Portobello

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Portobello S.A.

Quarterly Information (ITR) at March 31, 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 quarter ended March 31, 2011, comprising the balance sheet and the statements of income, comprehensive income, changes in equity, and cash flows for the quarter 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 quarter ended March 31, 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, May 13, 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

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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)	61.562.112/0024-17
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

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6. Investor Relations Officer or Equivalent

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	

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Company information/Capital composition

Number of shares (thousand)	Current quarter 3/31/2011
Paid-up capital	
Common shares	159,009
Preferred shares	0
Total	159,009
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 3/31/2011	Prior quarter 12/31/2010
1	Total assets	617,967	603,992
1.01	Current assets	258,288	248,411
1.01.01	Cash and cash equivalents	28,612	8,719
1.01.02	Financial investments	929	1,120
1.01.02.02	Financial investments at amortized cost	929	1,120
1.01.02.02.01	Securities held to maturity	929	1,120
1.01.03	Trade receivables	90,119	95,996
1.01.03.01	Customers	90,119	95,996
1.01.04	Inventories	99,593	93,276
1.01.06	Taxes recoverable	2,345	1,362
1.01.06.01	Current taxes recoverable	2,345	1,362
1.01.06.01.01	Income tax and social contribution recoverable	445	0
1.01.06.01.02	Other current taxes recoverable	1,900	1,362
1.01.07	Prepaid expenses	161	127
1.01.08	Other current assets	36,529	47,811
1.01.08.03	Other	36,529	47,811
1.01.08.03.01	Dividends receivable	0	10,567
1.01.08.03.02	Receivables from subsidiaries	33,331	33,784
1.01.08.03.03	Advances to suppliers	1,965	1,758
1.01.08.03.04	Other	1,233	1,702
1.02	Non-current assets	359,679	355,581
1.02.01	Long term receivables	179,555	176,007
1.02.01.03	Trade receivables	335	357
1.02.01.03.01	Customers	335	357
1.02.01.06	Deferred taxes	28,895	29,309
1.02.01.06.01	Deferred income tax and social contribution	28,895	29,309
1.02.01.08	Receivables from related parties	100,568	98,333
1.02.01.08.03	Receivables from controlling stockholders	3,634	3,666
1.02.01.08.04	Receivables from other related parties	96,934	94,667
1.02.01.09	Other non-current assets	49,757	48,008
1.02.01.09.03	Judicial deposits	8,066	8,011
1.02.01.09.04	Receivables from Eletrobrás	27,455	26,131
1.02.01.09.05	Taxes recoverable	1,543	1,455
1.02.01.09.06	Tax assets	10,871	10,590
1.02.01.09.07	Actuarial assets	1,764	1,764
1.02.01.09.08	Other	58	57
1.02.02	Investments	3,194	678
1.02.02.01	Equity investments	3,194	678
1.02.02.01.02	In subsidiaries	2,996	480
1.02.02.01.04	Other investments	198	198
1.02.03	Property, plant and equipment	175,587	177,459
1.02.04	Intangible assets	1,343	1,437

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Parent Company Financial Statements / Balance Sheet - Liabilities and Equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2011	Prior quarter 12/31/2010
2	Total liabilities and equity	617,967	603,992
2.01	Current liabilities	284,917	278,627
2.01.01	Social and labor obligations	15,131	14,498
2.01.02	Trade payables	83,331	86,777
2.01.03	Tax obligations	20,781	18,399
2.01.03.01	Federal tax obligations	20,781	18,399
2.01.03.01.01	Income tax and social contribution payable	304	590
2.01.03.01.02	Tax liabilities payable in installments	16,227	15,739
2.01.03.01.03	Taxes and contributions	4,250	2,070
2.01.04	Loans and financing	110,011	97,584
2.01.05	Other liabilities	21,702	21,309
2.01.05.02	Other	21,702	21,309
2.01.05.02.04	Advances from customers	14,585	14,189
2.01.05.02.05	Other	7,117	7,120
2.01.06	Provisions	33,961	40,060
2.01.06.02	Other provisions	33,961	40,060
2.01.06.02.04	Provision for loss on investments	33,036	33,738
2.01.06.02.05	Provisions for contingencies	925	6,322
2.02	Non-current liabilities	269,802	264,501
2.02.01	Loans and financing	50,898	44,434
2.02.02	Other liabilities	140,395	146,015
2.02.02.02	Other	140,395	146,015
2.02.02.02.03	Debts with related parties	2,432	8,484
2.02.02.02.04	Private pension plan	3,365	3,469
2.02.02.02.05	Tax liabilities payable in installments	134,598	134,062
2.02.03	Deferred taxes	43,199	44,303
2.02.03.01	Deferred income tax and social contribution	43,199	44,303
2.02.04	Provisions	35,310	29,749
2.02.04.02	Other provisions	35,310	29,749
2.02.04.02.04	Provision for loss on investments	4,301	4,256
2.02.04.02.05	Provisions for contingencies	31,009	25,493
2.03	Equity	63,248	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)	-97,643	-99,661
2.03.08	Other comprehensive income	47,667	47,301

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Parent Company Financial Statements / Statement of Income

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
3.01	Sales and/or services revenue	118,781	100,675
3.02	Cost of sales and/or services	-88,581	-76,131
3.03	Gross profit	30,200	24,544
3.04	Operating expenses/income	-24,499	-12,426
3.04.01	Selling expenses	-17,951	-12,054
3.04.02	General and administrative expenses	-3,172	-3,030
3.04.04	Other operating income	1,151	1,720
3.04.04.01	Other operating income	1,151	948
3.04.04.02	Other gains (losses), net	0	772
3.04.05	Other operating expenses	-6,939	-486
3.04.05.01	Other operating expenses	-6,009	-486
3.04.05.02	Other gains (losses), net	-930	0
3.04.06	Equity in the earnings of subsidiaries	2,412	1,424
3.05	Profit before finance result and taxes	5,701	12,118
3.06	Finance result	-4,453	-7,224
3.06.01	Finance income	5,253	2,748
3.06.01.01	Finance income	4,263	2,748
3.06.01.02	Foreign exchange variations, net	990	0
3.06.02	Finance expenses	-9,706	-9,972
3.06.02.01	Finance expenses	-9,706	-9,827
3.06.02.02	Foreign exchange variations, net	0	-145
3.07	Profit before taxation	1,248	4,894
3.08	Income tax and social contribution on net income	375	-145
3.08.01	Current	-315	-666
3.08.02	Deferred	690	521
3.09	Profit from continuing operations	1,623	4,749
3.11	Profit for the period	1,623	4,749
3.99	Earnings per share - (Reais / share)		
3.99.01	Basic earnings per share - R$		
3.99.01.01	Common share	0.01021	0.02987
3.99.02	Diluted earnings per share - R$		
3.99.02.01	Common share	0.01021	0.02987

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Parent Company Financial Statements / Statement of Comprehensive Income

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
4.01	Profit for the period	1,623	4,749
4.02	Other comprehensive income	1,156	-216
4.02.01	Realization of the revaluation reserve	395	396
4.02.02	Exchange variation of subsidiary located abroad	761	-612
4.03	Total comprehensive income for the period	2,779	4,533

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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 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
6.01	Net cash provided by (used in) operating activities	-2,777	-6,049
6.01.01	Cash provided by operating activities	1,954	-2,688
6.01.03	Other	-4,731	-3,361
6.01.03.01	Interest paid	-3,725	-3,361
6.01.03.02	Income tax and social contribution paid	-1,006	0
6.02	Net cash provided by (used in) investing activities	9,060	-1,046
6.02.01	Purchases of property, plant and equipment	-1,970	-6,607
6.02.02	Purchases of intangible assets	-3	0
6.02.03	Dividends received	10,567	5,910
6.02.04	Received from related parties	466	-349
6.03	Net cash provided by financing activities	13,610	8,706
6.03.01	New loans and financing	47,497	66,673
6.03.02	Payments of loans and financing	-27,696	-53,044
6.03.03	Payments to related companies	-6,191	-4,923
6.05	Increase in cash and cash equivalents	19,893	1,611
6.05.01	Opening balance of cash and cash equivalents	8,719	7,014
6.05.02	Closing balance of cash and cash equivalents	28,612	8,625

Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2011 to 3/31/2011

(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
5.03	Adjusted opening balance	112,957	267	0	-99,661	47,301	60,864
5.05	Total comprehensive income	0	0	0	1,623	761	2,384
5.05.01	Profit for the period	0	0	0	1,623	0	1,623
5.05.02	Other comprehensive income	0	0	0	0	761	761
5.05.02.06	Exchange variation of subsidiary located abroad	0	0	0	0	761	761
5.06	Internal changes in equity	0	0	0	395	-395	0
5.06.02	Realization of the revaluation reserve	0	0	0	395	-395	0
5.07	Closing balance	112,957	267	0	-97,643	47,667	63,248

Parent Company Financial Statements / Statement of Changes in Equity - 1/1/2010 to 3/31/2010

(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	4,749	-612	4,137
5.05.01	Profit for the period	0	0	0	4,749	0	4,749
5.05.02	Other comprehensive loss	0	0	0	0	-612	-612
5.05.02.06	Exchange variation of subsidiary located abroad	0	0	0	0	-612	-612
5.06	Internal changes in equity	0	0	0	396	-396	0
5.06.02	Realization of the revaluation reserve	0	0	0	396	-396	0
5.07	Closing balance	112,957	267	0	-128,477	46,567	31,314

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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 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
7.01	Revenue	150,877	126,648
7.01.01	Sales of products and services	148,591	124,737
7.01.02	Other income	1,951	1,851
7.01.04	Changes in the provision for doubtful trade receivables	335	60
7.02	Inputs acquired from third parties	-84,085	-66,241
7.02.01	Cost of sales and services	-61,529	-119,307
7.02.02	Materials, energy, outsourced services and other	-22,566	53,189
7.02.03	Impairment/recovery of assets	10	-123
7.03	Gross value added	66,792	60,407
7.04	Retentions	-3,933	-4,086
7.04.01	Depreciation, amortization and depletion	-3,933	-4,086
7.05	Net value added generated by the entity	62,859	56,321
7.06	Value added received through transfer	9,042	11,408
7.06.01	Equity in the earnings of subsidiaries	2,412	1,424
7.06.02	Finance income	6,630	9,984
7.07	Total value added to distribute	71,901	67,729
7.08	Distribution of value added	71,901	67,729
7.08.01	Personnel	22,201	17,319
7.08.01.01	Direct remuneration	18,992	14,795
7.08.01.02	Benefits	1,815	1,505
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	1,394	1,019
7.08.02	Taxes and contributions	34,532	27,984
7.08.02.01	Federal	17,263	14,150
7.08.02.02	State	17,122	13,785
7.08.02.03	Municipal	147	49
7.08.03	Remuneration of third party capital	13,545	17,677
7.08.03.01	Interest	12,013	16,619
7.08.03.02	Rentals	1,532	1,058
7.08.04	Remuneration of own capital	1,623	4,749
7.08.04.03	Earnings reinvested for the period	1,623	4,749

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Consolidated Financial Statements / Balance Sheet - Assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2011	Prior quarter 12/31/2010
1	Total assets	588,796	567,422
1.01	Current assets	234,306	214,527
1.01.01	Cash and cash equivalents	30,736	12,802
1.01.02	Financial investments	929	1,120
1.01.02.02	Financial investments at amortized cost	929	1,120
1.01.02.02.01	Securities held to maturity	929	1,120
1.01.03	Trade receivables	95,592	101,491
1.01.03.01	Customers	95,592	101,491
1.01.04	Inventories	99,593	93,745
1.01.06	Taxes recoverable	4,109	2,154
1.01.06.01	Current taxes recoverable	4,109	2,154
1.01.06.01.01	Income tax and social contribution recoverable	1,596	215
1.01.06.01.02	Other current taxes recoverable	2,513	1,939
1.01.07	Prepaid expenses	689	193
1.01.08	Other current assets	2,658	3,022
1.01.08.03	Other	2,658	3,022
1.01.08.03.01	Advances to suppliers	934	747
1.01.08.03.02	Other	1,724	2,275
1.02	Non-current assets	354,490	352,895
1.02.01	Long term receivables	176,483	172,899
1.02.01.03	Trade receivables	335	357
1.02.01.03.01	Customers	335	357
1.02.01.06	Deferred taxes	28,895	29,309
1.02.01.06.01	Deferred income tax and social contribution	28,895	29,309
1.02.01.08	Receivables from related parties	96,934	94,667
1.02.01.08.04	Receivables from other related parties	96,934	94,667
1.02.01.09	Other non-current assets	50,319	48,566
1.02.01.09.03	Judicial deposits	8,104	8,043
1.02.01.09.04	Receivables from Eletrobrás	27,455	26,131
1.02.01.09.05	Taxes recoverable	1,543	1,455
1.02.01.09.06	Tax assets	10,871	10,590
1.02.01.09.07	Actuarial assets	1,764	1,764
1.02.01.09.08	Other	582	583
1.02.02	Investments	221	226
1.02.02.01	Equity investments	221	226
1.02.02.01.04	Other investments	221	226
1.02.03	Property, plant and equipment	176,342	178,226
1.02.04	Intangible assets	1,444	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 3/31/2011	Prior quarter 12/31/2010
2	Total liabilities and equity	588,796	567,422
2.01	Current liabilities	259,172	251,275
2.01.01	Social and labor obligations	16,018	15,334
2.01.02	Trade payables	84,725	87,689
2.01.03	Tax obligations	23,507	20,283
2.01.03.01	Federal tax obligations	23,507	20,283
2.01.03.01.01	Income tax and social contribution payable	1,675	1,049
2.01.03.01.02	Tax liabilities payable in installments	17,060	16,552
2.01.03.01.03	Taxes and contributions	4,772	2,682
2.01.04	Loans and financing	110,011	97,584
2.01.05	Other liabilities	23,957	24,040
2.01.05.02	Other	23,957	24,040
2.01.05.02.04	Advances from customers	14,926	14,659
2.01.05.02.05	Dividends payable	11	11
2.01.05.02.06	Other	9,020	9,370
2.01.06	Provisions	954	6,345
2.01.06.02	Other provisions	954	6,345
2.01.06.02.04	Provisions for contingencies	954	6,345
2.02	Non-current liabilities	266,400	255,311
2.02.01	Loans and financing	51,742	45,242
2.02.02	Other liabilities	140,444	140,267
2.02.02.02	Other	140,444	140,267
2.02.02.02.03	Private pension plan	3,365	3,469
2.02.02.02.04	Tax liabilities payable in installments	137,062	136,657
2.02.02.02.05	Other	17	141
2.02.03	Deferred taxes	43,199	44,303
2.02.03.01	Deferred income tax and social contribution	43,199	44,303
2.02.04	Provisions	31,015	25,499
2.02.04.02	Other provisions	31,015	25,499
2.02.04.02.04	Provisions for contingencies	31,015	25,499
2.03	Consolidated equity	63,224	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)	-97,679	-99,699
2.03.08	Other comprehensive income	47,667	47,301
2.03.09	Minority interest	12	10

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Statement of Income

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
3.01	Sales and/or services revenue	127,699	106,425
3.02	Cost of sales and/or services	-88,496	-74,500
3.03	Gross profit	39,203	31,925
3.04	Operating expenses/income	-32,133	-18,869
3.04.01	Selling expenses	-21,252	-15,151
3.04.02	General and administrative expenses	-4,190	-4,157
3.04.04	Other operating income	256	916
3.04.04.01	Other operating income	256	144
3.04.04.02	Other gains (losses), net	0	772
3.04.05	Other operating expenses	-6,947	-477
3.04.05.01	Other operating expenses	-6,017	-477
3.04.05.02	Other gains (losses), net	-930	0
3.05	Profit before finance result and taxes	7,070	13,056
3.06	Finance result	-4,388	-7,158
3.06.01	Finance income	5,480	2,932
3.06.01.01	Finance income	4,490	2,932
3.06.01.02	Foreign exchange variations, net	990	0
3.06.02	Finance expenses	-9,868	-10,090
3.06.02.01	Finance expenses	-9,868	-9,945
3.06.02.02	Foreign exchange variations, net	0	-145
3.07	Profit before taxation	2,682	5,898
3.08	Income tax and social contribution on net income	-996	-1,103
3.08.01	Current	-1,686	-1,624
3.08.02	Deferred	690	521
3.09	Profit from continuing operations	1,686	4,795
3.10	Loss from discontinued operations	-59	-20
3.11	Consolidated profit for the period	1,627	4,775
3.11.01	Attributable to stockholders of the Parent company	1,625	4,773
3.11.02	Attributable to minority interest	2	2
3.99	Earnings per share - (Reais / share)		
3.99.01	Basic earnings per share - R$		
3.99.01.01	Common share	0.01023	0.03003
3.99.02	Diluted earnings per share - R$		
3.99.02.01	Common share	0.01023	0.03003

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Statement of Comprehensive Income

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
4.01	Consolidated profit for the period	1,627	4,775
4.02	Other comprehensive income (loss)	1,156	-216
4.02.01	Realization of the revaluation reserve	395	396
4.02.02	Exchange variation of subsidiary located abroad	761	-612
4.03	Consolidated comprehensive income for the period	2,783	4,559
4.03.01	Attributable to stockholders of the Parent company	2,781	4,557
4.03.02	Attributable to minority interest	2	2

(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 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
6.01	Net cash provided by (used in) operating activities	103	-5,556
6.01.01	Cash provided by operating activities	6,315	-1,493
6.01.03	Other	-6,212	-4,063
6.01.03.01	Interest paid	-3,725	-3,361
6.01.03.02	Income tax and social contribution paid	-2,487	-702
6.02	Net cash used in investing activities	-1,973	-6,717
6.02.01	Purchases of property, plant and equipment	-1,970	-6,704
6.02.02	Purchases of intangible assets	-3	-13
6.03	Net cash provided by financing activities	19,815	13,648
6.03.01	New loans and financing	47,511	66,692
6.03.02	Payments of loans and financing	-27,696	-53,044
6.04	Exchange variation on cash and cash equivalents	-11	55
6.05	Increase in cash and cash equivalents	17,934	1,430
6.05.01	Opening balance of cash and cash equivalents	12,802	8,618
6.05.02	Closing balance of cash and cash equivalents	30,736	10,048

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2011 to 3/31/2011

(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	Minority interest	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	1,625	761	2,386	2	2,388
5.05.01	Profit for the period	0	0	0	1,625	0	1,625	2	1,627
5.05.02	Other comprehensive income	0	0	0	0	761	761	0	761
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	761	761	0	761
5.06	Internal changes in equity	0	0	0	395	-395	0	0	0
5.06.02	Realization of the revaluation reserve	0	0	0	395	-395	0	0	0
5.07	Closing balance	112,957	267	0	-97,679	47,667	63,212	12	63,224

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2010 to 3/31/2010

(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	Minority Interest	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	4,773	-612	4,161	2	4,163
5.05.01	Profit for the period	0	0	0	4,773	0	4,773	2	4,775
5.05.02	Other comprehensive loss	0	0	0	0	-612	-612	0	-612
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	-612	-612	0	-612
5.06	Internal changes in equity	0	0	0	396	-396	0	0	0
5.07	Closing balance	112,957	267	0	-128,682	46,567	31,109	3	31,112

(A free translation of the original in Portuguese)

Consolidated Financial Statements / Statement of Value Added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2011 to 3/31/2011	Accumulated - prior year 1/1/2010 to 3/31/2010
7.01	Revenue	159,207	131,718
7.01.01	Sales of products and services	158,883	131,671
7.01.02	Other income	-28	-24
7.01.04	Changes in the provision for doubtful trade receivables	352	71
7.02	Inputs acquired from third parties	-85,908	-65,801
7.02.01	Cost of sales and services	-61,305	-116,478
7.02.02	Materials, energy, outsourced services and other	-24,556	50,820
7.02.03	Impairment/recovery of assets	12	-123
7.02.04	Other	-59	-20
7.03	Gross value added	73,299	65,917
7.04	Retentions	-3,951	-4,232
7.04.01	Depreciation, amortization and depletion	-3,951	-4,232
7.05	Net value added generated by the entity	69,348	61,685
7.06	Value added received through transfer	6,858	10,168
7.06.02	Finance income	6,858	10,168
7.07	Total value added to distribute	76,206	71,853
7.08	Distribution of value added	76,206	71,853
7.08.01	Personnel	23,679	19,034
7.08.01.01	Direct remuneration	20,280	16,215
7.08.01.02	Benefits	1,931	1,663
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	1,468	1,156
7.08.02	Taxes and contributions	37,149	30,060
7.08.02.01	Federal	19,868	16,173
7.08.02.02	State	17,122	13,815
7.08.02.03	Municipal	159	72
7.08.03	Remuneration of third party capital	13,751	17,984
7.08.03.01	Interest	12,183	16,781
7.08.03.02	Rentals	1,568	1,203
7.08.04	Remuneration of own capital	1,627	4,775
7.08.04.03	Earnings reinvested in the period	1,625	4,773
7.08.04.04	Minority interest in earnings reinvested	2	2

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 Cesar Gomes Júnior and Eleonora Ramos Gomes, holding 29.09% of its capital at March 31, 2011. The remaining 70.91% 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, together with the Company referred to as "the Group": (i) Portobello América, which was established to sell Portobello products in the North American market, and, at March 31, 2011, is classified as a discontinued operation, as described in Note 36; (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 106 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 periods 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, adopted as the deemed cost, 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 Group'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.

All amounts in thousands of reais unless otherwise stated

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).

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 a shareholding 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 deconsolidated from the date that control ceases.

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

	March 31, 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

All amounts in thousands of reais unless otherwise stated

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	
	March 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010
Parent company	63,248	60,864	1,623	4,749
Unrealized inventory profit	(36)	(38)	(36)	(205)
Reversal of unrealized profit	-	-	38	229
Consolidated excluding minority interest	63,212	60,826	1,625	4,773

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

b) Transactions and minority interest

The Group treats transactions with minority interests as transactions with equity owners of the Group. For purchases from minority 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 minority interests are also recorded in equity.

When the Group 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 Group 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 Group's strategic decisions.

2.4 Foreign currency translation

a) Presentation currency and functional currency

The items included in the quarterly information of each of the Group's entities 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 expenses.

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 Group 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 Group's loans and receivables 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. Assets in the category are included in current assets. 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 (expenses)" 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 Group commits 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 Group has 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 recorded 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 Group does not have derivative financial instruments and hedging activities.

2.8 Impairment of financial assets

The Group assesses 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 Group 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 Group's business. 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 Group's business if longer), 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 Group 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.

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 of investments", with a corresponding entry in the statement of income, as "Equity in the loss of subsidiaries". The provision for loss of 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 Group 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:

All amounts in thousands of reais unless otherwise stated

	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 Group 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 Group.

The Group tests 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 March 31, 2011 are judged to approximate their fair values.

2.16 Leases

Leases of property, plant and equipment in which the Group substantially assumes 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 Group assumes 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 Group has 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 on net income

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 depending 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 Group. The Group 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 Group's 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 Group's activities, 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 36.

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 Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2011 or later periods but the Group has 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 reclassification 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.

The Group will evaluate the total impact of these standards and amendments to standards; however, they are not expected to have any effects on the Group's or the Parent company's quarterly information.

3 Critical Accounting Estimates and Judgments

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes 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) Provisions 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 Group determines the appropriate discount rate 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, the Group 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 29(a).

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 judgement. 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 Company's activities expose it to financial risks related to market, credit and liquidity. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Treasury and Financial Departments under policies approved by the Board of Directors. The Group Treasury and Financial Departments identify, evaluate and hedge financial risks in close co-operation with the Group's 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.

All amounts in thousands of reais unless otherwise stated

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	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Trade receivables	10,244	10,201	10,793	10,201
Receivables from subsidiaries	33,331	33,784	-	-
Advances to suppliers	95	336	95	336
Provision for loss of investments	(33,036)	(33,738)	-	-
Trade payables	(5,410)	(5,502)	(5,410)	(5,502)
Loans and financing	(49,776)	(27,698)	(49,776)	(27,698)
Net liability exposure	(44,552)	(22,617)	(44,298)	(22,663)

		In foreign currency			
		Parent company		Consolidated	
		March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Trade receivables	Euro	204	214	204	214
Trade receivables	U.S. dollar	4,166	4,869	4,166	4,869
Receivables from subsidiaries	U.S. dollar	20,465	20,276	-	-
Advances to suppliers	Euro	26	132	26	132
Advances to suppliers	U.S. dollar	22	23	22	23
Provision for loss of investments	U.S. dollar	(20,284)	(20,248)	-	-
Trade payables	Euro	(795)	(686)	(795)	(686)
Trade payables	U.S. dollar	(2,193)	(2,385)	(2,193)	(2,385)
Loans and financing	Euro	(368)	(686)	(368)	(686)
Loans and financing	U.S. dollar	(30,038)	(14,624)	(30,038)	(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 one year, and, accordingly, providing a natural hedge in its cash flow.

ii) Cash flow and fair value interest rate risk

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

The Group continuously monitors 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 Group maintains strict control on credit limits granted to its customers and adjusts 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 not having liquid funds sufficient to meet the Group's 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 March 31, 2011, the Company has an excess of current liabilities over current assets of R$ 26,629 (R$ 30,216 at December 31, 2010) and of R$ 24,866 (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 five years	Total
At March 31, 2011					
Loans and financing	109,873	23,676	23,294	6,200	163,043
Finance lease liabilities	138	9	-	-	147
Trade payables	83,364	-	-	-	83,364
Tax liabilities payable in installments	12,170	16,227	39,682	82,746	150,825
Total	205,545	39,912	62,976	88,946	397,379

	Parent company				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Total
At December 31, 2010					
Loans and financing	97,434	17,095	23,322	6,249	144,100
Finance lease liabilities	150	39	-	-	189
Trade payables	86,777	-	-	-	86,777
Tax liabilities payable in installments	15,739	15,739	38,433	79,890	149,801
Total	200,100	32,873	61,755	86,139	380,867

	Consolidated				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Total
At March 31, 2011					
Loans and financing	109,873	23,659	24,159	6,196	163,887
Finance lease liabilities	138	9	-	-	147
Trade payables	84,758	-	-	-	84,758
Tax liabilities payable in installments	12,794	17,058	40,934	83,336	154,122
Total	207,563	40,726	65,093	89,532	402,914

All amounts in thousands of reais unless otherwise stated

	Consolidated				
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Total
At December 31, 2010					
Loans and financing	97,434	17,928	23,301	6,243	144,906
Finance lease liabilities	150	39	-	-	189
Trade payables	87,689	-	-	-	87,689
Tax liabilities payable in installments	16,552	16,551	39,652	80,454	153,209
Total	201,825	34,518	62,953	86,697	385,993

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 financial expenses 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 March 31, 2011, management defined for the probable scenario a CDI rate of 11.66% and TJLP of 6.00%. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

	Consolidated in reais							
	March 31, 2011	Risk	Probable		Possible (25%)		Remote (50%)	
Transaction			%	R$	%	R$	%	R$
Loans - working capital	57,826	CDI increase	11.66%	(6,743)	14.58%	(8,428)	17.49%	(10,114)
Loans - BNDES*	4,023	TJLP increase	6.00%	(241)	7.50%	(302)	9.00%	(362)
Total	61,849			(6,984)		(8,730)		(10,476)
Transaction								
Investments - cash and cash equivalents	24,765	CDI decrease	11.66%	2,950	8.75%	2,213	5.83%	1,475
Investments - marketable securities	929	CDI decrease	11.66%	106	8.75%	80	5.83%	53
Total	25,694			3,056		2,292		1,528

* BNDES - National Bank for Economic and Social Development

All amounts in thousands of reais unless otherwise stated

ii) Sensitivity analysis of changes in foreign exchange rates

At March 31, 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						
	March 31, 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	10,793	1,6591	-	2,0739	2,698	2,4887	5,397
Advances to suppliers	95	1,6591	-	2,0739	24	2,4887	48
Trade payables	(5.410)	1,6591	-	2,0739	(1.353)	2,4887	(2.705)
Loans and financing	(49.776)	1,6591	-	2,0739	(12.444)	2,4887	(24.888)
Net liability exposure	(44.298)	1,6591	-	2,0739	(11.075)	2,4887	(22.149)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability 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.

The Group monitors capital 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 March 31, 2011 were as follows:

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Loans and financing	160,909	142,018	161,753	142,826
Tax liabilities payable in installments	150,825	149,801	154,122	153,209
Less: Cash and cash equivalents	(28.612)	(8.719)	(30.736)	(12.802)
Receivables from other related parties	(96.934)	(94.667)	(96.934)	(94.667)
Marketable securities	(929)	(1.120)	(929)	(1.120)
Net debt	185,259	187,313	187,276	187,446
Total equity	63,248	60,864	63,224	60,836
Total capital	248,507	248,177	250,500	248,282
Gearing ratio (%)	75	75	75	75

The Company has available and unused credit facilities totaling R$ 25,000 at March 31, 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 Group 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).

All amounts in thousands of reais unless otherwise stated

- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets and liabilities of the Group, 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	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Assets				
Receivables				
Financial investments	24,765	3,013	24,765	3,013
Total	24,765	3,013	24,765	3,013
Liabilities				
Other financial liabilities				
Loans and financing	160,909	142,018	160,909	142,018
Total	160,909	142,018	160,909	142,018

	Consolidated			
	Book value		Fair value	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Assets				
Receivables				
Financial investments	26,232	6,026	26,232	6,026
Total	26,232	6,026	26,232	6,026

All amounts in thousands of reais unless otherwise stated

	Consolidated			
	Book value		Fair value	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Liabilities				
Other financial liabilities				
Loans and financing	161,753	142,826	161,753	142,826
Total	161,753	142,826	161,753	142,826

5 Financial Instruments by Category

In the table below, the Group's financial instruments are classified by category at the balance sheet dates:

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Assets as per balance sheet				
Receivables				
Cash and cash equivalents	28,612	8,719	30,736	12,802
Trade receivables	90,454	96,353	95,927	101,848
Total	119,066	105,072	126,663	114,650
Held to maturity				
Marketable securities	929	1,120	929	1,120
Total	929	1,120	929	1,120
Liabilities as per balance sheet				
Other financial liabilities				
Trade payables	83,331	86,777	84,725	87,689
Loans and financing	160,770	141,844	161,614	142,652
Finance lease liabilities	139	174	139	174
Tax liabilities payable in installments	150,825	149,801	154,122	153,209
Total	395,065	378,596	400,600	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	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Trade receivables				
Counterparties without external credit rating				
Group 1	6,896	10,780	7,361	11,466
Group 2	79,959	81,148	85,354	86,310
Group 3	5,834	7,018	6,229	7,464
Total	92,689	98,946	98,944	105,240
Cash at bank and short-term bank deposits (not including cash on hand)				
AAA (bra)	796	2,136	808	2,263
AA+ (bra)	27,146	5,887	28,728	9,186
A+ (bra)	108	-	108	-
A (bra)	5	-	5	-
AA- (bra)	323	458	327	461
BBB (bra)	4	-	4	-
Other	229	238	755	892
Total	28,611	8,719	30,735	12,802
Loans to related parties				
Group 3	765	745	-	-
Total	765	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.

All amounts in thousands of reais unless otherwise stated

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	-
HSBC Bank Brasil S.A.	-	Aaa.br	-

7 Derivative Financial Instruments

The Group does not have derivative financial instruments.

8 Cash and Cash Equivalents

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Cash	1	-	1	-
Checking account	3,846	5,706	4,503	6,776
Financial investments	24,765	3,013	26,232	6,026
Total	28,612	8,719	30,736	12,802

Financial investments designated as cash equivalents are there in investment funds, which yielded 100.42% of the CDI interest rate in the first quarter of 2011 and can be redeemed at any time.

All amounts in thousands of reais unless otherwise stated

9 Trade Receivables

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Receivable from third parties:				
Customers - domestic market	81,569	87,603	87,275	93,897
Customers - foreign market	10,244	10,201	10,793	10,201
	91,813	97,804	98,068	104,098
Receivables from related parties:				
Entities related to management	876	1,142	876	1,142
	876	1,142	876	1,142
Impairment of trade receivables:				
Provision for doubtful trade receivables	(2.042)	(2.377)	(2.824)	(3.176)
Present value adjustment	(193)	(216)	(193)	(216)
	(2.235)	(2.593)	(3.017)	(3.392)
Total	90,454	96,353	95,927	101,848
Current	90,119	95,996	95,592	101,491
Non-current	335	357	335	357

The fair value of trade receivables at March 31, 2011 is R$ 90,454 (R$ 96,353 at December 31, 2010) in the parent company, and R$ 95,927 (R$ 101,848 at December 31, 2010) in the consolidated. The impairment of trade receivables in the subsidiary is recorded at the total amount of R$ 2,042 (R$ 2,377 at December 31, 2010), in the consolidated it totals R$ 2,824 (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$ 193 (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)	(335)	(352)
At March 31, 2011	2,042	2,824

(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 quarter of 2011, the Company did not write-off any accounts receivable as uncollectible.

The aging of trade receivables is as follows:

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Not yet due - non-current	408	444	408	444
Not yet due - current	85,257	89,700	89,277	93,846
Overdue up to 30 days	2,670	3,177	2,705	3,657
Overdue from 31 to 60 days	598	1,009	664	1,262
Overdue from 61 to 90 days	340	519	735	725
Overdue from 91 to 180 days	1,070	1,093	2,667	2,204
Overdue from 181 to 360 days	756	736	806	736
Overdue for more than 360 days	1,590	2,268	1,682	2,366
Total	92,689	98,946	98,944	105,240

	Parent company							
	March 31, 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	408	-	-	408	444	-	-	444
Not yet due - current	85,257	-	-	85,257	89,700	-	-	89,700
Overdue up to 30 days	-	2,670	-	2,670	-	3,177	-	3,177
Overdue from 31 to 60 days	-	598	-	598	-	1,009	-	1,009
Overdue from 61 to 90 days	-	334	6	340	-	507	12	519
Overdue from 91 to 180 days	-	1,036	34	1,070	-	1,077	16	1,093
Overdue from 181 to 360 days	-	344	412	756	-	655	81	736
Overdue for more than 360 days	-	-	1,590	1,590	-	-	2,268	2,268
	-				-			
Total	85,665	4,982	2,042	92,689	90,144	6,425	2,377	98,946

All amounts in thousands of reais unless otherwise stated

	Consolidated							
	March 31, 2011				December 31, 2010			
	Not yet due	Overdue not impaired	Overdue impaired	Total	Not yet due	Overdue not impaired	Overdue impaired	Total
Not yet due - non-current	408	-	-	408	444	-	-	444
Not yet due - current	89,277	-	-	89,277	93,846	-	-	93,846
Overdue up to 30 days	-	2,705	-	2,705	-	3,657	-	3,657
Overdue from 31 to 60 days	-	664	-	664	-	1,262	-	1,262
Overdue from 61 to 90 days	-	594	141	735	-	603	122	725
Overdue from 91 to 180 days	-	2,095	572	2,667	-	1,597	607	2,204
Overdue from 181 to 360 days	-	377	429	806	-	655	81	736
Overdue for more than 360 days	-	-	1,682	1,682	-	-	2,366	2,366
	-				-			
Total	89,685	6,435	2,824	98,944	94,290	7,774	3,176	105,240

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 March 31, 2011, trade receivables pledged in guarantee were R$ 61,023 (R$ 53,345 at December 31, 2010).

10 Marketable Securities

Marketable securities include financial assets classified as held to maturity, as follows:

	Parent company and Consolidated	
	March 31, 2011	December 31, 2010
Financial investments	929	1,120
Total	929	1,120

The financial assets in the parent company and the consolidated at March 31, 2011, classified as held to maturity, comprise financial investments pledged in guarantee of loans of R$ 929 (R$ 1,120 at December 31, 2010), remunerated at 98% of the CDI interest rate and maturing on March 7, 2012.

All amounts in thousands of reais unless otherwise stated

11 Inventories

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Finished products	91,412	82,945	92,420	84,444
Work in process	7,820	7,216	7,820	7,216
Raw and consumption materials	7,991	8,489	7,991	8,489
Provision for loss of inventories	(9.736)	(10.441)	(10.744)	(11.471)
Imports in transit	2,106	5,067	2,106	5,067
Total	99,593	93,276	99,593	93,745

12 Taxes Recoverable

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Current				
ICMS	277	236	314	273
IPI (a)	1,454	930	1,454	930
IRRF/CSRF	49	84	423	458
PIS/COFINS	-	-	2	2
Other	120	112	320	276
Total	1,900	1,362	2,513	1,939
Non-current				
ICMS on property, plant and equipment	1,543	1,455	1,543	1,455
Total	1,543	1,455	1,543	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 second time, in accordance with Decree 7,394 of December 15, 2010, and will be maintained up to December 31, 2011. This measure generates credits which are used monthly to offset federal taxes payable. According to the same Decree, from January 1, 2012 the rate will be 5%.

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 payment 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 payment 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 March 31, 2011, these credits, which also arise from lawsuit 87.00.00967-9, total R$ 96,934 (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.

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 27), 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	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Civil	6	6	6	6
Labor	6,002	5,989	6,040	6,021
Tax	2,058	2,016	2,058	2,016
Total	8,066	8,011	8,104	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

All amounts in thousands of reais unless otherwise stated

Federal Court accounting department, totaling R$ 9,136, recorded under "Other operating income". At March 31, 2011, the balance of the asset was R$ 27,455 (R$ 26,131 at December 31, 2010).

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	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Income tax	327	-	1,160	144
Social contribution	118	-	436	71
Total	445	-	1,596	215

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

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Income tax	222	415	1,229	732
Social contribution	82	175	446	317
Total	304	590	1,675	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.

All amounts in thousands of reais unless otherwise stated

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.

The deferred tax calculation bases are as follows:

	Parent company and Consolidated	
	March 31, 2011	December 31, 2010
Tax losses	8,815	8,953
Temporary differences - assets	20,080	20,356
Portobello pension plan	544	590
Adjustment to present value of trade receivables	66	73
Provision for adjustment to market value	2,954	3,064
Provision for contingencies	5,027	5,568
Provision for PIS with ICMS reduction	1,039	936
Provision for COFINS with ICMS reduction	4,791	4,314
Provision for doubtful trade receivables	694	808
Provision for profit sharing	946	946
Provision for contingencies of IPI premium credit - SIMAB	1,896	1,896
Other temporary differences - assets	2,123	2,161
Temporary differences - liabilities	(43,199)	(44,303)
Revaluation reserve	(18,873)	(19,007)
Receivables from Eletrobrás	(9,335)	(8,885)
Recognition of IPI premium credit - phase II	(3,696)	(3,601)
Adjustment to present value - Prodec*	(776)	(772)
Adjustment to present value of suppliers	(11)	(15)
Depreciation adjustment (for useful lives of assets)	(4,785)	(4,778)
Exchange rate adjustment	(5,723)	(7,245)
Total	(14,304)	(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:

All amounts in thousands of reais unless otherwise stated

	Parent company and Consolidated	
	Deferred taxes	
	March 31, 2011	December 31, 2010
Deferred tax asset to be recovered:		
Within 12 months	17,079	16,660
After 12 months	11,816	12,649
	28,895	29,309
Deferred tax liability to be paid:		
Within 12 months	(5,724)	(7,246)
After 12 months	(37,475)	(37,057)
	(43,199)	(44,303)
Total	(14,304)	(14,994)

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

The net changes in the deferred tax liability are as follows:

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
At January 1	(14,994)	(13,259)	(14,994)	(13,259)
Tax losses	(138)	(1,140)	(138)	(1,140)
Temporary differences - assets	(276)	3,742	(276)	3,742
Temporary differences - liabilities	970	(1,955)	970	(1,955)
Revaluation reserve	134	(2,382)	134	(2,382)
At December 31	(14,304)	(14,994)	(14,304)	(14,994)

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

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 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)	(288)	(138)	(288)
Provisions for contingencies	(541)	(56)	(541)	(56)
PIS calculation basis reduced as result of ICMS elimination effects	103	87	103	87
COFINS calculation basis reduced as result of ICMS elimination effects	478	399	478	399
Portobello pension plan	(45)	(34)	(45)	(34)
Provision for adjustment to market value	(110)	131	(110)	131
Adjustment to present value	(8)	-	(8)	-
Provision for doubtful trade receivables	(114)	(21)	(114)	(21)
Other temporary differences	(40)	151	(40)	151
Total	(415)	369	(415)	369
Deferred tax liability				
Adjustment to present value	-	(60)	-	(60)
Depreciation adjustment (to the useful lives of assets)	(6)	(200)	(6)	(200)
Provision for contingencies - Eletrobrás	(450)	(132)	(450)	(132)
Contingent assets - IPI premium credit - phase II	(96)	(51)	(96)	(51)
Realization of revaluation reserve	134	135	134	135
Cash basis exchange rate variations	1,523	(438)	1,523	(438)
(-) Valuation allowance	-	898	-	898
Total	1,105	152	1,105	152
	690	521	690	521

c) Income tax and social contribution benefit/expense

The income tax and social contribution benefit (expense) is as follows:

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Current tax				
Current tax on profit for the period	(315)	(666)	(1,686)	(1,624)
Total current tax	(315)	(666)	(1,686)	(1,624)
Deferred tax				
Origination and reversal of temporary differences	690	521	690	521
Total deferred tax	690	521	690	521
Income tax and social contribution benefit (expense)	375	(145)	(996)	(1.103)

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Profit before taxation	1,248	4,894	2,682	5,898
Tax calculated based on the standard tax rates	(424)	(1,663)	(912)	(2,005)
Equity in the earnings of subsidiaries	820	484	-	-
Non-deductible expenses for tax purposes	69	43	86	60
Depreciation of revalued assets	(134)	(134)	(134)	(134)
Tax credits on tax losses and temporary differences	(646)	604	(726)	455
Deferred income tax and social contribution	690	521	690	521
Tax benefit (expense)	375	(145)	(996)	(1,103)

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$ 10,871 restated through March 31, 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, at March 31, 2011, 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.

All amounts in thousands of reais unless otherwise stated

19 Other Long-term Receivables

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Escrow deposits	-	-	524	526
Receivables - SIMAB (a)	4,535	4,535	4,535	4,535
(-) Provision for loss	(4,535)	(4,535)	(4,535)	(4,535)
Other	58	57	58	57
Total	58	57	582	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.

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 of investments.

	Investments	Provision for loss on investments
At December 31, 2010	480	(37,994)
Equity in the earnings (loss)	2,516	(104)
Exchange variations	-	761
At March 31, 2011	2,996	(37,337)
Current	-	33,036
Non-current	2,996	4,301

The provision for loss on investments with a net capital deficiency, totaling R$ 104 (R$ 389 at March 31, 2010) and the equity in the earnings of Portobello Shop S.A. of R$ 2,516 (R$ 1,813 at March 31, 2010), were recorded in the statement of income as equity in the earnings of subsidiaries, with a net effect of R$ 2,412 (R$ 1,424 at March 31, 2010).

During the quarter ended March 31, 2011, the Company recorded gains of R$ 761 (losses of R$ 612 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.

All amounts in thousands of reais unless otherwise stated

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 March 31, 2011						
Portobello América Inc.	United States	100.00%	1,667	34,703	549	(59)
PBTech Ltda.	Brazil	99.94%	1,607	4,952	90	(35)
Portobello Shop S/A	Brazil	99.90%	10,520	7,524	9,807	2,516
Mineração Portobello Ltda.	Brazil	99.76%	496	1,452	498	(10)

b) Other investments

At March 31, 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, the main input of the Company, to the states in the south region of Brazil.

21 Property, Plant and Equipment

a) Analysis

		Parent company				Consolidated	
		March 31, 2011			December 31, 2010	March 31, 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%	89,800	(10,934)	78,866	79,515	79,030	79,680
Machinery and equipment	10%	266,792	(191,178)	75,614	78,442	75,614	78,442
Furniture and fittings	10%	7,823	(6,962)	861	811	1,055	1,015
Computers	20%	12,177	(11,155)	1,022	844	1,042	865
Other	20%	218	(156)	62	45	62	45
Construction in progress (a)		8,051	-	8,051	6,691	8,051	6,691
Total		395,972	(220,385)	175,587	177,459	176,342	178,226

(a) Construction in progress mainly comprises expansion projects and optimization of the Company's industrial unit.

All amounts in thousands of reais unless otherwise stated

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 30(b)).

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				March 31, 2011
	Net	Additions	Transfers	Depreciation	Disposals	Net
Land	11,111	-	-	-	-	11,111
Buildings, constructions and improvements	79,515	-	-	(649)	-	78,866
Machinery and equipment	78,442	235	-	(3,063)	-	75,614
Furniture and fittings	811	111	-	(61)	-	861
Computers	844	91	146	(58)	(1)	1,022
Other	45	22	-	(5)	-	62
Construction in progress	6,691	1,508	(146)	-	(2)	8,051
						-
Total	177,459	1,967	-	(3,836)	(3)	175,587

	December 31, 2010	Consolidated				March 31, 2011
	Net	Additions	Transfers	Depreciation	Disposals	Net
Land	11,488	-	-	-	-	11,488
Buildings, constructions and improvements	79,680	-	-	(650)	-	79,030
Machinery and equipment	78,442	235	-	(3,063)	-	75,614
Furniture and fittings	1,015	111	-	(71)	-	1,055
Computers	865	91	146	(59)	(1)	1,042
Other	45	22	-	(5)	-	62
Construction in progress	6,691	1,508	(146)	-	(2)	8,051
Total	178,226	1,967	-	(3,848)	(3)	176,342

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

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Cost of sales	3,566	3,407	3,566	3,407
Selling expenses	193	190	205	314
Administrative expenses	77	93	77	93
Total	3,836	3,690	3,848	3,814

All amounts in thousands of reais unless otherwise stated

The Company is lessee in finance leases as follows:

	March 31, 2011			December 31, 2010		
	Cost	Accumulated depreciation	Net balance	Cost	Accumulated depreciation	Net balance
Computers	311	(103)	208	332	(108)	224
Other	46	(15)	31	46	(13)	33
Total	357	(118)	239	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.

22 Intangible Assets

a) Analysis

		Parent company				Consolidated	
		March 31, 2011			December 31, 2010	March 31, 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%	12,157	(11,764)	393	437	400	448
Right to explore mineral resources	20%	1,000	(200)	800	850	812	864
Goodwill		-	-	-	-	80	80
Total		13,307	(11,964)	1,343	1,437	1,444	1,544

b) Changes in intangible assets

	December 31, 2010	Parent company		March 31, 2011
	Net	Additions	Amortization	Net
Trademarks and patents	150	-	-	150
Software	437	3	(47)	393
Right to explore mineral resources	850	-	(50)	800
Total	1,437	3	(97)	1,343

All amounts in thousands of reais unless otherwise stated

	December 31, 2010	Consolidated		March 31, 2011
	Net	Additions	Amortization	Net
Trademarks and patents	152	-	-	152
Software	448	3	(51)	400
Right to explore mineral resources	864	-	(52)	812
Goodwill	80	-	-	80
Total	1,544	3	(103)	1,444

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

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Cost of sales	63	118	65	120
Selling expenses	1	1	5	21
Administrative expenses	33	277	33	277
Total	97	396	103	418

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

	2011	2012	2013	2014	2015
Software	149	141	76	26	8
Right to explore mineral resources	292	160	160	160	40
Total	441	301	236	186	48

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

All amounts in thousands of reais unless otherwise stated

23 Trade Payables

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Suppliers	83,364	86,821	84,758	87,733
Domestic market	77,954	81,319	79,348	82,231
Foreign market	5,410	5,502	5,410	5,502
Present value adjustment	(33)	(44)	(33)	(44)
Total	83,331	86,777	84,725	87,689

24 Loans and Financing

	Maturity	2010 charges	Parent company		Consolidated	
			March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Current liabilities						
Foreign currency						
Suppliers credit		VC+6.13% p.a. (average)	5,692	6,655	5,692	6,655
Advance on export contracts		VC+7.00% p.a. (average)	-	1,791	-	1,791
Prepayment (a)		VC+6.44% p.a. (average)	7,630	4,627	7,630	4,627
FINIMP (b)		VC+4.12% p.a. (average)	10,878	-	10,878	-
4131 (c)		VC+4.26% p.a.	12,227	-	12,227	-
Total foreign currency		VC + 4.97% p.a.	36,427	13,073	36,427	13,073
Local currency						
Exim Pre-shipment TJ 462 (d)		13.21% p.a.	2,023	1,523	2,023	1,523
Exim Pre-shipment PSI (e)		7.00% p.a.	21,662	24,671	21,662	24,671
FINEP (f)		9.00% p.a.	520	29	520	29
Finance lease		20.04% p.a.	130	136	130	136
Working capital in Brazil		17.18% p.a. (average)	49,207	58,152	49,207	58,152
4131 (c)		14.21% p.a. (average)	42	-	42	-
Total local currency		14.02% p.a.	73,584	84,511	73,584	84,511
Total current liabilities			110,011	97,584	110,011	97,584
Non-current liabilities						
Foreign currency						
Suppliers credit	Oct/2016	VC+5.75% p.a.(average)	12,313	12,935	12,313	12,935
Prepayment (a)	Jun/2012	VC+6.41% p.a.(average)	1,036	1,690	1,036	1,690
Total foreign currency		VC + 5.83% p.a.	13,349	14,625	13,349	14,625
Local currency						
Exim Pre-shipment TJ 462 (d)	Mar/2013	13.21% p.a.	2,000	2,500	2,000	2,500
PRODEC (g)	Feb/2015	4.00% p.a. + UFIR	5,007	4,725	5,007	4,725
FINEP (f)	Sep/2018	9.00% p.a.	12,757	13,248	12,757	13,248
Finance lease	Apr/2012	20.40 % p.a.	9	38	9	38
Working capital in Brazil	Dec/2013	15.61% p.a. (average)	7,775	9,298	8,619	10,106
4131 (c)	Sep/2012	14.21% p.a. (average)	10,001	-	10,001	-
Total local currency		11.32% p.a.	37,549	29,809	38,393	30,617
Total non-current liabilities			50,898	44,434	51,742	45,242
Total			160,909	142,018	161,753	142,826

Exim Pre-shipment - Type of financing with BNDES funds that is used as an advance for the manufacture of export products.
FINIMP - Special credit facilities for the import of capital assets, machinery, equipment and services.
FINEP - Fund for Financing of Studies and Projects
4131 - Type of loan in foreign currency
PRODEC - Program of Development for Companies of Santa Catarina State
VC - Exchange variation
UFIR - Fiscal Reference Unit

a) Prepayment - In March and August 2010, the Company signed export prepayment agreements totaling US$ 2,780 thousand and US$ 2,000 thousand. The first agreement is payable over 2 years and collateralized by receivables of Portobello Shop S.A., while the second is payable over 18 months and also collateralized by receivables of Portobello S.A.

b) FINIMP - In February and March 2011, the Company entered into several FINIMP contracts, amounting to R$ 10,856, with an average rate of 4.12% p.a., payable over 6 months, with payments made in the end of each contract. These contracts were collaterized by receivables of Portobello S.A. of R$ 7,184, in the average amount of 34% of the balance due in conformity with the contract, and of R$ 3,672, of which 20% is in CDBs.

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

d) Exim Pre-shipment TJ 462 - 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 - 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) Fund for Financing of Studies and Projects (FINEP) - 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) Program of Development for Companies of Santa Catarina State (PRODEC) - 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 March 31, 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 March 31, 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 42), reciprocity with financial investments (Note 10), sureties of the controlling stockholders and of a subsidiary and finished product inventories of R$ 7,459.

All amounts in thousands of reais unless otherwise stated

The long-term loans fall due as follows:

	Parent company		Consolidated	
Maturity in April	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
2012	22,669	16,301	22,669	17,109
2013	13,351	13,485	14,195	13,485
2014	8,502	6,192	8,502	6,192
2015	442	2,511	442	2,511
2016	2,499	2,511	2,499	2,511
2017	1,963	1,962	1,963	1,962
2018	1,472	1,472	1,472	1,472
Total	50,898	44,434	51,742	45,242

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

	Consolidated	
	March 31, 2011	December 31, 2010
Six months or less	57,556	32,033
From six to twelve months	13,621	22,993
From one to five years	45,369	39,835
Over five years	5,122	5,117
Total	121,668	99,978

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

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Reais	111,133	114,320	111,977	115,128
Euros	852	1,540	852	1,540
U.S. dollars	48,924	26,158	48,924	26,158
Total	160,909	142,018	161,753	142,826

All amounts in thousands of reais unless otherwise stated

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 10.66% (11.52% at December 31, 2010).

Finance lease payables are as follows:

	Parent company and Consolidated	
	March 31, 2011	December 31, 2010
Gross finance lease liabilities - minimum lease payments		
Less than one year	138	150
More than one year and less than five years	9	39
Total	147	189
Future finance charges on finance leases	(8)	(15)
Present value of finance lease liabilities	139	174
The present value of finance lease liabilities is as follows:		
Less than one year	130	136
More than one year and less than five years	9	38
Total	139	174

25 Tax Liabilities Payable in Installments

	Tax liabilities	Request for installment payment		March 31, 2011	December 31, 2010
		Date	No. of installments not yet due		
Portobello S.A.	INSS	Dec/09	44	10,388	10,809
	IPI	Dec/09	44	7,112	7,419
	PIS	Mar/09	35	389	413
	COFINS	Mar/09	35	1,793	1,903
	IRPJ	Mar/09	35	2,846	3,022
	CSLL	Mar/09	35	1,058	1,124
	LAW 11941/09 (a)	Nov/09	163	127,239	125,111
Total parent company				150,825	149,801
Current				16,227	15,739
Non-current				134,598	134,062
PBTech Ltda.	LAW 11941/09 (a)	Nov/09	163	316	309
Portobello Shop S.A.	INSS	Nov/09	43	854	889
	PIS	Mar/09	2	1	1
	COFINS	Mar/09	35	134	143
	IRPJ	Mar/09	35	1,031	1,095
	CSLL	Mar/09	35	374	397
	LAW 11941/09 (a)	Nov/09	163	587	574
Total subsidiaries				3,297	3,408
Total consolidated				154,122	153,209
Current				17,060	16,552
Non-current				137,062	136,657

These payments in installments are subject to interest at the SELIC rate and are being paid on the due dates.

All amounts in thousands of reais unless otherwise stated

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

The installments fall due as follows:

	Parent company		Consolidated	
Maturity	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
2011	12,170	15,739	12,794	16,552
2012	16,227	15,739	17,058	16,551
2013	16,227	15,739	17,058	16,551
2014	14,088	13,650	14,443	13,994
2015	9,367	9,044	9,433	9,108
2016	9,367	9,044	9,433	9,108
2017	9,367	9,044	9,433	9,108
2018	9,367	9,044	9,433	9,108
2019	9,367	9,044	9,433	9,108
2020	9,367	9,044	9,433	9,108
2021	9,367	9,044	9,433	9,108
2022	9,367	9,044	9,433	9,108
2023	9,367	9,044	9,433	9,108
2024	7,810	7,538	7,872	7,589
Total	150,825	149,801	154,122	153,209

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

In November 2009, the Company applied for REFIS, established by Law 11941/09, and is currently consolidating its debt with the National Treasury and paying the minimum installment of R$ 395.

In the third quarter of 2010, the Company initiated the process of consolidation of the tax program established by Law 11941/09, and at this time, considering the decision of the Attorney General's Office of the National Treasury (PGFN) regarding the installment program established by MP 470 (described below), transferred the debts related to the offset of tax liabilities carried out using IPI premium credits obtained from third parties prior to October 5, 1990 from the MP 470 program to the system established by Law 11941/09, and recorded a provision of R$ 5,577 related to the difference in fines and interest (benefits) of these programs. The Company intends to file a reimbursement claim with the Federal Revenue Secretariat (SRF) regarding the amounts paid through the program established by MP 470, and to consider the debts payable in installments through Law 11941/09.

Under the REFIS Program, the payment of installments cannot be more than three months late and the Company 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 related benefits. The termination of lawsuits filed against the tax assessments does not affect the proceedings in course in the judicial sphere, mentioned in Note 17.

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 SRF and 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.

All amounts in thousands of reais unless otherwise stated

In June 2010, when this 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 recorded in the second quarter R$ 3,252 (see Note 33), thus considering the installment payment program 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.

26 Taxes and Contributions

	Parent company		Consolidated	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
IRRF	1,140	860	1,269	1,065
ICMS	2,122	537	2,122	539
PIS	164	105	213	156
COFINS	768	485	992	720
Other	56	83	176	202
Total	4,250	2,070	4,772	2,682

27 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

	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Civil	3,317	3,193	3,352	3,222
Labor	9,685	11,442	9,685	11,442
Tax	18,932	17,180	18,932	17,180
Total	31,934	31,815	31,969	31,844
Current	925	6,322	954	6,345
Non-current	31,009	25,493	31,015	25,499

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:	1,659	3,848	1,752	7,259
Additional provisions	1,665	4,254	1,496	7,415
Reversal due to lack of use	(6)	(441)	-	(447)
Unwinding of discount	-	35	256	291
Reversal due to realization	(1.535)	(5.605)	-	(7.140)
At March 31, 2011	3,317	9,685	18,932	31,934

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2010	3,222	11,442	17,180	31,844
Charged (credited) to the statement of income:	1,665	3,848	1,752	7,265
Additional provisions	1,671	4,254	1,496	7,421
Reversal due to lack of use	(6)	(441)	-	(447)
Unwinding of discount	-	35	256	291
Reversal due to realization	(1,535)	(5,605)	-	(7,140)
At March 31, 2011	3,352	9,685	18,932	31,969

In this first quarter, certain events changed substantially the provision for labor contingencies in the Parent company and Consolidated, resulting in a decrease of R$ 1,757 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 this quarter, there were significant events determining an increase in the labor provision of R$ 3,848, net of reversal due to lack of use and unwinding of discount, which decreased the reflex of the reversal mentioned above, but influenced the increase in operating expenses, as described in Note 33.

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 134 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 28.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 80 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 28.

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 March 31, 2011, the balance of the provision was R$ 1,783 (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 March 31, 2011 amounted to R$ 17,149 (R$ 15,439 at December 31, 2010).

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

28 Contingent Liabilities

All amounts in thousands of reais unless otherwise stated

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:

	Parent company		Consolidated	
	2010	2009	2010	2009
Civil	678	650	702	674
Labor	5,180	5,226	5,180	5,226
Total	5,858	5,876	5,882	5,900

29 Employee Benefits

a) Private pension plan

Since November 1, 1997, the Company sponsors the Portobello Prev benefit plans, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which includes 41 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 March 31, 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$ 3,365 (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	
	March 31, 2011	March 31, 2010
Economic assumptions		
Discount rate	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

b) Employee benefit expense

Parent company	Consolidated

	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Remuneration	16,073	12,441	17,309	13,513
Benefits				
Private pension plan	157	135	216	189
FGTS	1,372	998	1,446	1,136
Other	1,634	1,340	1,687	1,389
Total	19,236	14,914	20,658	16,227

30 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 March 31, 2011, there were 112,655,178 shares outstanding in the market, corresponding to 70.85% 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.

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.

All amounts in thousands of reais unless otherwise stated

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 the 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 0(0.

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$ 46,477 at March 31, 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 March 31, 2011 was R$ 395 (R$ 396 at March 31, 2010), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 18,873 (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	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
At December 31, 2010	(99,661)	(133,622)	(99,699)	(133,851)
Realization of revaluation reserve	395	396	395	396
Profit for the quarter (excluding minority interest)	1,623	4,749	1,625	4,773
At March 31, 2011	(97,643)	(128,477)	(97,679)	(128,682)

All amounts in thousands of reais unless otherwise stated

31 Revenue

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

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Gross sales revenue	152,374	127,226	162,286	133,918
Deductions from gross revenue	(33,593)	(26,551)	(34,587)	(27,493)
Net sales revenue	118,781	100,675	127,699	106,425
Domestic market	111,876	89,521	118,537	95,385
Foreign market	6,905	11,154	9,162	11,040

32 Expenses by Nature

Cost of sales and selling and administrative expenses for the quarter ended March 31, 2011 are as follows:

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Changes in inventories of finished products and work in process	(9,137)	(832)	(9,137)	(832)
Direct production costs	51,305	43,141	50,847	42,784
Cost of goods resold	18,718	6,021	19,089	6,223
Employee benefits	19,236	14,914	20,658	16,227
Third-party labor and services	3,584	3,431	4,712	4,041
Transportation of goods sold	627	703	627	703
Marketing and publicity	1,191	901	2,241	1,329
Other selling expenses	8,170	5,697	8,765	5,998
Amortization and depreciation	3,902	3,946	3,921	4,007
Other expenditures	12,108	13,293	12,215	13,328
Total	109,704	91,215	113,938	93,808

All amounts in thousands of reais unless otherwise stated

33 Other Operating Income and Expenses, Net

Other operating income and expenses in the parent company and consolidated, for the quarter ended March 31, 2011, were as follows:

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Other operating income				
Related party service revenue	900	813	-	-
Third-party service revenue	133	106	133	106
Other revenue	118	29	123	38
Total	1,151	948	256	144
Other operating expenses				
Provision for labor contingencies (Note 27)	(3,848)	(256)	(3,848)	(256)
Provision for civil contingencies (Note 27)	(1,659)	(2)	(1,665)	(1)
Taxes on other revenues	(115)	(50)	(115)	(50)
Indemnity payable on third-party agreement	-	(121)	-	(121)
Expenses with the recovery of environmental damages	(364)	-	(364)	-
Other expenses	(23)	(57)	(25)	(49)
Total	(6,009)	(486)	(6,017)	(477)
Total net	(4,858)	462	(5,761)	(333)

34 Other Gains/(Losses) - Net

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Foreign exchange variations, net				
Trade receivables	(893)	936	(893)	936
Trade payables	(41)	(170)	(41)	(170)
Commissions	4	6	4	6
Total	(930)	772	(930)	772

All amounts in thousands of reais unless otherwise stated

35 Finance Result

The parent company and consolidated finance results for the quarter ended March 31, 2011 are as follows:

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Finance income				
Interest	336	105	555	288
Interest on tax credits	-	161	-	161
Discounts received	37	28	45	29
Restatement of Eletrobrás compulsory loan (Note 15)	1,324	553	1,324	553
Restatement of tax assets (Note 17(a))	281	198	281	198
Restatement of receivables from related parties (Note 13)	2,262	1,703	2,262	1,703
Present value adjustment (Note 9)	23	-	23	-
Total	4,263	2,748	4,490	2,932
Finance expenses				
Interest	(3,997)	(5,651)	(4,057)	(5,695)
Related-party loans	(700)	-	(700)	-
Finance lease liabilities	(5)	-	(5)	-
Financial charges on taxes	(3,921)	(3,094)	(4,004)	(3,124)
Discount of provision for contingencies (Note 27)	(256)	(162)	(256)	(162)
Commissions and service fees	(347)	(222)	(352)	(227)
Discounts/bank expenses	(54)	(310)	(54)	(310)
Discounts granted	(220)	(27)	(224)	(28)
Tax on Financial Transactions (IOF)	(192)	(361)	(192)	(361)
Present value adjustment (Note 23)	(11)	-	(11)	-
Other	(3)	-	(13)	(38)
Total	(9,706)	(9,827)	(9,868)	(9,945)
Foreign exchange variations, net				
Financial investments	(9)	207	(9)	207
Loans and financing	999	(352)	999	(352)
Total	990	(145)	990	(145)
Total net	(4,453)	(7,224)	(4,388)	(7,158)

All amounts in thousands of reais unless otherwise stated

36 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 March 31, 2011, are summarized as follows:

Assets	March 31, 2011	December 31, 2010	Liabilities	March 31, 2011	December 31, 2010
Current assets	1,667	2,000	Current liabilities	34,703	36,038
Cash and banks	516	632	Trade payables	184	299
Trade receivables	1,071	1,158	Social and labor obligations	6	58
Inventories	31	160	Other	1,182	1,897
Other	49	50	Debts with related parties	33,331	33,784
			Equity	(33.036)	(34.038)
Total assets	1,667	2,000	Total liabilities	1,667	2,000

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

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.

Result from discontinued operations	March 31, 2011	March 31, 2010
Net revenue	549	3,867
Cost of products (services)	(472)	(2.812)
Gross profit	77	1,055
Selling, general and administrative expenses	(134)	(1.028)
Finance result	(2)	(37)
Other operating expenses	-	(10)
Loss before taxation	(59)	(20)
Net result from discontinued operations	(59)	(20)

All amounts in thousands of reais unless otherwise stated

37 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.

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Profit attributable to the Company's stockholders	1,623	4,749	1,625	4,773
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share - R$	0.01	0.03	0.01	0.03
Profit from continuing operations	1,623	4,749	1,684	4,793
Result from discontinued operations	-	-	(59)	(20)
Weighted average number of common shares	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.01021	0.02987	0.01059	0.03014
Loss per share from discontinued operations	-	-	(0.00037)	(0.00013)

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 30), which is represented by a single class of common share.

Consolidated profit attributable to stockholders does not consider minority 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

38 Cash Provided by Operating Activities

		Parent company		Consolidated	
	Note	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Profit for the period before taxation		1,248	4,894	2,682	5,898
Adjustments		6,202	10,366	8,414	11,811
Depreciation and amortization	21 and 22	3,933	4,086	3,951	4,232
Equity in the earnings of subsidiaries	20	(2,412)	(1,424)	-	-
Unrealized foreign exchange variations		246	(484)	(61)	(471)
Provision of inventories to market value	11	(705)	711	(728)	577
Provision for doubtful trade receivables	9	(335)	(60)	(352)	(71)
Provision for contingencies	27	(137)	1,100	(131)	1,099
Provision for labor liabilities		1,158	1,236	1,335	1,355
Other provisions		602	89	602	89
Residual cost of property, plant and equipment and intangible assets disposals	21 and 22	3	-	3	-
Other operating income and expenses, net	33	(5)	-	(5)	-
Restatements		240	523	322	595
Eletrobrás compulsory loan	15	(1,324)	(553)	(1,324)	(553)
Tax assets	17	(281)	(198)	(281)	(198)
Receivables from related parties	13	(2,262)	(1,703)	(2,262)	(1,703)
Present value adjustment of trade payables	23	11	-	11	-
Discount of provision for contingencies	27	256	162	256	162
Present value adjustment of trade receivables	9	(23)	-	(23)	-
Other		(11)	(176)	(11)	(176)
Financial charges on taxes payable in installments		3,874	2,991	3,956	3,063
Provision for interest on loans		3,614	4,589	3,478	4,406
Changes in assets and liabilities		(5,496)	(17,948)	(4,781)	(19,202)
(Increase)/decrease in trade receivables	9	4,858	(6,987)	4,869	(7,353)
Increase/(decrease) in advances from customers		396	(835)	267	(430)
(Increase)/decrease in marketable securities	10	191	2,722	191	2,722
(Increase)/decrease in inventories	11	(5,612)	(361)	(5,120)	227
(Increase)/decrease in other assets		458	1,682	588	1,134
(Increase)/decrease in judicial deposits	14	(55)	(234)	(61)	(255)
(Increase)/decrease in non-current assets		(53)	144	(53)	144
Increase/(decrease) in trade payables		(3,520)	(6,044)	(3,030)	(6,764)
Increase/(decrease) in advances to suppliers		(207)	363	(187)	363
Increase/(decrease) in tax liabilities payable in installments	25	(2,850)	(5,012)	(3,043)	(5,188)
Increase/(decrease) in tax liabilities		1,580	818	1,030	907
Increase/(decrease) in labor liabilities		(525)	(14)	(709)	(130)
Increase/(decrease) in other accounts payable		(55)	83	(363)	403
Increase/(decrease) in other non-current payables		(102)	(4,273)	840	(4,982)
Cash provided by operating activities		1,954	(2,688)	6,315	(1,493)

The main non-cash item in the quarters ended March 31, 2011 and March 31, 2010 was the foreign exchange variation in the foreign subsidiary.

All amounts in thousands of reais unless otherwise stated

39 Segment Information

Management has determined the Group'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 (expenses) 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 quarters ended March 31, 2011 and March 31, 2010 is as follows:

	At March 31, 2011		
Continuing operations	Brazil	Other countries	Total
Revenue	118,537	9,162	127,699
Cost of sales	(79,562)	(8,934)	(88,496)
Gross profit	38,975	228	39,203
Operating income (expenses), net			
Selling, general and administrative expenses	(24,190)	(1,252)	(25,442)
Other operating income (expenses), net	(5,366)	(395)	(5,761)
Other gains (losses), net	(863)	(67)	(930)
	(30,419)	(1,714)	(32,133)
Operating profit (loss) before finance result	8,556	(1,486)	7,070
% on revenue	7%	-16%	6%

All amounts in thousands of reais unless otherwise stated

	At March 31, 2010		
Continuing operations	Brazil	Other countries	Total
Revenue	95,385	11,040	106,425
Cost of sales	(65,241)	(9,259)	(74,500)
Gross profit	30,144	1,781	31,925
Operating income (expenses), net			
Selling, general and administrative expenses	(18,290)	(1,018)	(19,308)
Other operating income (expenses), net	(298)	(35)	(333)
Other gains (losses), net	692	80	772
	(17,896)	(973)	(18,869)
Operating profit before finance result	12,248	808	13,056
% on revenue	13%	7%	12%

Information on main customers:

The Company does not have customers that individually represent more than 10% of net sales revenue. Sales in the domestic market by type of customer are as follows:

	Consolidated	
	March 31, 2011	March 31, 2010
Construction material retailers	41,664	32,125
Civil construction and real estate development companies	39,752	31,445
Franchised stores (Portobello Shop)	37,121	31,815
Total	118,537	95,385

40 Commitments

a) Capital commitments

Costs contracted but not yet incurred referring to property, plant and equipment at March 31, 2011 amount to R$ 1,202.

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:

All amounts in thousands of reais unless otherwise stated

	Consolidated	
	March 31, 2011	December 31, 2010
Less than one year	429	389
More than one year and less than five years	203	226
Total	632	615

41 Insurance

At March 31, 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
Cover	2011
Fire/lightning/explosion of any type	84,000
Electrical damages	3,600
Riots	1,000
Windstorm/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.

42 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:

Management Report / Comments on Company Performance
All amounts in thousands of reais unless otherwise stated

		Parent company	
		Assets (liabilities)	
	Nature	March 31, 2011	December 31, 2010
Transactions with subsidiaries			
Portobello América, Inc.	Receivables from subsidiaries - Trade receivables	33,331	33,784
Portobello Shop S.A.	Dividends receivable	-	10,567
	Loans to subsidiary	(2,432)	(8,484)
PBTech Com. Serv. Cer. Ltda.	Receivables from subsidiaries - Trade receivables	2,869	2,921
	Receivables from subsidiaries - Loan	765	745
Mineração Portobello Ltda.	Advances to suppliers	1,049	1,020
Transactions with related parties			
Refinadora Catarinense S.A.	Receivables	96,934	94,667
Solução Cerâmica Com. Ltda.	Trade receivables	544	538
	Advances from customers	(497)	(627)
Flooring Revest. Cer. Ltda.	Trade receivables	332	604
	Advances from customers	(352)	(60)
		132,543	135,675

		Parent company	
		Income (expenses)	
	Nature	March 31, 2011	March 31, 2010
Transactions with subsidiaries			
Portobello América, Inc.	Sales of products	-	2,102
Portobello Shop S.A.	Service rendering	1,525	1,525
	Cost of services rendered	(627)	(715)
PBTech Com. Serv. Cer. Ltda.	Sales of products	53	102
Mineração Portobello Ltda.	Purchase of products	(457)	(357)
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Sales of products	2,425	1,852
Flooring Revest. Cer. Ltda.	Sales of products	1,093	-
FHM Consult., Adm. e Part. Ltda.	Corporate advisory	-	(75)
		4,012	4,434

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.

Intercompany loans bear interest at 100% of the CDI interest rate, and fall due on December 31, 2011.

Receivables from the subsidiary Portobello Shop were pledged in guarantee of loans totaling R$ 8,022 at March 31, 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 part of the Group. The Franchising network includes one subsidiary of the Company and two related companies. The transactions are described below:

		Assets (liabilities)	
	Nature	March 31, 2011	December 31, 2010
Transactions with subsidiaries			
PBTech Com. Serv. Cer. Ltda.	Trade receivables	4	11
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Trade receivables	282	160
Flooring Revest. Cer. Ltda.	Trade receivables	142	323
		428	494

		Income (expenses)	
	Nature	March 31, 2011	December 31, 2010
Transactions with subsidiaries			
PBTech Com. Serv. Cer. Ltda.	Royalties	15	27
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Royalties	622	493
Flooring Revest. Cer. Ltda.	Royalties	284	-
		921	520

All amounts in thousands of reais unless otherwise stated

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 March 31, 2011 is as follows:

	Parent company		Consolidated	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Fixed remuneration				
Salaries	1,353	1,071	1,624	1,312
Fees	428	396	692	641
Variable remuneration	265	181	317	214
Short-term direct and indirect benefits				
Private pension plan	110	104	165	155
Other	189	161	244	208
	2,345	1,913	3,042	2,530

* 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.

43 Events after the Reporting Period

On April 15, 2011, the stockholders of Portobello S.A. (the "Company"), Cesar Gomes Júnior, Eleonora Ramos Gomes, Maria Gertrudes da Luz Gomes, Eduardo Ramos Gomes, Paulo Bastos Gomes, Heloisa Gomes Rebelo, Geraldo Nicodemos Righi Vieira, Valério Gomes Neto, Gabriela Richter Gomes, Cesar Gomes Neto, Carolina Consoni Gomes, Marcelo Consoni Gomes, Junior Administração de Bens e Participações Societárias Ltda. and Myriam Moellmann Consoni Gomes, who hold 60.97% of the Company's shares, signed a stockholders' agreement ("Agreement") to formalize the adjustments made among them, related to the rules and procedures that will regulate their control over the Company, as well as other rights and obligations that they have as stockholders of the Company, including restrictions related to the sale of their shares for a period of up to five years, preferential rights over their shares and the exercise of their voting right in the Company. The Agreement was informed to the Brazilian Securities Commission (CVM) and to the São Paulo Futures, Commodities and Stock Exchange (BM&FBOVESPA S.A.) on April 18, 2011 and is filed at the Company's headquarters and available in the websites www.cvm.gov.br, www.bmfbovespa.com.br, www.portobello.com.br/ri.

COMMENTS ON THE CONSOLIDATED PERFORMANCE FOR THE QUARTERS ENDED MARCH 31, 2011, 2010 AND 2009

Portobello S.A. (BM&FBOVESPA code: PTBL3), one of the largest companies in the Brazilian ceramic tile sector, 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 quarter ended March 31, 2011. The financial and operating information below is being presented on a consolidated basis, and the comparisons refer to the same periods of 2010 and 2009, unless otherwise stated. This information is presented in accordance with the accounting practices adopted in Brazil, including the Standards issued by the Brazilian Accounting Pronouncements Committee (CPCs) and the International Financial Reporting Standards (IFRS).

1Q11 HIGHLIGHTS

(comparison between 2011, 2010 and 2009, including only continuing operations, except when profit is presented)

- Sales volume increased 40% compared to the same period in 2010;
- Net operating revenue totaled 128 million in 1Q11, a 20% increase in relation to 1Q10;
- Increase in gross margin resulting in a 23% growth in gross profit;
- Increase in market share;
- The Company signed a stockholders' agreement in April 2011, which increased the control group to about 60% of total capital.

Discontinuance of operations

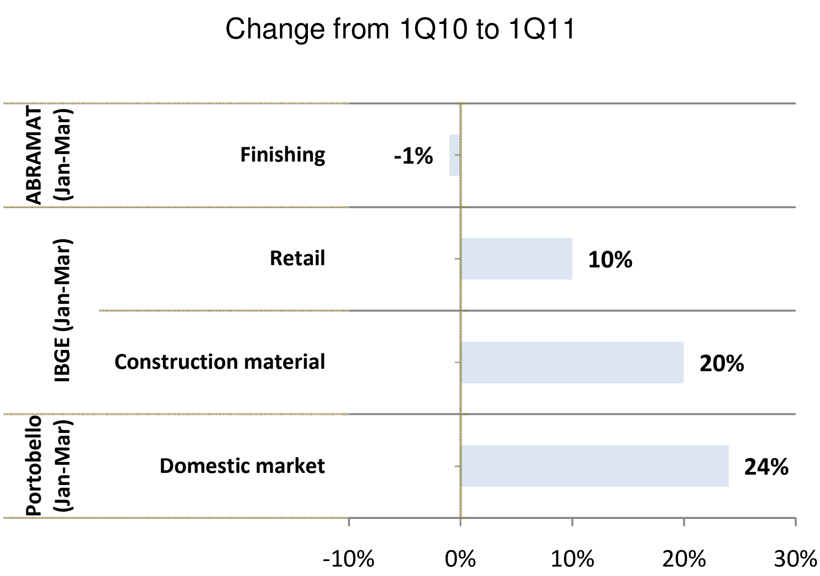
The operations of the subsidiary Portobello America, Inc. were discontinued on December 31, 2010 and the data related to this discontinued operation is being presented in the statement of income for the year as one item, according to CPC/IFRS. The comments and comparisons herein follow the same classification.

1) Message from Management

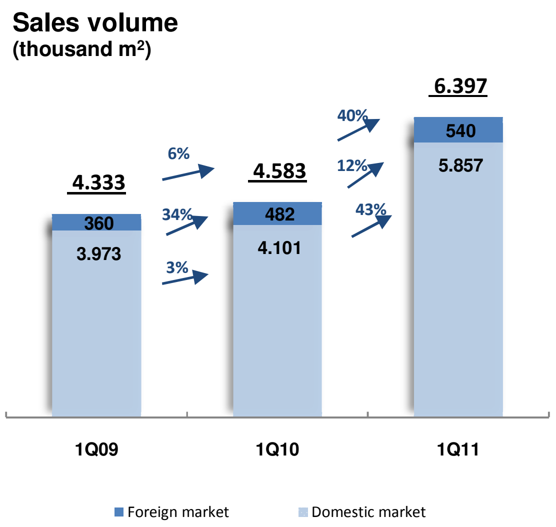
The results for the first quarter of 2011 confirm the tendency observed in prior quarters, combining growth in sales and increase in the gross margin. The situation of the Brazilian civil construction sector enhanced the effects of the measures adopted by the Company over the past years, such as: (i) 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 value added; and (vii) increase in the sales of franchised stores, all benefiting the Company's operating efficiency and profitability.

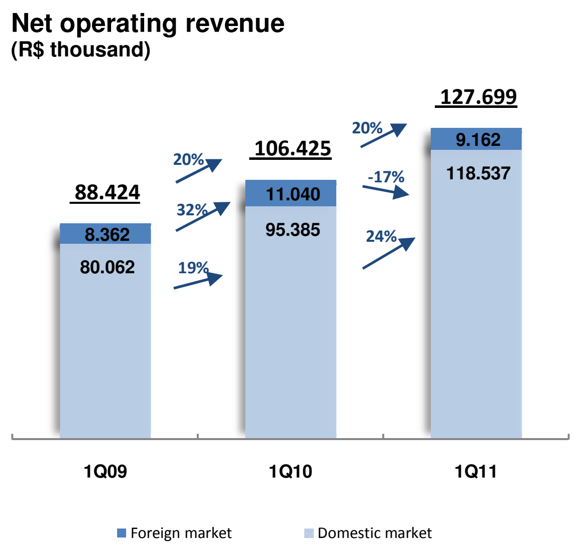
Despite the growth in net operating income of 20% and gross operating profit of 23%, we have faced major challenges in this quarter, such as sales below estimates, higher expenditures with logistics and unfavorable court decisions regarding civil and labor claims, which resulted in a decrease of 66% in profit in comparison with the same period in 2010.

The Company has taken advantage of the favorable moment of the civil construction market, and increased its sales and share of the domestic market, as shown by data disclosed by the Brazilian Association of the Construction Material Industry (ABRAMAT). The sales in the domestic market continued growing with net revenues increasing 24% and volume 43%, compared with the first quarter of 2010, whereas the Brazilian civil construction market - finishing materials increased 1% according to ABRAMAT. This was due to an aggressive sales policy and introduction of a more competitive portfolio.



2) Sales performance





Sales volume increased 40% due to the Company's aggressive selling strategy based on increased production and purchase of products from third parties for resale, which represented 17% of net revenue.

Net revenue grew 20% compared to the same period of the previous year, mainly due to the increase of 24% in the domestic market equally shared by the engineering, resale and Portobello Shop channels, resulting in a mix with an average price 14% lower.

Sales to the foreign market reached the levels expected by the Company, maintaining the objective of decreasing share in the foreign market and focusing on the Brazilian market.

3) Distribution

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

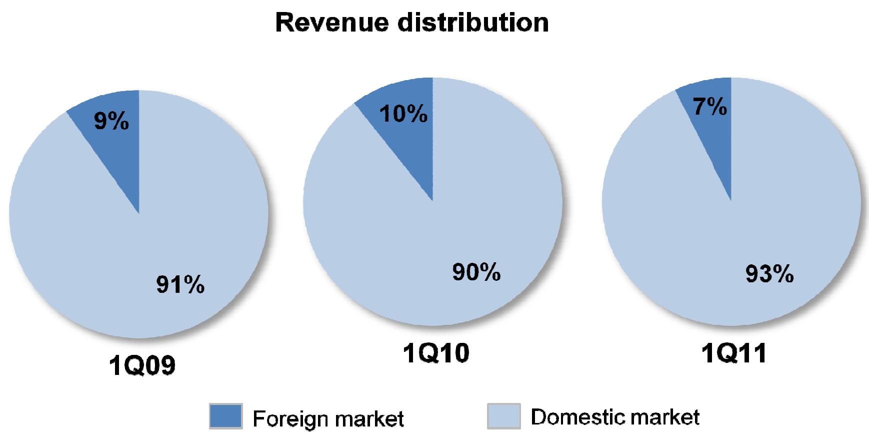
Domestic market: The three distribution channels are: (i) multi-brand resale, responsible for the customers who are resellers of construction material, distributing the Company's products in the retail market; (ii) engineering, represented by specialized teams that serve civil construction companies and real estate development companies; and (iii) franchises that serve the Company's customers in the retail market through franchised stores under the Portobello Shop and Empório Portobello names. With 106 stores located in 92 cities, this channel is the largest Brazilian network of stores specialized in ceramic tiles.

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. In addition, the operations in the United States of America, which had been carried out by the subsidiary Portobello America, Inc, were discontinued in December 2010. That market will be served by commercial representatives and the export department.

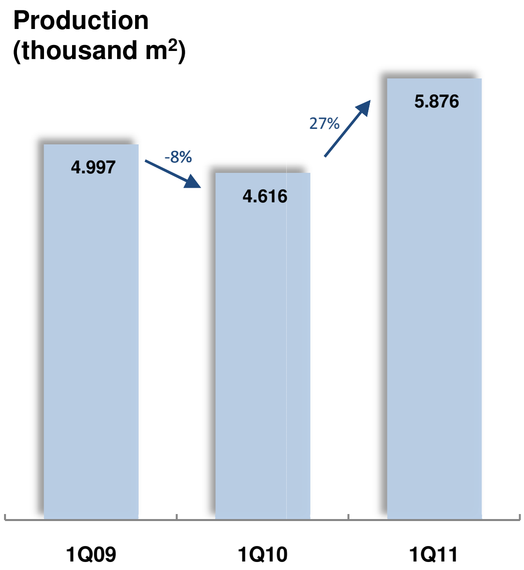
All amounts in thousands of reais unless otherwise stated

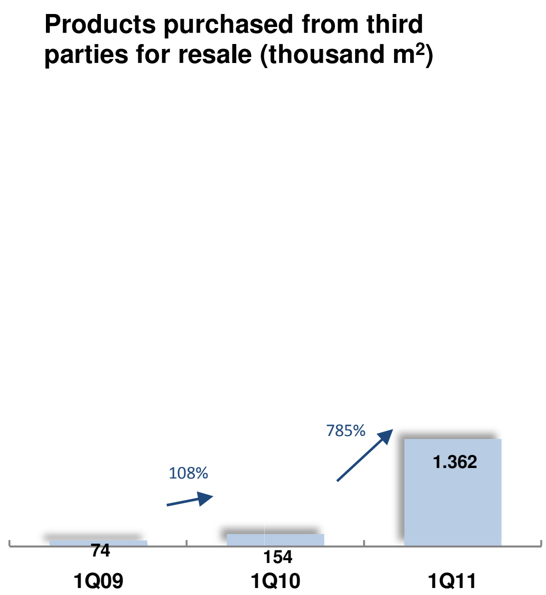
	1Q09			1Q10			1Q11		
	Volume (thousand m²)	Net revenue (R$ thousand)	% NOR*	Volume (thousand m²)	Net revenue (R$ thousand)	% NOR*	Volume (thousand m²)	Net revenue (R$ thousand)	% NOR*
Domestic market	3,973	80,062	91%	4,101	95,385	90%	5,857	118,537	93%
Engineering	1,781	30,549	35%	1,727	32,125	30%	2,408	41,664	33%
Resale	1,293	24,090	27%	1,485	31,445	30%	2,084	39,752	31%
Multi-brand resale	899	25,423	29%	889	31,815	30%	1.365	37,121	29%
Foreign market	360	8,362	9%	482	11,040	10%	540	9,162	7%
	4,333	88,424		4,583	106,425		6,397	127,699	

* NOR= Net operating revenue



4) Operating performance



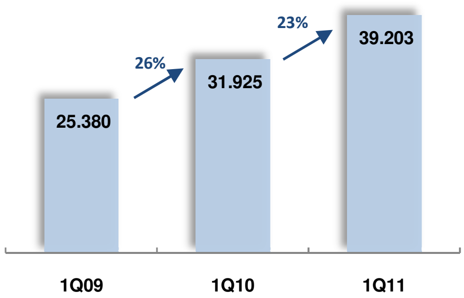


The volume produced in this period was 27% more than the same period of the previous year, mainly due to the increase in capacity in 2010, which resulted in more efficiency and quality, together with internal actions aiming at higher productivity in order to eliminate the effects of inflation in some inputs. In addition to the volume produced of 5.9 million m^2, the Company purchased from third parties 1.4 million m^2 of products for resale, to complement the production line and leverage the power of the Portobello brand. Gross profit grew by 23%, increasing the gross margin to 31% in relation to the 30% obtained in the same period of 2010.

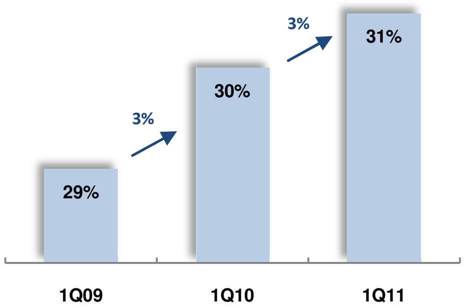
All amounts in thousands of reais unless otherwise stated

Operating performance	1Q09	1Q10	1Q11	Variation % 1Q11 x 1Q10
Net operating revenue	88,424	106,425	127,699	20%
Domestic market	80,062	95,385	118,537	24%
Foreign market	8,362	11,040	9,162	-17%
(-) Cost of sales	(63,044)	(74,500)	(88,496)	19%
(=) Gross operating profit	25,380	31,925	39,203	23%
Gross margin %	29%	30%	31%	2%
Volume sold	4,333	4,583	6,397	40%
Average unit revenue	20,41	23,22	19,96	-14%
Average unit cost	(14,55)	(16,26)	(13,83)	-15%
Gross unit profit	5,86	6,97	6,13	-12%

Gross operating profit



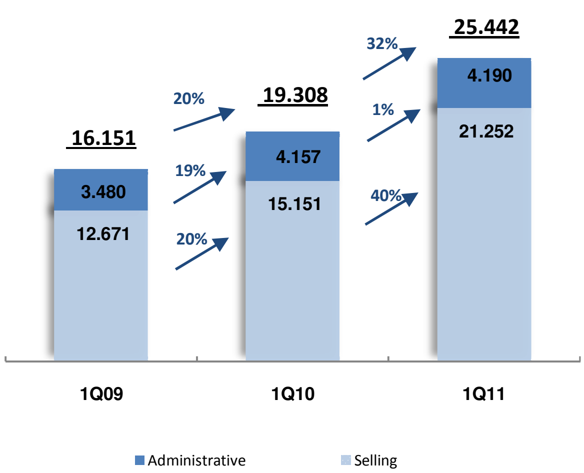
Gross margin



Other operating income (expenses), net: In 1Q11 the provisions for contingencies, mainly related to labor claims, were reviewed in line with court decisions of similar claims at several levels, representing an increase of about R$ 5 million in other operating expenses.

All amounts in thousands of reais unless otherwise stated

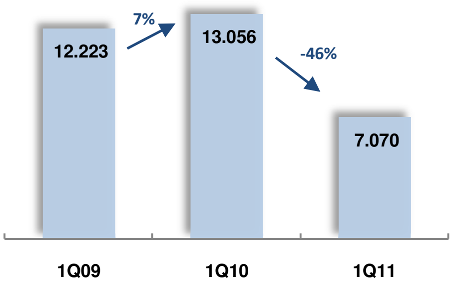
Selling and administrative expenses



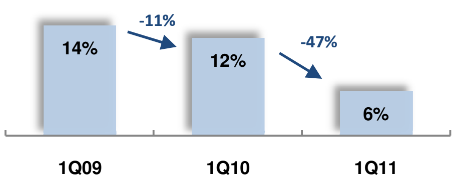
Selling expenses increased 40% in comparison with the same period of 2010 due to the volume of sales, increases in logistics and sales teams, release of new products and marketing actions to ensure the sales growth. The main change was due to expenditure of about R$ 1 million to transfer 840 thousand m^2 of finished products from the plant warehouse to a third-party warehouse. Selling expenses represented 17% of net revenue in 2011, and 14% in the first quarter of 2010.

Administrative expenses continued at about R$ 4 million in comparison with the quarter ended March 31, 2010. As a percentage of net revenue, these expenses decreased from 4% to 3%, reflecting economies of scale.

EBIT



EBIT, % on net revenue



EBIT	1Q09	1Q10	1Q11	Variation % 1Q11 x 1Q10
Gross operating profit	25,380	31,925	39,203	23%
Selling expenses	(12,671)	(15,151)	(21,252)	40%
General and administrative expenses	(3,480)	(4,157)	(4,190)	1%
Other operating income (expenses), net	3,490	(333)	(5,761)	1630%
Other gains (losses), net	(496)	772	(930)	-220%
(=) EBIT	12,223	13,056	7,070	-46%
% of net revenue	14%	12%	6%	-50%

All amounts in thousands of reais unless otherwise stated

5) Economic and financial performance

Consolidated results of operations	**1Q09**	**1Q10**	**1Q11**
Net operating revenue	**88,424**	**106,425**	**127,699**
Gross operating profit	**25,380**	**31,925**	**39,203**
Gross margin	*29%*	*30%*	*31%*
Operating expenses	(13,157)	(18,869)	(32,133)
Selling	(12,671)	(15,151)	(21,252)
General and administrative	(3,480)	(4,157)	(4,190)
Other operating income (expenses), net	3,490	(333)	(5,761)
Other gains (losses), net	(496)	772	(930)
EBIT	**12,223**	**13,056**	**7,070**
EBIT margin	*14%*	*12%*	*6%*
Net finance result	(7,655)	(7,158)	(4,388)
Operating profit	**4,568**	**5,898**	**2,682**
Income tax and social contribution	(1,712)	(1,103)	(996)
Profit for the period from continuing operations	2,856	4,795	1,686
Loss for the period from discontinued operations	(1,593)	(20)	(59)
Profit for the quarter	**1,263**	**4,775**	**1,627**
Net margin	*1%*	*4%*	*1%*
EBITDA (*)	**16,221**	**17,288**	**11,021**
EBITDA margin	*18%*	*16%*	*9%*

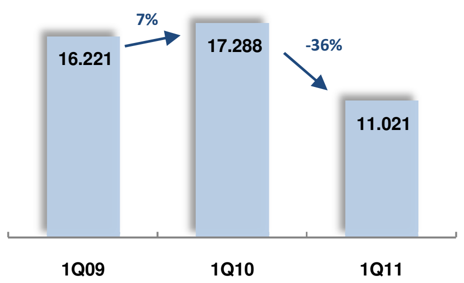
(*) According to CPC/IFRS, discontinued operations are not part of the operating profit (loss).

Profit decreased 66% in comparison with the same period of 2010, as mentioned before, because of the increase in the provision for contingencies and selling expenses necessary to maintain sales growth.

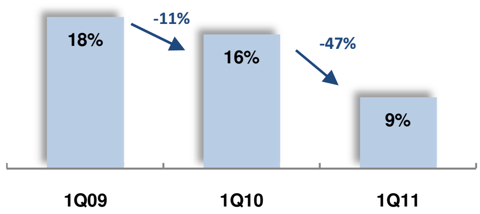
All amounts in thousands of reais unless otherwise stated

6) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA



EBITDA, % on net revenue

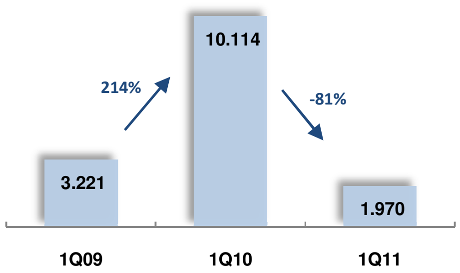


EBITDA	1Q09	1Q10	1Q11	Variation % 1Q11 x 1Q10
Profit attributable to the Company's stockholders	1,262	4,773	1,625	-66%
Net finance income (expenses)	7,655	7,158	4,388	-39%
Depreciation, amortization and depletion	3,998	4,232	3,951	-7%
Income tax and social contribution	1,712	1,103	996	-10%
Profit attributable to minority interest	1	2	2	0%
Loss for the period from discontinued operations	1,593	20	59	195%
(=) Continuing operations EBITDA (*)	16,221	17,288	11,021	-36%
% of net revenues	18%	16%	9%	-47%

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

7) Investments

Investments



In the first quarter of 2011, the investment program focused on improvements in the manufacturing process, aiming at a higher productivity and in the solution of problems in the logistics area, especially shipment and storage.

All amounts in thousands of reais unless otherwise stated

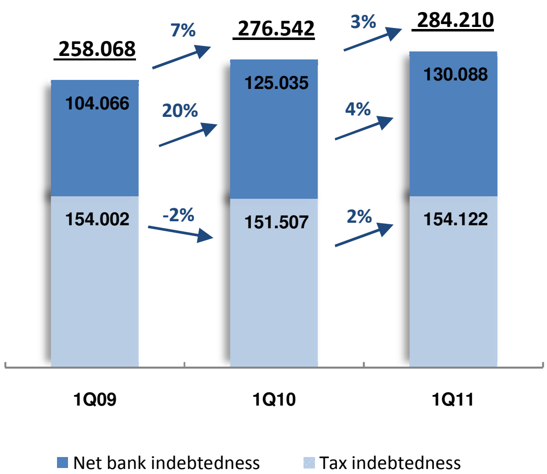
8) Working capital

Working capital	1Q09	1Q10	1Q11	Variation %	Nominal variation
Trade receivables	76,923	79,052	95,592	21%	16,540
Advances to suppliers	3,799	1,758	934	-47%	(824)
Inventories	67,710	70,322	99,593	42%	29,271
Trade payables	(87,155)	(61,183)	(84,725)	38%	(23,542)
Advances from customers	(15,131)	(19,824)	(14,926)	-25%	4,898
Working capital	46,146	70,125	96,468		26,343
Net revenue days	47	59	68		

The need for working capital increased in comparison with the same period of the previous year mainly due to two factors: (i) the sales increase required more financing of customers; and (ii) the increase in inventories because of a lower sales volume than the Company's estimates for the first quarter of 2011.

9) Indebtedness

Bank Indebtedness



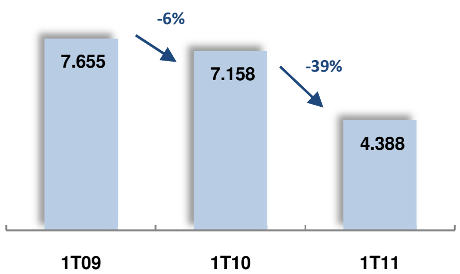
Net bank indebtedness increased 4% in relation to the same period of the previous year, due to the increase in working capital to finance the sales and inventories increase. However, the debt has a longer maturity profile and a lower cost.

All amounts in thousands of reais unless otherwise stated

Net bank indebtedness	1Q09	1Q10	1Q11
Current	92,334	98,392	110,011
Non-current	26,626	38,248	51,742
(=) Total bank indebtedness	118,960	136,640	161,753
Cash and cash equivalents and marketable securities	14,894	11,605	31,665
(=) Total net bank indebtedness	104,066	125,035	130,088

Financial leverage	1Q09	1Q10	1Q11
Net bank indebtedness	104,066	125,035	130,088
Tax indebtedness	154,002	151,507	154,122
EBITDA (last 12 months)	55,526	59,865	79,884
(=) Net bank indebtedness / EBITDA	1,9	2,1	1,6
(=) Net bank and tax indebtedness / EBITDA	4,6	4,6	3,6

Net finance costs



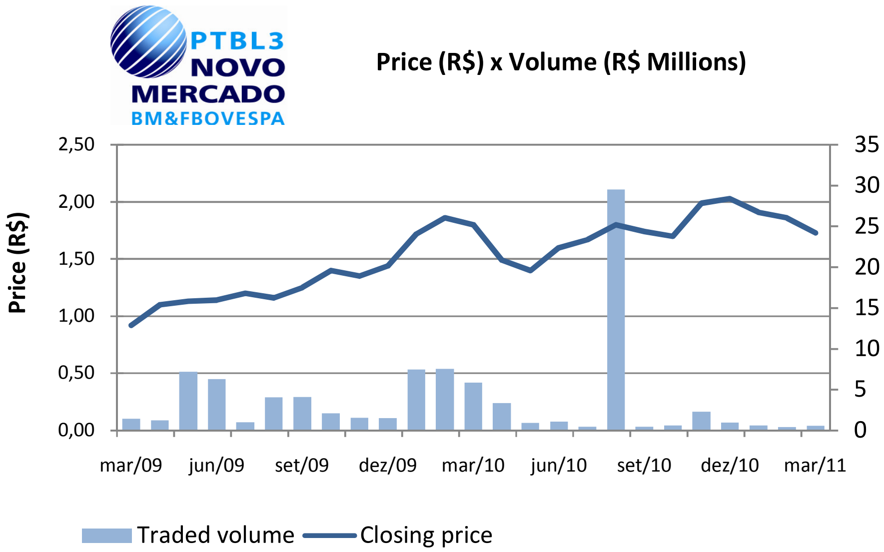
Net finance costs were 39% lower than in the same period of 2010, due to lower interest rates and the increase in long-term receivables subject to monetary restatement.

10) Human resources

Consolidated personnel at the end of the year comprised 2,437 staff, 2,291 of whom were own personnel, 108 outsourced, 14 interns and 24 temporary workers.

11) Share performance

The price quotations for the shares of PORTOBELLO decreased 15%, from R$ 2.03 at December 31, 2010 to R$ 1.73 at March 31, 2011. The traded volume in the year decreased from R$ 951 thousand to R$ 575 thousand.



12) Awards

- "Expression of Ecology" (18h edition), most important environmental award in the Southern region of Brazil. With the case "Sustentabilidade Portobello: Todos Comprometidos com o Futuro" (Portobello Sustainability: Everybody Committed to the Future), the Company received the award for the Environmental Management category. Event held by Expressão publishing house;

- "Brands of the 21st Century" award. This award pays tribute to the 21 brands from Santa Catarina that most emerged in the 21st century. Event held by Empreendedor publishing house;

- "Top Brands" award of Arco Web, Ceramic tiles for floors and walls category;

- The Company had a notable participation in the "Revestir" fair, in São Paulo, the largest ceramic tiles fair in Latin America.

13) Outlook

- The Company expects the continuity of the strong demand for construction materials, also influenced by the exemption from Excise Tax (IPI) up to 2011, as an incentive of the Government for civil construction. However, the demand growth expected for 2011 is less than that of the previous year;

- The Company believes and has been directing its efforts to increase its market share in Brazil;

- Continuous productivity growth with consequent decreases in production costs and increase in quality;

- Maintenance of the levels of products purchased from third parties for resale, including imports, in the revenue of the Company;

- With the larger offer of credit facilities received by the Company over the past months, the profile and cost of financing working capital should be restructured, with a decrease in the net finance costs. The Company is taking measures to reduce the need of working capital (inventories) and minimize the effects of a temporary decrease in production;

- The Company has been developing internal actions to overcome the difficulties faced in the logistics area, due to the accelerated growth in sales volumes;

- The probable inflationary pressures on 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.

14) Other significant information

The Company is committed to resolve issues through the Market Arbitration Chamber of the São Paulo Stock Exchange (BOVESPA), pursuant to a Commitment Clause included in its by-laws.

In accordance with CVM Instruction 381, of January 14, 2003, the Company informs that its independent audits are performed by PricewaterhouseCoopers Auditores Independentes, which does not provide any other type of services to the Company or its subsidiaries.

The Company's Management comprises the following members:

Executive Board

Name	Position
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Vice-President
Mario A. F. Baptista	Chief Financial and Investor Relations 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

Other Information Considered Relevant by the Company

STOCKHOLDERS WITH MORE THAN 5% OF EACH TYPE AND CLASS OF SHARE

HOLDING OF STOCKHOLDERS WITH MORE THAN 5% OF EACH TYPE AND CLASS OF SHARE, DOWN TO INDIVIDUAL HOLDINGS

Position at March 31, 2011				
STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Funds administered by Fama Fundo de Inv.Ações [1]	42,229,909	26.56	42,229,909	26.56
Cesar Gomes Junior	24,412,019	15.35	24,412,019	15.35
Eleonora Ramos Gomes	21,841,160	13.74	21,841,160	13.74
Eduardo Ramos Gomes	8,872,664	5.58	8,872,664	5.58
Maria Gertrudes da Luz Gomes	8,987,465	5.65	8,987,465	5.65
Paulo Bastos Gomes	8,426,297	5.30	8,426,297	5.30
Other	44,239,410	27.82	44,239,410	27.82
	159,008,924	**100.00**	**159,008,924**	**100.00**

1 - Funds administered by Fama Fundo de Investimentos em Ações comprise various funds, and none of them has an investment higher than 5% of the total shares, except for Fama Fut. Mas. Fundo Inv. Ações.

HOLDINGS OF CONTROLLING STOCKHOLDERS, MANAGEMENT AND SHARES OUTSTANDING IN THE MARKET

CONSOLIDATED STOCKHOLDING POSITION OF CONTROLLING STOCKHOLDERS, MANAGEMENT AND SHARES OUTSTANDING IN THE MARKET

Position at March 31, 2011				
STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Controlling stockholder	46,253,179	29.09	46,253,179	29.09
Management				
Board of Directors	54,964	0.03	54,964	0.03
Executive Board	45,603	0.03	45,603	0.03
Statutory Audit Board	2	-	2	-
Other	112,655,176	70.85	112,655,176	70.85
	159,008,924	**100.00**	**159,008,924**	**100.00**
Shares outstanding in the market	112,655,178	70.85	112,655,178	70.85

Other Information Considered Relevant by the Company

STOCKHOLDERS WITH MORE THAN 5% OF EACH TYPE AND CLASS OF SHARE

HOLDING OF STOCKHOLDERS WITH MORE THAN 5% OF EACH TYPE AND CLASS OF SHARE, DOWN TO INDIVIDUAL HOLDINGS

Position at March 31, 2010				
STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Funds administered by Fama Fundo de Inv.Ações [1]	30,765,017	19.35	30,765,017	19.35
Eleonora Ramos Gomes	26,841,460	16.88	26,841,460	16.88
Cesar Gomes Junior	24,412,019	15.35	24,412,019	15.35
Eduardo Ramos Gomes	10,850,364	6.82	10,850,364	6.82
Paulo Bastos Gomes	9,076,297	5.71	9,076,297	5.71
Maria Gertrudes da Luz Gomes	8,987,465	5.65	8,987,465	5.65
Valério Gomes Neto	7,947,280	5.00	7,947,280	5.00
Other	40,129,022	25.24	40,129,022	25.24
	159,008,924	**100.00**	**159,008,924**	**100.00**

1 - Funds administered by Fama Fundo de Investimentos em Ações comprise various funds, and none of them has an investment higher than 5% of the total shares, except for Fama Fut. Mas. Fundo Inv. Ações.

HOLDINGS OF CONTROLLING STOCKHOLDERS, MANAGEMENT AND SHARES OUTSTANDING IN THE MARKET

CONSOLIDATED STOCKHOLDING POSITION OF CONTROLLING STOCKHOLDERS, MANAGEMENT AND SHARES OUTSTANDING IN THE MARKET

Position at March 31, 2010				
STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Controlling stockholder	51,253,479	32.23	51,253,479	32.23
Management				
Board of Directors	54,961	0.03	54,961	0.03
Executive Board	45,600	0.03	45,600	0.03
Statutory Audit Board	2	-	2	-
Other	107,654,882	67.71	107,654,882	67.71
	159,008,924	**100.00**	**159,008,924**	**100.00**
Shares outstanding in the market	107,654,884	67.70	107,654,884	67.71

Other Information Considered Relevant by the Company

COMMITMENT CLAUSE

The Company's by-laws establish that the Company, its stockholders, management and members of the Statutory Audit Board (when elected), are committed to resolve, through arbitration at the Market Arbitration Chamber of BOVESPA - the São Paulo Stock Exchange, in accordance with its related Arbitration Regulations, any dispute that may arise between them, relating to or originating, especially, from the application, validity, efficacy, interpretation, violation, and their effects, of the provisions of Brazilian Corporation Law, of the Company's by-laws, in the regulations issued by the National Monetary Council, the Brazilian Central Bank and the Brazilian Securities Commission, as well as other regulations applicable to the functioning of capital markets in general, besides those comprised in the Regulations of the New Market, the Arbitration Regulations of the Market Arbitration Chamber and the Contract for Participation in the New Market.

Reports and Statements / Report on Special Review – Without Exceptions

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 quarter ended March 31, 2011, comprising the balance sheet and the statements of income, comprehensive income, changes in equity, and cash flows for the quarter 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).

Reports and Statements / Report on Special Review – Without Exceptions

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 quarter ended March 31, 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, May 13, 2011

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

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