restatement of tax assets (Note 17(a))	302	217	302	217
Restatement of receivables from related parties (Note 13) (a)	2,365	1,875	2,365	1,875
Restatement of judicial deposits for tax and labor claims	8	-	8	-
Present value adjustment (Note 9)	33	-	33	-
Present value adjustment (Note 23)	77	-	77	-
Other	-	-	2	-
Total	4,643	3,035	4,758	3,195
Finance costs				
Interest	(3,953)	(5,372)	(4,004)	(5,431)
Finance lease liabilities	(4)	(25)	(4)	(25)
Finance charges on taxes	(4,049)	(3,232)	(4,133)	(3,278)
Consolidation of installment payment of Law 11941/09 (Note 25 (a))	(600)	-	(600)	-
Discount of provision for contingencies (Note 28)	(560)	(298)	(560)	(298)
Commissions and service fees	(299)	(967)	(304)	(974)
Discounts/bank expenses	(1,611)	(208)	(1,611)	(208)
Discounts granted	(338)	(143)	(341)	(144)
Tax on Financial Transactions (IOF)	(28)	(143)	(28)	(143)
Income tax on financial transactions	(661)	(96)	(661)	(96)
Other	(2)	-	(5)	(26)
Total	(12,105)	(10,484)	(12,251)	(10,623)
Foreign exchange variations, net				
Financial investments	(21)	5	(21)	5
Loans and financing	2,087	40	2,087	40
Total	2,066	45	2,066	45
Total, net	(5,396)	(7,404)	(5,427)	(7,383)

All amounts in thousands of reais unless otherwise stated

b) Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Finance income				
Interest	822	395	1,106	720
Discounts received	77	49	133	68
Restatement of Eletrobrás compulsory loan (Note 15)	2,656	1,346	2,656	1,346
Restatement of tax assets (Note 17(a))	583	415	583	415
Restatement of receivables from related parties (Note 13)	4,627	3,578	4,627	3,578
Restatement of judicial deposits for tax and labor claims	8	-	8	-
Present value adjustment (Note 9)	56	-	56	-
Present value adjustment (Note 23)	77	-	77	-
Other	-	-	2	-
Total	8,906	5,783	9,248	6,127
Finance costs				
Interest	(8,650)	(10,999)	(8,761)	(11,102)
Finance lease liabilities	(9)	(49)	(9)	(49)
Finance charges on taxes	(7,970)	(6,326)	(8,137)	(6,402)
Consolidation of installment payment of Law 11941/09 (Note 25 (a))	(600)	-	(600)	-
Discount for provision for contingencies (Note 28)	(816)	(460)	(816)	(460)
Commissions and service fees	(646)	(1,189)	(656)	(1,201)
Discounts/bank expenses	(1,665)	(518)	(1,665)	(518)
Discounts granted	(558)	(170)	(565)	(172)
Tax on Financial Transactions (IOF)	(189)	(361)	(189)	(361)
Income tax on financial transactions	(692)	(239)	(692)	(239)
Present value adjustment (Note 23)	(11)	-	(11)	-
Other	(5)	-	(18)	(64)
Total	(21,811)	(20,311)	(22,119)	(20,568)
Foreign exchange variations, net				
Financial investments	(30)	212	(30)	212
Loans and financing	3,086	(312)	3,086	(312)
Total	3,056	(100)	3,056	(100)
Total, net	(9,849)	(14,628)	(9,815)	(14,541)

37 Result from Discontinued Operations

On August 17, 2010, the Board of Directors approved the discontinuation of the operations of the subsidiary Portobello América, taking into account that the demand in the North American market will be stable over the coming years. The sale of assets is in progress and the main assets and liabilities of this unit, as well as the result from discontinued operations for the quarter ended June 30, 2011, are summarized as follows:

Assets	June 30, 2011	December 31, 2010	Liabilities	June 30, 2011	December 31, 2010
Current assets	1,278	2,000	Current liabilities	33,102	36,038
Cash and banks	1,053	632	Trade payables	93	299
Trade receivables	148	1,158	Social and labor obligations	14	58
Inventories	30	160	Other	1,033	1,897
Other	47	50	Debts with related parties	31,962	33,784
			Equity	(31,824)	(34,038)
Total assets	1,278	2,000	Total liabilities	1,278	2,000

No groups were classified as held for sale at June 30, 2011 and December 31, 2010.

All amounts in thousands of reais unless otherwise stated

The result from discontinued operations is presented on a consolidated basis. Accordingly, in addition to the result of the subsidiary Portobello América, Inc. (Note 20), it also considers the Company's share in the discontinued operations.

	Changes in the 2nd quarter of 2011		Changes in the 1st half of 2011:	
Result from discontinued operations	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Net revenue	549	6,299	1,098	10,166
Cost of products (services)	(480)	(4,692)	(952)	(7,504)
Gross profit	69	1,607	146	2,662
Selling, general and administrative expenses	(284)	(2,026)	(418)	(3,054)
Finance result	(6)	(25)	(8)	(62)
Other operating expenses	-	(28)	-	(38)
Loss before taxation	(221)	(472)	(280)	(492)
Net result from discontinued operations	(221)	(472)	(280)	(492)

38 Earnings per Share

a) Basic

In accordance with CPC 41 (Earnings per share), basic earnings per share is calculated by dividing the profit attributable to stockholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.

	Changes in the 2nd quarter of 2011 and 2010:			
	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit attributable to the Company's stockholders	2,050	7,138	2,086	7,150
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share - R$	0.01	0.04	0.01	0.04
Profit from continuing operations	2,050	7,138	2,248	7,622
Result from discontinued operations	-	-	(162)	(472)
Weighted average number of common shares	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.01289	0.04489	0.01414	0.04793
Loss per share from discontinued operations	-	-	(0.00102)	(0.00297)

	Changes in the 1st half of 2011 and 2010:			
	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit attributable to the Company's stockholders	3,673	11,887	3,711	11,923
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share - R$	0.02	0.07	0.02	0.07
Profit from continuing operations	3,673	11,887	3,932	12,415
Result from discontinued operations	-	-	(221)	(492)
Weighted average number of common shares	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.02310	0.07476	0.02473	0.07808
Loss per share from discontinued operations	-	-	(0.00139)	(0.00309)

The Company did not have during 2010 and 2009 any shares held in treasury. The last share issue occurred in 2007. Therefore, the weighted average number of shares is equal to the total comprising the share capital (Note 31), which is represented by a single class of common share.

Consolidated profit attributable to stockholders does not consider non-controlling interests. The same criterion was used for results from continuing and discontinued operations.

b) Diluted

Diluted earnings per share are equal to basic earnings per share since the Company does not have contracts or any financial instrument that entitles the holder to common shares.

All amounts in thousands of reais unless otherwise stated

39 Cash Provided by Operating Activities

a) Changes in the 2nd quarter of 2011 and 2010:

	Note	Parent company		Consolidated	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit/loss for the period before taxation		2,845	8,447	3,938	10,080
Adjustments		2,989	8,925	7,100	12,359
Depreciation and amortization	21 and 22	3,917	4,304	3,936	4,393
Equity in the earnings of subsidiaries	20	(1,821)	(1,269)	-	-
Unrealized foreign exchange variations		(712)	(305)	1,651	1,625
Provision of inventories to market value	11	338	539	295	542
Provision for doubtful trade receivables	9	(366)	271	(400)	246
Provision for contingencies	28	2,423	780	2,420	788
Provision for labor liabilities		2,635	2,591	2,917	2,782
Other provisions		(391)	146	(391)	146
Residual cost of property, plant and equipment and intangible assets disposals	21 and 22	2	-	2	-
Other operating income and expenses, net	34	(6,401)	(2,906)	(6,773)	(2,906)
Tax assets	17	-	139	-	139
Tax liabilities payable in installments	25 and 26	(3,613)	(3,252)	(3,613)	(3,252)
Municipal taxes and fees		-	207	-	207
Profit sharing		(2,783)	-	(3,155)	-
Other		(5)	-	(5)	-
Restatements		(602)	112	(521)	188
Eletrobrás compulsory loan	15	(1,332)	(793)	(1,332)	(793)
Tax assets	17	(302)	(217)	(302)	(217)
Receivables from related parties	13	(2,365)	(1,875)	(2,365)	(1,875)
Judicial deposits	14	(8)	-	(8)	-
Present value adjustment of trade payables	23	(77)	-	(77)	-
Discount of provision for contingencies	28	560	298	560	298
Present value adjustment of trade receivables	9	(33)	-	(33)	-
Other		(1,057)	(480)	(1,057)	(480)
Finance charges on tax liabilities payable in installments		4,012	3,179	4,093	3,255
Finance costs arising from tax liabilities payable in installments	25	600	-	600	-
Other finance income and costs		-	-	(43)	-
Provision for interest on loans		3,367	4,662	3,407	4,555
Changes in assets and liabilities		(6,812)	(16,317)	(11,523)	(21,318)
(Increase)/decrease in trade receivables	9	(9,677)	(6,240)	(8,636)	(7,400)
Increase/(decrease) in advances from customers		(126)	(2,209)	(162)	(3,368)
(Increase)/decrease in marketable securities	10	(24)	(125)	(24)	(125)
(Increase)/decrease in inventories	11	10,017	(6,743)	10,028	(6,606)
(Increase)/decrease in other assets		131	(127)	(48)	(95)
(Increase)/decrease in judicial deposits	14	(9)	(144)	(8)	(166)
(Increase)/decrease in non-current assets		(186)	25	(186)	25
Increase/(decrease) in trade payables		(6,512)	4,417	(7,344)	4,120
(Increase)/decrease in advances to suppliers		(767)	(882)	(621)	(41)
Increase/(decrease) in tax liabilities payable in installments	25	(4,310)	(5,115)	(4,501)	(5,295)
Increase/(decrease) in tax liabilities		372	61	377	89
Increase/(decrease) in labor liabilities		889	871	847	402
Increase/(decrease) in other payables		3,328	53	(418)	(464)
Increase/(decrease) in other non-current payables		62	(159)	(827)	(2,394)
Cash provided by operating activities		(978)	1,055	(485)	1,121

All amounts in thousands of reais unless otherwise stated

b) Changes in the 1st half of 2011 and 2010:

	Note	Parent company		Consolidated	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Profit/loss for the period before taxation		4,093	13,341	6,620	15,978
Adjustments		9,191	19,291	15,514	24,170
Depreciation and amortization	21 and 22	7,850	8,390	7,887	8,625
Equity in the earnings of subsidiaries	20	(4,233)	(2,693)	-	-
Unrealized foreign exchange variations		(466)	(789)	1,590	1,154
Provision of inventories to market value	11	(367)	1,250	(433)	1,119
Provision for doubtful trade receivables	9	(701)	211	(752)	175
Provision for contingencies	28	2,286	1,880	2,289	1,887
Provision for labor liabilities		3,793	3,827	4,252	4,137
Other provisions		211	235	211	235
Residual cost of property, plant and equipment and intangible assets disposals	21 and 22	5	-	5	-
Other operating income and expenses, net	34	(6,406)	(2,906)	(6,778)	(2,906)
Tax assets	17	-	139	-	139
Tax liabilities payable in installments	25 and 26	(3,613)	(3,252)	(3,613)	(3,252)
Municipal taxes and fees		-	207	-	207
Profit sharing		(2,783)	-	(3,155)	-
Other		(10)	-	(10)	-
Restatements		(362)	635	(199)	783
Eletrobrás compulsory loan	15	(2,656)	(1,346)	(2,656)	(1,346)
Tax assets	17	(583)	(415)	(583)	(415)
Receivables from related parties	13	(4,627)	(3,578)	(4,627)	(3,578)
Judicial deposits	14	(8)	-	(8)	-
Present value adjustment of trade payables	23	(66)	-	(66)	-
Discount of provision for contingencies	28	816	460	816	460
Present value adjustment of trade receivables	9	(56)	-	(56)	-
Other		(1,068)	(656)	(1,068)	(656)
Finance charges on tax liabilities payable in installments		7,886	6,170	8,049	6,318
Finance costs arising from tax liabilities payable in installments	25	600	-	600	-
Other finance income and costs		-	-	(43)	-
Provision for interest on loans		6,981	9,251	6,885	8,961
Changes in assets and liabilities		(12,308)	(34,265)	(16,304)	(40,520)
(Increase)/decrease in trade receivables	9	(4,819)	(13,227)	(3,767)	(14,753)
Increase/(decrease) in advances from customers		270	(3,044)	105	(3,798)
(Increase)/decrease in marketable securities	10	167	2,597	167	2,597
(Increase)/decrease in inventories	11	4,405	(7,104)	4,908	(6,379)
(Increase)/decrease in other assets		589	1,555	540	1,039
(Increase)/decrease in judicial deposits	14	(64)	(378)	(69)	(421)
(Increase)/decrease in non-current assets		(239)	169	(239)	169
Increase/(decrease) in trade payables		(10,032)	(1,627)	(10,374)	(2,644)
(Increase)/decrease in advances to suppliers		(974)	(519)	(808)	322
Increase/(decrease) in tax liabilities payable in installments	25	(7,160)	(10,127)	(7,544)	(10,483)
Increase/(decrease) in tax liabilities		1,952	879	1,407	996
Increase/(decrease) in labor liabilities		364	857	138	272
Increase/(decrease) in other payables		3,273	136	(781)	(61)
Increase/(decrease) in other non-current payables		(40)	(4,432)	13	(7,376)
Cash provided by operating activities		976	(1,633)	5,830	(372)

The main non-cash item in the quarters ended June 30, 2011 and June 30, 2010 was the foreign exchange variation in the foreign subsidiary.

All amounts in thousands of reais unless otherwise stated

40 Segment Information

Management has determined the Company's operating segments based on the reports reviewed by the Executive Board that are used to make strategic decisions.

The Executive Board considers the business from the perspective of the markets in which the Company operates, as follows: Local (Domestic Market - Brazil) and Export (Foreign Market - Other Countries).

Income from operating segments reported is exclusively derived from the manufacture and sale of ceramic tiles used in the civil construction sector.

The Executive Board evaluates the performance of operating segments based on the operating result (Result before net finance income (costs) and taxes on profit - EBIT). The Board does not take into account the assets for analysis of segment performance, since the Company's assets are not segregated.

The segment information provided to the Executive Board on the reportable segments for the periods ended is as follows:

a) Changes in the 2nd quarter of 2011 and 2010:

	At June 30, 2011		
Continuing operations	Brazil	Other countries	Total
Revenue	129,276	11,296	140,572
Cost of sales	(88,461)	(10,395)	(98,856)
Gross profit	40,815	901	41,716
Operating income (expenses), net			
Selling, general and administrative expenses	(28,139)	(1,600)	(29,739)
Other operating income (expenses), net	(1,007)	(74)	(1,081)
Other gains (losses), net	(1,408)	(123)	(1,531)
	(30,554)	(1,797)	(32,351)
Operating profit (loss) before finance result	10,261	(896)	9,365
% on revenue	8%	-8%	7%

	At June 30, 2010		
Continuing operations	Brazil	Other countries	Total
Revenue	108,386	11,383	119,769
Cost of sales	(73,735)	(9,633)	(83,368)
Gross profit	34,651	1,750	36,401
Operating income (expenses), net			
Selling, general and administrative expenses	(21,361)	(1,118)	(22,479)
Other operating income (expenses), net	2,525	265	2,790
Other gains (losses), net	680	71	751
	(18,157)	(781)	(18,938)
Operating profit (loss) before finance result	16,494	969	17,463
% on revenue	15%	9%	15%

All amounts in thousands of reais unless otherwise stated

b) Changes in the 1st half of 2011 and 2010:

	At June 30, 2011		
Continuing operations	Brazil	Other countries	Total
Revenue	247,813	20,458	268,271
Cost of sales	(168,023)	(19,329)	(187,352)
Gross profit	79,790	1,129	80,919
Operating income (expenses), net			
Selling, general and administrative expenses	(52,329)	(2,852)	(55,181)
Other operating income (expenses), net	(6,373)	(469)	(6,842)
Other gains (losses), net	(2,271)	(190)	(2,461)
	(60,973)	(3,511)	(64,484)
Operating profit (loss) before finance result	18,817	(2,382)	16,435
% on revenue	8%	-12%	6%

	At June 30, 2010		
Continuing operations	Brazil	Other countries	Total
Revenue	203,771	22,423	226,194
Cost of sales	(138,976)	(18,892)	(157,868)
Gross profit	64,795	3,531	68,326
Operating income (expenses), net			
Selling, general and administrative expenses	(39,651)	(2,136)	(41,787)
Other operating income (expenses), net	2,227	230	2,457
Other gains (losses), net	1,372	151	1,523
	(36,053)	(1,754)	(37,807)
Operating profit (loss) before finance result	28,742	1,777	30,519
% on revenue	14%	8%	13%

The Company does not have customers that individually represent more than 10% of net sales revenue.

41 Commitments

a) Capital commitments

Costs contracted but not yet incurred referring to property, plant and equipment at June 30, 2011 amount to R$ 2,157.

All amounts in thousands of reais unless otherwise stated

b) Operating lease commitments

Operating leases refer to vehicles. The minimum future payments on non-cancelable operating leases, in total and for each period, are the following:

	Consolidated	
	June 30, 2011	December 31, 2010
Less than one year	367	472
More than one year and no less than five years	124	277
Total	491	749

42 Insurance

At June 30, 2011, the insurance cover against fire, robbery, collision and sundry risks for property, plant and equipment and inventories as well as for loss of profits is considered sufficient by management to cover any losses.

	Parent company and Consolidated
Insurance coverage	2010
Fire/lighting/explosion of any type	84,000
Electrical damages	3,600
Riots	1,000
Windstorms/smoke with vehicle impact	25,000
Civil liability - operations	2,500
Civil liability - employer	2,500
Loss of profits – windstorm with impact	16,000
Loss of profits - basic	27,282

The policy is effective from November 15, 2010 to November 15, 2011, when the Company intends to enter into a new insurance contract.

43 Related Party Transactions

The transactions of purchase and sale of products, raw materials and contracting of services, as well as financial transactions of loans between the Parent company and the subsidiaries are as follows:

All amounts in thousands of reais unless otherwise stated

	Nature	Parent company Assets (liabilities) June 30, 2011	December 31, 2010
Transactions with subsidiaries			
Portobello América, Inc.	Receivables from subsidiaries – Trade receivables	31,962	33,784
Portobello Shop S.A.	Dividends receivable	-	10,567
	Receivables from subsidiaries	4	-
	Dividends advanced	3,515	-
	Payables to subsidiary	-	(8,484)
PBTech Com. Serv. Cer. Ltda.	Receivables from subsidiaries – Trade receivables	2,817	2,921
	Receivables from subsidiaries - Loan	786	745
Mineração Portobello Ltda.	Advances to suppliers	1,185	1,020
Transactions with related parties			
Refinadora Catarinense S.A.	Receivables	99,304	94,667
Solução Cerâmica Com. Ltda.	Receivables	702	538
	Advances from customers	(455)	(627)
Flooring Revest. Cer. Ltda.	Receivables	686	604
	Advances from customers	(227)	(60)
		140,279	135,675

	Nature	Parent company Income (expenses) 2nd quarter 2011 June 30, 2011	June 30, 2010	1st half 2011 June 30, 2011	June 30, 2010
Transactions with subsidiaries					
Portobello América, Inc.	Sales of products	-	3,708	-	5,810
Portobello Shop S.A.	Service rendering	1,525	1,524	3,050	3,049
	Cost of services rendered	(754)	(733)	(1,381)	(1,448)
PBTech Com. Serv. Cer. Ltda.	Sales of products	20	506	73	608
Mineração Portobello Ltda.	Purchase of products	(403)	(415)	(860)	(772)
Transactions with related parties					
Solução Cerâmica Com. Ltda.	Sales of products	2,991	2,506	5,416	4,358
Flooring Revest. Cer. Ltda.	Sales of products	1,476	-	2,569	-
FHM Consult., Adm. e Part. Ltda.	Corporate advisory	-	(75)	-	(150)
		4,855	7,021	8,867	11,455

All amounts in thousands of reais unless otherwise stated

The parent company sells products to the subsidiary Portobello América Inc. at cost plus 15%. Transactions with other related parties are made on an arm's length basis.

The intercompany loan with subsidiary PBTech bears interest at 100% of the CDI nterest rate, and falls due on December 31, 2011.

Receivables from the subsidiary Portobello Shop were pledged in guarantee of the Company's loans totaling R$ 4,890 at June 30, 2011. The subsidiary is also guarantor of the Company in some financing transactions.

Related-party transactions

Portobello Shop has receivables and revenue from services relating to royalties of three franchisees that are related parties. The Franchising network includes one subsidiary of the Company and two related companies. The transactions are described below:

		Assets (liabilities)	
	Nature	June 30, 2011	December 31, 2010
Transactions with subsidiaries			
PBTech Com. Serv. Cer. Ltda.	Trade receivables	-	11
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Trade receivables	279	323
Flooring Revest. Cer. Ltda.	Trade receivables	117	160
		396	494

		Income (expenses)			
		2nd quarter 2011		1st half 2011	
	Nature	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Transactions with subsidiaries					
PBTech Com. Serv. Cer. Ltda.	Royalties	5	113	20	140
Transactions with related parties					
Solução Cerâmica Com. Ltda.	Royalties	688	658	1,310	1,151
Flooring Revest. Cer. Ltda.	Royalties	368	-	652	-
		1,061	771	1,982	1,291

Key management remuneration

The remuneration of key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and management for the quarter ended June 30, 2011 is as follows:

All amounts in thousands of reais unless otherwise stated

a) Changes in the 2nd quarter of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Fixed remuneration				
Salaries	1,483	1,255	1,757	1,494
Fees	428	396	692	641
Variable remuneration	1,745	247	2,044	285
Short-term direct and indirect benefits	-		-	
Private pension plan	109	117	165	168
Other	203	178	259	222
	3,968	2,193	4,917	2,810

* The Company does not have long-term or post-employment benefits

b) Changes in the 1st half of 2011 and 2010:

	Parent company		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Fixed remuneration				
Salaries	2,836	2,326	3,381	2,806
Fees	856	792	1,384	1,282
Variable remuneration	2,010	428	2,361	499
Short-term direct and indirect benefits	-		-	
Private pension plan	219	221	330	323
Other	404	339	515	430
	6,325	4,106	7,971	5,340

* The Company does not have long-term or post-employment benefits

The Annual General Meeting of stockholders held on April 28, 2011 approved for that year the global remuneration of the Board of Directors at the maximum amount of R$ 5,100 (R$ 4,320 approved on April 19, 2010) and also determined the monthly remuneration of each member of the Statutory Audit Board as 10% of the directors' remuneration.

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Report on Review of Quarterly Information

To the Board of Directors and Stockholders
Portobello S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Portobello S.A., included in the Quarterly Information (ITR) Form for the six-month period ended June 30, 2011, comprising the balance sheet and the statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated interim statements of value added for the six-month period ended June 30, 2011, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, August 12, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" SC

Carlos Biedermann
Contador CRC 1RS029321/O-4 “S” SC