Portobello

Portobello S.A.

Interim Financial statements
June 30, 2013

KPMG Auditores Independentes
August de 2013
KPDS 60170

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Report on the review of quarterly information - ITR

To the Board Members, Directors and Shareholders of
Portobello S.A.
Tijucas – State of Santa Catarina

Introduction

We have reviewed the interim, individual and consolidated financial information of Portobello S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2013, which comprise the balance sheet as of June 30, 2013 and related statements of income, of comprehensive income for the 3 and 6-months period then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21(R1) - Interim Statement and of the consolidated interim accounting information in accordance with CPC 21 (R1) and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures 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 individual interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Conclusion on the consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other matters

Statements of added value

We also reviewed the individual and Consolidated value-added statements for the six-month period ended on June 30, 2013, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Comparative Interim accounting information

The individual and consolidated accounting information contained in the quarterly information related to the balance sheet as of December 31, 2012 and statements of income and comprehensive income, cash flow statements, changes in shareholder's equity statements and value added in the quarter ended as of June 30, 2012 and presented for comparison purposes were audited and reviewed, respectively, by other independent auditors that issued the audit report on March 26, 2013 and review report on August 13, 2012 without any changes.

Florianópolis, August 12, 2013.

KPMG Auditores Independentes
CRC SC-000071/F-8

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

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Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2013	Prior year 12/31/2012
1	Total assets	885,351	735,162
1.01	Current assets	385,168	363,766
1.01.01	Cash and cash equivalents	916	56,576
1.01.03	Accounts receivable	160,567	137,626
1.01.03.01	Trade accounts receivable	160,567	137,626
1.01.04	Inventories	137,515	119,932
1.01.06	Recoverable taxes	1,869	1,450
1.01.06.01	Current taxes recoverable	1,869	1,450
1.01.06.01.02	Other current taxes recoverable	1,869	1,450
1.01.08	Other current assets	84,301	48,182
1.01.08.03	Others	84,301	48,182
1.01.08.03.01	Dividends receivable	2,073	2,073
1.01.08.03.02	Receivables with subsidiary	70,548	41,839
1.01.08.03.03	Advances to suppliers	9,260	2,156
1.01.08.03.04	Others	2,420	2,114
1.02	Non-current assets	500,183	371,396
1.02.01	Long term assets	216,068	169,757
1.02.01.08	Related party credits	143,314	105,767
1.02.01.08.02	Receivables with subsidiary companies	51,726	5,369
1.02.01.08.04	Other related party credits	91,588	100,398
1.02.01.09	Other non-current assets	72,754	63,990
1.02.01.09.03	Legal deposits	9,332	8,457
1.02.01.09.04	Receivables - Eletrobrás	40,464	36,819
1.02.01.09.05	Recoverable taxes	5,483	1,682
1.02.01.09.06	Tax assets	13,315	12,872
1.02.01.09.07	Actuarial assets	3,641	3,641
1.02.01.09.08	Other	519	519
1.02.02	Investments	7,732	678
1.02.02.01	Equity interest	7,732	678
1.02.02.01.02	Interest in subsidiaries	7,534	480
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	258,134	185,841
1.02.04	Intangible assets	18,249	15,120

Individual financial statements/ Balance sheet – Liabilities

(In thousands of Reais)

Code of account	Account description	Current quarter 06/30/2013	Prior year 12/31/2012
2	Total Liabilities	885,351	735,162
2.01	Current liabilities	326,234	331,645
2.01.01	Social and labor obligations	22,456	17,581
2.01.02	Suppliers	131,082	120,122
2.01.03	Tax liabilities	32,926	32,062
2.01.03.01	Federal tax liabilities	32,926	32,062
2.01.03.01.01	Income and social contribution tax payable	2,707	3,488
2.01.03.01.02	Installment payment of tax liabilities	21,373	22,029
2.01.03.01.03	Taxes, duties and contributions	8,846	6,545
2.01.04	Loans and financing	106,209	75,584
2.01.04.01	Loans and financing	106,209	75,584
2.01.05	Other liabilities	28,800	38,292
2.01.05.02	Others	28,800	38,292
2.01.05.02.04	Advances from clients	17,245	20,636
2.01.05.02.06	Dividends payable	248	8,799
2.01.05.02.07	Dividends paid in advance	5,100	0
2.01.05.02.08	Others	6,207	8,857
2.01.06	Provisions	4,761	48,004
2.01.06.02	Other provisions	4,761	48,004
2.01.06.02.04	Provision for loss in investments	0	41,496
2.01.06.02.05	Provisions for contingencies	2,102	1,288
2.01.06.02.06	Provision for profit sharing	2,659	5,220
2.02	Non-current liabilities	406,178	276,398
2.02.01	Loans and financing	177,534	90,016
2.02.01.01	Loans and financing	177,534	90,016
2.02.02	Other liabilities	104,941	112,479
2.02.02.02	Others	104,941	112,479
2.02.02.02.04	Private pension plan	2,720	2,918
2.02.02.02.05	Installment payment of tax liabilities	102,221	109,561
2.02.03	Deferred taxes	16,058	16,309
2.02.03.01	Deferred income and social contribution taxes	16,058	16,309
2.02.04	Provisions	107,645	57,594
2.02.04.02	Other provisions	107,645	57,594
2.02.04.02.04	Provision for loss in investments	52,506	5,834
2.02.04.02.05	Provision for contingencies	52,084	49,584
2.02.04.02.06	Provision for long-term incentive	3,055	2,176
2.03	Shareholders' equity	152,939	127,119
2.03.01	Realized capital	46,065	40,798
2.03.02	Capital reserves	0	267
2.03.04	Profit reserves	45,069	50,069
2.03.04.01	Legal reserve	3,283	3,283
2.03.04.05	Profit retention reserve	41,786	0
2.03.04.10	Profit reserves to be allocated	0	46,786
2.03.05	Retained Earnings/Losses	30,107	0
2.03.08	Other comprehensive income	31,698	35,985

Individual financial statements / Statement of income

(In thousands of Reais)

Code of Account	Account description	Current quarter Year 01/01/2013 to 06/30/2013	Accumulated of the current year 04/01/2013 to 06/30/2013	Same Quarter of the prior year 04/01/2012 to 06/30/2012	Accumulated of the prior year 01/01/2012 to 06/30/2012
3.01	Income from sales of goods and/or services	194,000	358,979	146,494	285,878
3.02	Cost of goods and/or services sold	-135,346	-251,224	-101,518	-201,185
3.03	Gross income	58,654	107,755	44,976	84,693
3.04	Operating expenses/income	-28,213	-54,788	-19,634	-40,164
3.04.01	Sales expenses	-26,141	-48,095	-20,976	-40,083
3.04.02	General and administrative expenses	-6,215	-10,898	-4,751	-9,099
3.04.04	Other operating income	4,715	4,566	5,688	7,600
3.04.04.01	Other operating income	2,918	3,751	1,386	4,558
3.04.04.02	Other gains (losses), net	1,797	815	4,302	3,042
3.04.05	Other operating expenses	-3,996	-5,736	-2,405	-4,629
3.04.05.01	Other operating expenses	-3,996	-5,736	-2,405	-4,629
3.04.06	Equity income (loss)	3,424	5,375	2,810	6,047
3.05	Income (loss) before financial income (loss) and taxes	30,441	52,967	25,342	44,529
3.06	Financial income (loss)	-8,795	-12,990	-9,202	-13,128
3.06.01	Financial income	3,997	8,656	3,896	8,159
3.06.01.01	Financial income	3,997	8,656	3,896	8,159
3.06.02	Financial expenses	-12,792	-21,646	-13,098	-21,287
3.06.02.01	Financial expenses	-8,533	-18,077	-8,904	-18,329
3.06.02.02	Net exchange variation	-4,259	-3,569	-4,194	-2,958
3.07	Income (loss) before income tax	21,646	39,977	16,140	31,401
3.08	Income and social contribution taxes	-5,391	-10,660	-3,505	-7,611
3.08.01	Current	-5,110	-10,911	-3,199	-7,017
3.08.02	Deferred assets	-281	251	-306	-594
3.09	Net income (loss) of continued operations	16,255	29,317	12,635	23,790
3.11	Net Income (loss) for the period	16,255	29,317	12,635	23,790
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common (ON)	0.10223	0.18437	0.07946	0.14961

Individual financial statements / Statement of income

(In thousands of Reais)

Code of account	Account description	Current quarter 04/01/2013 to 06/30/2013	Accumulated of the current year 01/01/2013 to 06/30/2013	Same Quarter of the Prior Year 04/01/2012 to 06/30/2012	Accumulated of the prior year 01/01/2012 to 06/30/2012
3.99.02	Diluted earning per share				
3.99.02.01	Common (ON)	0.10223	0.18437	0.07946	0.14961

Individual financial statements / Statement of comprehensive income

(In thousands of Reais)

Code of Account	Account description	Current quarter Year 01/01/2013 to 06/30/2013	Accumulated of the current year 04/01/2013 to 06/30/2013	Same Quarter of the prior Year 04/01/2012 to 06/30/2012	Accumulated of the prior year 01/01/2012 to 06/30/2012
4.01	Net income for the period	16,255	29,317	12,635	23,790
4.02	Other comprehensive income	-4,101	-3,497	-4,486	-3,776
4.02.01	Realization of revaluation reserve	0	0	-395	-789
4.02.02	Exchange variation of foreign subsidiary	-4,101	-3,497	-4,091	-2,987
4.03	Comprehensive income for the period	12,154	25,820	8,149	20,014

Individual financial statements / Statement of cash flows – Indirect method

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 06/30/2013	Accumulated of the prior year from 01/01/2012 to 06/30/2012
6.01	Net cash from operating activities	-2,768	25,429
6.01.01	Cash generated in operations	70,961	50,142
6.01.01.01	Income/loss for the year before taxes	39,977	31,401
6.01.01.02	Depreciation and amortization	7,161	8,145
6.01.01.03	Equity in net income	-5,375	-6,047
6.01.01.04	Unrealized exchange variation	6,769	215
6.01.01.05	Provision for inventory at market value	1,383	-113
6.01.01.06	Allowance for doubtful accounts	190	-1,835
6.01.01.07	Provision for contingencies	1,086	3,612
6.01.01.08	Provision of labor obligations	5,365	4,172
6.01.01.09	Provision for profit sharing	-1,682	3,391
6.01.01.10	Other provisions	-2,722	951
6.01.01.12	Restatements of Eletrobrás Compulsory Loan	-3,645	-2,734
6.01.01.13	Restatements of tax assets	-443	-581
6.01.01.14	Restatements of credits with other related parties	8,810	-3,731
6.01.01.15	Financial charges from taxes paid in installments	3,307	5,461
6.01.01.16	Breakdown of discount on provisions for contingencies	2,228	2,208
6.01.01.18	Accrued interest on loans	7,516	4,184
6.01.01.19	Others	1,036	1,443
6.01.02	Changes in assets and liabilities	-61,563	-15,879
6.01.02.01	(Increase)/decrease in other accounts receivable	-23,146	-5,519
6.01.02.02	Increase/(decrease) in advances from clients	-3,391	617
6.01.02.04	(Increase)/decrease in inventories	-18,966	-19,189
6.01.02.05	(Increase)/decrease in other assets	-4,736	-1,231
6.01.02.06	(Increase)/decrease in judicial deposits	-875	-1,235
6.01.02.08	Increase/(decrease) in accounts payable	10,709	20,762
6.01.02.09	(Increase)/decrease in advance to suppliers	-7,104	-2,175
6.01.02.10	Increase/(decrease) in installments	-11,303	-10,767
6.01.02.11	Increase/(decrease) in tax obligations	-2,135	3,622
6.01.02.12	Increase/(decrease) in labor obligations	-490	95
6.01.02.13	Increase/(decrease) in other accounts payable	72	-736
6.01.02.14	Increase/(decrease) in other accounts payable - Non-current	-198	-123
6.01.03	Others	-12,166	-8,834
6.01.03.01	Interest paid	-4,910	-3,533
6.01.03.02	Income and social contribution taxes paid	-7,256	-5,301
6.02	Net cash used in investing activities	-155,863	-10,784
6.02.01	Acquisition of property, plant and equipment	-79,168	-8,585
6.02.02	Acquisition of intangible assets	-3,415	-6,099
6.02.03	Receipt in the sale of permanent assets	210	0
6.02.04	Dividends received	5,100	4,087
6.02.05	(Concession)/Receipt of credits with related parties	-78,590	-187
6.03	Net cash generated (consumed) in financing activities	102,971	-1,904
6.03.01	Funding loans and financing	171,677	47,658

Individual financial statements / Statement of cash flows – Indirect method

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 06/30/2013	Accumulated of the prior year from 01/01/2012 to 06/30/2012
6.03.02	Payment of loans and financing	-60,155	-49,558
6.03.03	Dividends paid	-8,551	0
6.03.04	Funding (Payment) of associated companies	0	-4
6.05	Increase (decrease) in cash and cash equivalents	-55,660	12,741
6.05.01	Opening balance of cash and cash equivalents	56,576	8,091
6.05.02	Closing balance of cash and cash equivalents	916	20,832

Individual financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2013 to 06/30/2013

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119
5.05	Total comprehensive income	0	0	0	30,107	-4,287	25,820
5.05.01	Net income for the period	0	0	0	29,317	0	29,317
5.05.02	Other comprehensive income	0	0	0	790	-4,287	-3,497
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,497	-3,497
5.06	Internal changes in shareholders' equity	5,267	-267	-5,000	0	0	0
5.06.01	Breakdown of reserves	267	-267	0	0	0	0
5.06.04	Capital increase	5,000	0	-5,000	0	0	0
5.07	Closing balances	46,065	0	45,069	30,107	31,698	152,939

Individual financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2012 to 06/30/2012

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790
5.03	Adjusted opening balances	112,957	267	0	-73,738	42,304	81,790
5.05	Total comprehensive income	0	0	0	24,579	-3,776	20,803
5.05.01	Net income for the period	0	0	0	23,790	0	23,790
5.05.02	Other comprehensive income	0	0	0	789	-3,776	-2,987
5.05.02.06	Realization of revaluation reserve	0	0	0	789	-789	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-2,987	-2,987
5.07	Closing balances	112,957	267	0	-49,159	38,528	102,593

Individual financial statements / Statement of added value

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 06/30/2013	Accumulated of the prior year from 01/01/2012 to 06/30/2012
7.01	Income	452,178	365,240
7.01.01	Sale of merchandise, products and services	446,086	356,781
7.01.02	Other income	6,282	6,624
7.01.04	Allowance for/reversal of allowance for doubtful accounts	-190	1,835
7.02	Inputs acquired from third parties	-233,070	-181,454
7.02.01	Cost of goods, merchandise and services Sold	-190,860	-143,228
7.02.02	Materials, Energy, Third-party services and other	-43,906	-36,010
7.02.03	Loss/recovery of asset values	1,696	-2,216
7.03	Gross added value	219,108	183,786
7.04	Retentions	-7,161	-8,145
7.04.01	Depreciation, amortization and depletion	-7,161	-8,145
7.05	Net added value produced	211,947	175,641
7.06	Added value received as transfer	26,565	26,089
7.06.01	Equity income (loss)	5,375	6,047
7.06.02	Financial income	21,190	20,042
7.07	Total added value payable	238,512	201,730
7.08	Distribution of added value	238,512	201,730
7.08.01	Personnel	63,806	54,250
7.08.01.01	Direct remuneration	55,679	46,527
7.08.01.02	Benefits	4,616	4,408
7.08.01.03	Severance Pay Fund (FGTS)	3,511	3,315
7.08.02	Taxes, duties and contributions	107,927	89,669
7.08.02.01	Federal	59,691	49,067
7.08.02.02	State	47,991	40,455
7.08.02.03	Municipal	245	147
7.08.03	Third-party capital remuneration	37,462	34,021
7.08.03.01	Interest	33,364	30,128
7.08.03.02	Rents	4,098	3,893
7.08.04	Remuneration of own capital	29,317	23,790
7.08.04.03	Retained earnings / Loss for the period	29,317	23,790

Consolidated financial statements / Balance sheet – Assets
(In thousands of Reais)

Code of account	Account description	Current quarter 06/30/2013	Prior year 12/31/2012
1	Total assets	835,542	695,321
1.01	Current assets	393,201	328,230
1.01.01	Cash and cash equivalents	73,347	58,870
1.01.03	Accounts receivable	166,513	142,678
1.01.03.01	Trade accounts receivable	166,513	142,678
1.01.04	Inventories	137,701	120,045
1.01.06	Recoverable taxes	2,568	2,064
1.01.06.01	Current taxes recoverable	2,568	2,064
1.01.06.01.01	Income and social contribution tax recoverable	456	459
1.01.06.01.02	Other current taxes recoverable	2,112	1,605
1.01.08	Other current assets	13,072	4,573
1.01.08.03	Others	13,072	4,573
1.01.08.03.03	Advances to suppliers	8,000	954
1.01.08.03.04	Others	5,072	3,619
1.02	Non-current assets	442,341	367,091
1.02.01	Long term assets	164,379	164,501
1.02.01.08	Related party credits	91,588	100,398
1.02.01.08.04	Other related party credits	91,588	100,398
1.02.01.09	Other non-current assets	72,791	64,103
1.02.01.09.03	Legal deposits	9,369	8,494
1.02.01.09.04	Receivables - Eletrobrás	40,464	36,819
1.02.01.09.05	Recoverable taxes	5,483	1,682
1.02.01.09.06	Tax assets	13,315	12,872
1.02.01.09.07	Actuarial assets	3,641	3,641
1.02.01.09.08	Other	519	595
1.02.02	Investments	198	215
1.02.02.01	Equity interest	198	215
1.02.02.01.04	Other equity interest	198	215
1.02.03	Property, plant and equipment	259,320	187,056
1.02.04	Intangible assets	18,444	15,319

Consolidated financial statements / Balance sheet – Liabilities

(In thousands of Reais)

Code of account	Account description	Current quarter 06/30/2013	Prior year 12/31/2012
2	Total Liabilities	835,542	695,321
2.01	Current liabilities	326,749	295,375
2.01.01	Social and labor obligations	23,554	18,459
2.01.02	Suppliers	131,805	121,113
2.01.03	Tax liabilities	34,946	34,348
2.01.03.01	Federal tax liabilities	34,946	34,348
2.01.03.01.01	Income and social contribution tax payable	3,451	4,142
2.01.03.01.02	Installment payment of tax liabilities	22,123	22,961
2.01.03.01.03	Taxes, duties and contributions	9,372	7,245
2.01.04	Loans and financing	106,209	75,584
2.01.04.01	Loans and financing	106,209	75,584
2.01.05	Other liabilities	24,352	38,707
2.01.05.02	Others	24,352	38,707
2.01.05.02.04	Advances from clients	17,768	20,813
2.01.05.02.06	Dividends payable	260	8,810
2.01.05.02.07	Others	6,324	9,084
2.01.06	Provisions	5,883	7,164
2.01.06.02	Other provisions	5,883	7,164
2.01.06.02.05	Provisions for contingencies	3,009	1,322
2.01.06.02.06	Provision for profit sharing	2,874	5,842
2.02	Non-current liabilities	355,839	272,819
2.02.01	Loans and financing	178,428	90,931
2.02.01.01	Loans and financing	178,428	90,931
2.02.02	Other liabilities	105,579	113,364
2.02.02.02	Others	105,579	113,364
2.02.02.02.04	Private pension plan	2,720	2,918
2.02.02.02.05	Installment payment of tax liabilities	102,859	110,446
2.02.03	Deferred taxes	16,058	16,309
2.02.03.01	Deferred income and social contribution taxes	16,058	16,309
2.02.04	Provisions	55,774	52,215
2.02.04.02	Other provisions	55,774	52,215
2.02.04.02.05	Provisions for contingencies	52,092	49,592
2.02.04.02.06	Provision for long-term incentive	3,682	2,623
2.03	Consolidated shareholders' equity	152,954	127,127
2.03.01	Realized capital	46,065	40,798
2.03.02	Capital reserves	0	267
2.03.04	Profit reserves	45,069	50,069
2.03.04.01	Legal reserve	3,283	3,283
2.03.04.05	Profit retention reserve	41,786	0
2.03.04.10	Profit reserves to be allocated	0	46,786
2.03.05	Retained Earnings/Losses	30,107	0
2.03.08	Other comprehensive income	31,698	35,985
2.03.09	Interest of non-controlling shareholders	15	8

Consolidated financial statements / Statement of income
(In thousands of Reais)

Code of Account	Account description	Current quarter Year 01/01/2013 to 06/30/2013	Current accumulated prior year 04/01/2013 to 06/30/2013	Same Quarter of the prior Year 04/01/2012 to 06/30/2012	Accumulated for the year 01/01/2012 to 06/30/2012
3.01	Income from sales of goods and/or services	207,601	383,356	157,169	307,162
3.02	Cost of goods and/or services sold	-135,141	-250,852	-101,300	-200,801
3.03	Gross income	72,460	132,504	55,869	106,361
3.04	Operating expenses/income	-40,226	-76,061	-29,476	-58,790
3.04.01	Sales expenses	-31,983	-58,104	-25,250	-47,736
3.04.02	General and administrative expenses	-7,668	-13,919	-6,079	-11,563
3.04.04	Other operating income	4,342	3,627	5,110	6,262
3.04.04.01	Other operating income	2,545	2,812	808	3,220
3.04.04.02	Other gains (losses), net	1,797	815	4,302	3,042
3.04.05	Other operating expenses	-4,917	-7,665	-3,257	-5,753
3.04.05.01	Other operating expenses	-4,917	-7,665	-3,257	-5,753
3.05	Income (loss) before financial income (loss) and taxes	32,234	56,443	26,393	47,571
3.06	Financial income (loss)	-8,697	-12,932	-9,251	-13,232
3.06.01	Financial income	4,296	9,015	3,978	8,296
3.06.01.01	Financial income	4,296	9,015	3,978	8,296
3.06.02	Financial expenses	-12,993	-21,947	-13,229	-21,528
3.06.02.01	Financial expenses	-8,734	-18,378	-9,035	-18,570
3.06.02.02	Net exchange variation	-4,259	-3,569	-4,194	-2,958
3.07	Income (loss) before income tax	23,537	43,511	17,142	34,339
3.08	Income and social contribution taxes	-7,274	-14,160	-4,866	-10,905
3.08.01	Current	-6,993	-14,411	-4,560	-10,311
3.08.02	Deferred assets	-281	251	-306	-594
3.09	Net income (loss) of continued operations	16,263	29,351	12,276	23,434
3.10	Net income (loss) of discontinued operations	-4	-27	362	362
3.10.01	Net income (loss) of discontinued operations	-4	-27	362	362
3.11	Income/loss for the period	16,259	29,324	12,638	23,796
3.11.01	Attributed to the Parent company's partners	16,255	29,317	12,635	23,790
3.11.02	Attributed to non-controlling partners	4	7	3	6

Consolidated financial statements / Statement of income
(In thousands of Reais)

Code of Account	Account description	Current quarter Year 01/01/2013 to 06/30/2013	Current accumulated prior year 04/01/2013 to 06/30/2013	Same quarter in year 04/01/2012 to 06/30/2012	Accumulated of the year 01/01/2012 to 06/30/2012
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common (ON)	0.10223	0.18437	0.07946	0.14691
3.99.02	Diluted earning per share				
3.99.02.01	Common (ON)	0.10228	0.18459	0.07720	0.14738

Consolidated financial statements / Statement of comprehensive income

(In thousands of Reais)

Code of Account	Account description	Current quarter year 01/01/2013 to 06/30/2013	Accumulated of the current year 04/01/2013 to 06/30/2013	Same quarter of year 04/01/2012 to 06/30/2012	Accumulated of the prior year 01/01/2012 to 06/30/2012
4.01	Consolidated net income for the period	16,259	29,324	12,638	23,796
4.02	Other comprehensive income	-4,101	-3,497	-4,486	-3,776
4.02.01	Realization of revaluation reserve	0	0	-395	-789
4.02.02	Exchange variation of foreign subsidiary	-4,101	-3,497	-4,091	-2,987
4.03	Consolidated comprehensive income for the period	12,158	25,827	8,152	20,020
4.03.01	Attributed to the Parent company's partners	12,154	25,820	8,149	20,014
4.03.02	Attributed to non-controlling partners	4	7	3	6

Consolidated financial statements / Statement of cash flows – Indirect method

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 06/30/2013	Accumulated of the prior year from 01/01/2012 to 06/30/2012
6.01	Net cash from operating activities	-6,117	30,372
6.01.01	Cash generated in operations	73,514	60,073
6.01.01.01	Income/loss for the year before taxes	43,511	34,339
6.01.01.02	Depreciation and amortization	7,197	8,166
6.01.01.04	Unrealized exchange variation	-279	330
6.01.01.05	Provision for inventory at market value	1,387	-736
6.01.01.06	Allowance for doubtful accounts	187	-1,950
6.01.01.07	Provision for contingencies	1,922	4,026
6.01.01.08	Provision of labor obligations	5,365	4,521
6.01.01.09	Provision for profit sharing	-1,909	4,020
6.01.01.10	Other provisions	-2,754	951
6.01.01.12	Restatements of Eletrobrás Compulsory Loan	-3,645	-2,734
6.01.01.13	Restatements of tax assets	-443	-581
6.01.01.14	Restatements of credits with other related parties	8,810	-3,731
6.01.01.15	Financial charges from taxes paid in installments	3,347	5,563
6.01.01.16	Breakdown of discount on provisions for contingencies	2,265	2,212
6.01.01.18	Accrued interest on loans	7,516	4,283
6.01.01.19	Others	1,037	1,394
6.01.02	Changes in assets and liabilities	-64,070	-17,759
6.01.02.01	(Increase)/decrease in other accounts receivable	-24,037	-7,306
6.01.02.02	Increase/(decrease) in advances from clients	-3,045	652
6.01.02.04	(Increase)/decrease in inventories	-19,043	-18,566
6.01.02.05	(Increase)/decrease in other assets	-5,895	-1,685
6.01.02.06	(Increase)/decrease in judicial deposits	-875	-1,237
6.01.02.08	Increase/(decrease) in accounts payable	10,441	21,617
6.01.02.09	(Increase)/decrease in advance to suppliers	-7,046	-2,338
6.01.02.10	Increase/(decrease) in installments	-11,772	-11,322
6.01.02.11	Increase/(decrease) in tax obligations	-2,324	3,689
6.01.02.12	Increase/(decrease) in labor obligations	-270	48
6.01.02.13	Increase/(decrease) in other accounts payable	-6	-1,188
6.01.02.14	Increase/(decrease) in other accounts payable - Non-current	-198	-123
6.01.03	Others	-15,561	-11,942
6.01.03.01	Interest paid	-4,910	-3,551
6.01.03.02	Income and social contribution taxes paid	-10,651	-8,391
6.02	Net cash used in investing activities	-82,378	-15,298
6.02.01	Acquisition of property, plant and equipment	-79,173	-9,089
6.02.02	Acquisition of intangible assets	-3,415	-6,209
6.02.03	Receipt in the sale of permanent assets	210	0
6.03	Net cash generated (consumed) in financing activities	102,972	-1,900
6.03.01	Funding loans and financing	171,677	47,658
6.03.02	Payment of loans and financing	-60,155	-49,558
6.03.03	Dividends paid	-8,550	0
6.04	Exchange variation on cash and cash equivalents	0	37
6.05	Increase (decrease) in cash and cash equivalents	14,477	13,211

Consolidated financial statements / Statement of cash flows – Indirect method

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 06/30/2013	Accumulated of the prior year from 01/01/2012 to 06/30/2012
6.05.01	Opening balance of cash and cash equivalents	58,870	10,065
6.05.02	Closing balance of cash and cash equivalents	73,347	23,276

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2013 to 06/30/2013

(In thousands of Reais)

Code of account	Account description	Capital paid-in	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119	11	127,130
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119	11	127,130
5.05	Total comprehensive income	0	0	0	30,107	-4,287	25,820	4	25,824
5.05.01	Net income for the period	0	0	0	29,317	0	29,317	4	29,321
5.05.02	Other comprehensive income	0	0	0	790	-4,287	-3,497	0	-3,497
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-3,497	-3,497	0	-3,497
5.06	Internal changes in shareholders' equity	5,267	-267	-5,000	0	0	0	0	0
5.06.01	Breakdown of reserves	267	-267	0	0	0	0	0	0
5.06.04	Capital increase	5,000	0	-5,000	0	0	0	0	0
5.07	Closing balances	46,065	0	45,069	30,107	31,698	152,939	15	152,954

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2012 to 06/30/2012

(In thousands of Reais)

Code of account	Account description	Capital paid-in	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.03	Adjusted opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.05	Total comprehensive income	0	0	0	24,579	-3,776	20,803	6	20,809
5.05.01	Net income for the period	0	0	0	23,790	0	23,790	6	23,796
5.05.02	Other comprehensive income	0	0	0	789	-3,776	-2,987	0	-2,987
5.05.02.06	Realization of revaluation reserve	0	0	0	789	-789	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	-2,987	-2,987	0	-2,987
5.07	Closing balances	112,957	267	0	-49,159	38,528	102,593	14	102,607

Consolidated financial statements / Statement of added value

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 06/30/2013	Accumulated of the prior year from 01/01/2012 to 06/30/2012
7.01	Income	476,118	385,888
7.01.01	Sale of merchandise, products and services	474,175	381,324
7.01.02	Other income	2,130	2,614
7.01.04	Allowance for /reversal of Doubtful accounts	-187	1,950
7.02	Inputs acquired from third parties	-241,373	-186,272
7.02.01	Cost of goods, merchandise and services Sold	-190,458	-142,825
7.02.02	Materials, Energy, Third-party services and other	-52,584	-41,152
7.02.03	Loss/recovery of asset values	1,696	-2,657
7.02.04	Others	-27	362
7.02.04.01	Income from discontinued operations	-27	362
7.03	Gross added value	234,745	199,616
7.04	Retentions	-7,197	-8,166
7.04.01	Depreciation, amortization and depletion	-7,197	-8,166
7.05	Net added value produced	227,548	191,450
7.06	Added value received as transfer	21,550	20,179
7.06.02	Financial income	21,550	20,179
7.07	Total added value payable	249,098	211,629
7.08	Distribution of added value	249,098	211,629
7.08.01	Personnel	67,101	57,710
7.08.01.01	Direct remuneration	58,543	49,600
7.08.01.02	Benefits	4,867	4,645
7.08.01.03	Severance Pay Fund (FGTS)	3,691	3,465
7.08.02	Taxes, duties and contributions	114,694	95,794
7.08.02.01	Federal	66,420	55,175
7.08.02.02	State	47,996	40,455
7.08.02.03	Municipal	278	164
7.08.03	Third-party capital remuneration	37,979	34,329
7.08.03.01	Interest	33,669	30,374
7.08.03.02	Rents	4,310	3,955
7.08.04	Remuneration of own capital	29,324	23,796
7.08.04.03	Retained earnings / Loss for the period	29,317	23,790
7.08.04.04	Part. Interest of non-controlling shareholders in retained earnings	7	6

COMMENT ON THE CONSOLIDATED PERFORMANCE IN 2Q13

Portobello S.A., a corporation listed on the New Market of Bovespa, presents its results for the 2nd quarter of 2013 and year-to-date results. The Company's operating and financial information, except as indicated otherwise, are presented with basis on consolidated numbers and in Reais, in conformity with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncement Committee, and International Financial Reporting Standards (IFRS). The comparisons made in this communication take into account the second quarter of 2012 and 2011.

About Portobello

Portobello is currently one of the largest ceramic tile companies in Latin America, with an annual net income of more than R$ 700 million. Its production, which is close to 30 million square meters, caters for countries on the five continents, as well as for the domestic market, through multi-brand sales points, Portobello Shop and the sales channel for engineers. The Company owns 7 plants, which employ more than 2400 people, responsible for the design and innovation of items that launch trends in the Brazilian architecture and decoration sectors. Headquartered in Tijucas, State of Santa Catarina, the Company has disclosed its advances in terms of social and environmental responsibility since 1997.

HIGHLIGHTS

- In the second quarter of 2013 (2Q13), Net Operating Income increased by 32% in comparison with the same quarter of the previous year, reaching R$ 208 million;
- EBITDA reached R$ 34 million, up 30% that for 2Q12, with an EBITDA margin of 16.4%;
- Net Income increased by 29%, from R$ 13 million in 2Q12 to R$ 16 million in 2Q13;
- The investments in property, plant and equipment totaled R$ 83 million in the first six months of 2013.

MANAGEMENT COMMENTS

In the second quarter, Portobello maintained the same performance of the first three months of the year, achieving excellent results for the semester and consolidating the results achieved in the previous years, influenced by the favorable conditions in the Brazilian civil construction sector, coupled with its ability to identify and take considerable advantage of opportunities with ongoing internal optimization and streamlining in recent years. The excellent performance achieved in this semester becomes clear when we make a comparison with the data disclosed by the Brazilian Association of Construction Material Industries (ABRAMAT), which measure the performance of construction sector sales on the domestic market, which presented a rate of 9.2%, whereas 23.6% of Portobello’s net income arose from the domestic market in the same period, 14.4% above the rate for the market, and significantly above the average for the sector.

The measures taken by the Management, which focused on the domestic market through the manufacture of products with higher added value, and a hybrid production model, with outsourcing of the manufacture of products with lower added value, made it possible for the Company to meet the market demand with flexibility and efficiency.

The maturity reached by products launched in 2012, together with the products launched in 2013 and the Company’s commercial actions, contributed to a growth above that of the market, since the growth of our sales on the domestic market exceeded that demonstrated by indexes of the sector.

The success of sales is also represented by their distribution model through four different channels, with specific features for the product portfolio, specialized professional teams, services, logistics and commercial policy. It should be emphasized that our share of foreign markets is concentrated on products with a higher profitability, which confirms the Company's advances toward international competitiveness.

In thousands of reais, unless otherwise indicated

The initiatives for 2013 represent the start of a journey toward the placement of the company at a new commercial level. Through a revision of its strategic planning, Portobello has been expanding to meet the demand for large-sized porcelain tiles, which has been increasing accompanied by a growing desire for customization and style. The Company is also expanding its operations in the Northeast region with the installation of a new plant in the State of Alagoas.

Portobello believes that its meritocracy processes, based on targets, evaluations and variable compensation, have been significantly contributing with profit improvement process.

ECONOMIC AND FINANCIAL PERFORMANCE

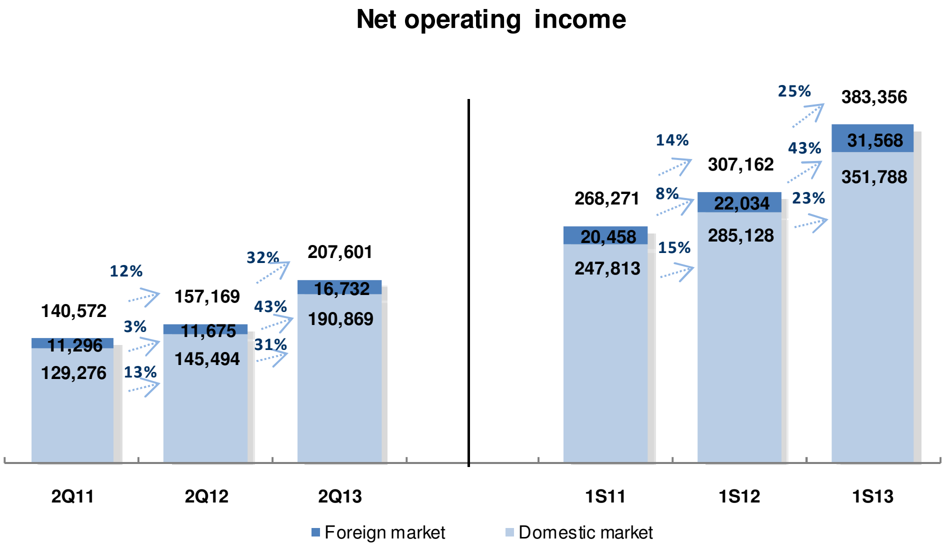
Consolidated income (loss)	2Q11	2Q12	2Q13	Var. % 2Q13 x 2Q12	1S11	1S12	1S13	Var. % 1S13 x 1S12
Gross income	177,701	197,502	265,597	34%	339,987	386,823	486,043	26%
Net income	140,572	157,169	207,601	32%	268,271	307,162	383,356	25%
Gross income	41,716	55,869	72,460	30%	80,919	106,361	132,504	25%
Gross margin	*29.7%*	*35.5%*	*34.9%*	-0.6 p.p.	*30.2%*	*34.6%*	*34.6%*	*0*
Operating expenses	(30,820)	(33,778)	(42,023)	24%	(62,023)	(61,832)	(76,876)	24%
Sales	(24,934)	(25,250)	(31,983)	27%	(46,186)	(47,736)	(58,104)	22%
General and administrative	(4,805)	(6,079)	(7,668)	26%	(8,995)	(11,563)	(13,919)	20%
Other income (expenses)	(1,081)	(2,449)	(2,372)	-3%	(6,842)	(2,533)	(4,853)	92%
EBIT	10,896	22,091	30,437	38%	18,896	44,529	55,628	25%
EBIT margin	*7.8%*	*14.1%*	*14.7%*	0.6 p.p.	*7.0%*	*14.5%*	*14.5%*	0 p.p.
Financial income (1)	(6,958)	(4,949)	(6,900)	39%	(12,276)	(10,190)	(12,117)	19%
Income taxes	(1,689)	(4,866)	(7,274)	49%	(2,685)	(10,905)	(14,160)	30%
Retained earnings (2)	2,087	12,638	16,259	29%	3,714	23,796	29,324	23%
Net Margin	*1.5%*	*8.0%*	*7.8%*	-0.2 p.p.	*1.4%*	*7.7%*	*7.6%*	-0.1 p.p.
EBITDA	14,832	26,222	34,102	30%	26,783	52,695	62,825	19%
EBITDA margin	*10.6%*	*16.7%*	*16.4%*	-0.3 p.p.	*10.0%*	*17.2%*	*16.4%*	-0.8 p.p.

(1) Includes other gains and losses.

(2) Includes the income from Portobello América operations, discontinued in 2010. This operation data are presented according to the CPC/IFRS standards.

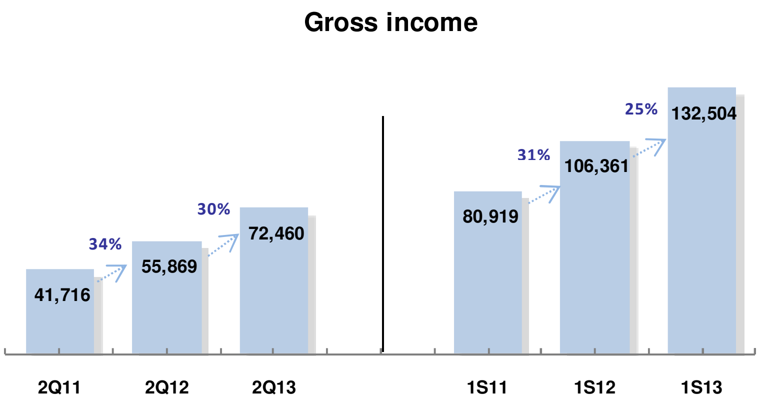
Net income

In 2Q13, net income reached R$ 208 million, an increase of 32% in comparison with 2Q12. In the year-to-date, net income amounted to 383%, up 25% that for the 1S12, 92% of which was accrued on the domestic market. The performance in the domestic market, which was 23% higher, had the participation, in similar shares, of the Engineering, multi-brand Retail, and Portobello Shop channels That performance continues affected by a mix of higher value-added products and had an increase in the participation of products from third parties. In turn, the foreign market presented growth of 43% when compared to 2012, due to the higher sales volume and also the mix of higher value-added products (higher average price).



Gross income

Gross profit was R$ 72 million in the quarter ended June 30, 2013 and presented a 30% growth over the same period in the previous year, accumulating a gain of 25% in the first six months of 2013. The high performance is due to, in addition to the higher value-added product mix, with a higher profitability per unit sold, the improvement in industrial performance resulting from actions and measures focused on productivity gains, cost reduction, quality gains and continuous improvement of industrial and logistic processes.

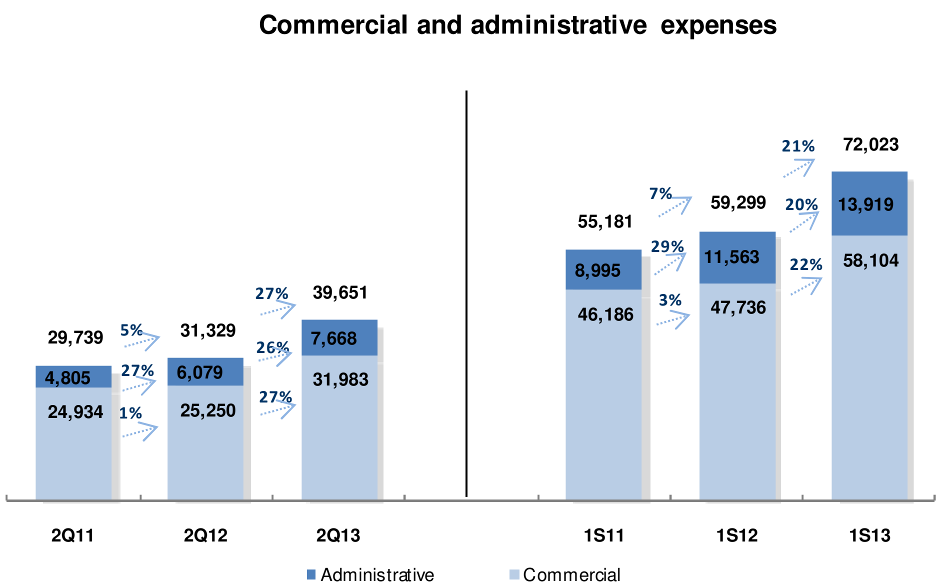


Operating income

Selling expenses totaled R$ 32 million in 2Q13, mainly as a result of an increased investment in marketing and the sales force. Despite the significant increase, there were gains of scale both in the quarter and in the six-month period, reducing the selling expenses/net income ratio from 15.5% in the 1S12 to 15.12% in the same period of 2013.

Administrative expenses added up to R$ 8 million, corresponding to an increase of 26% over the same period in 2012, and also maintained the same proportion of revenue by 4%. In the semester, there was a stable growth of approximately 20% as a result of the expenses on consultancy and studies related to expansion plans.

In thousands of reais, unless otherwise indicated



Other operating expenses, net, of R$ 2.3 million in the quarter referrer mostly to reserves for contingencies and profit-sharing to be paid to employees after the end of the year and the amount referring to the long-term incentive program.

The operating income before financial items (EBIT) was R$ 30 million in 2Q13, showing 38% growth when compared to 2Q12. The EBIT to net revenue ratio presented a 15% margin. In the year-to-date, EBIT reached R$ 56 million, an increase of 25% in comparison with the same period in the previous year.

EBITDA

EBITDA amounted to R$ 34 million in the quarter and to R$ 63 million in the first six-month period, up 30% and 19%, respectively, those for the same periods of 2012. The EBITDA margin was 16%.

EBITDA	2Q11	2Q12	2Q13	Var. % 2Q13 x 2Q12	1S11	1S12	1S13	Var. % 1S13 x 1S12
Net income	2,086	12,635	16,255	29%	3,711	23,790	29,317	23%
Financial income and other gains and losses	6,958	4,949	6,900	39%	12,276	10,190	12,117	19%
Depreciation and amortization	3,936	4,131	3,665	-11%	7,887	8,166	7,197	-12%
Income and social contribution taxes	1,689	4,866	7,274	49%	2,685	10,905	14,160	30%
Discontinued operations and others	163	(359)	8	-102%	224	(356)	34	-110%
(=) EBITDA from continued operations (1)	14,832	26,222	34,102	30%	26,783	52,695	62,825	19%
Net income %	10.6%	16.7%	16.4%	-0.3 p.p.	10.0%	17.2%	16.4%	-0.8 p.p

(1) In accordance with CPC/IFRS, discontinued operations are not part of operating income.

Financial income (loss)

The finance result for the quarter consisted of a net expense of R$ 7 million, R$ 2.5 million of which refers to foreign exchange variation in the period. Accumulated R$ 12 million in the semester. Although the indebtedness is higher, the Company has been obtaining loan facilities at lower costs.

INDEBTEDNESS/CAPITAL STRUCTURE

As of June 30, 2013 net bank indebtedness was R$ 211 million, against R$ 100 million at the end of 2Q12, due to continuous investments in expansion. In turn, tax indebtedness showed a 11% reduction, as the effect of the payment of installments due.

In thousands of reais, unless otherwise indicated

Net	2Q11	2Q12	2Q13
Bank Indebtedness			
Current	100,776	84,219	106,209
Non-current	47,913	38,866	178,428
Total bank indebtedness	148,689	123,085	284,637
Cash and cash equivalents and marketable securities	14,376	23,276	73,347
Total net bank indebtedness	134,313	99,809	211,290
Tax	150,700	140,952	124,982
Total indebtedness	**285,013**	**240,761**	**336,272**

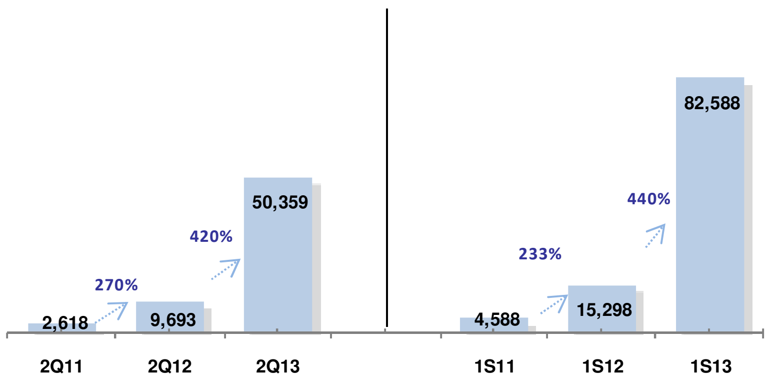
Financial Leverage	2Q11	2Q12	2Q13
Net bank debt	134,313	99,809	211,290
Tax debt	150,700	140,952	124,982
EBITDA (last 12 months)	76,671	103,549	139,383
(=) Net bank debt / EBITDA	**1.8**	**1.0**	**1.5**
(=) Net bank and tax debt / EBITDA	**3.7**	**2.3**	**2.4**

As highlighted in Note 12, the Company holds contract-supported receivables from related party Refinadora Catarinense S/A, arising from a lawsuit won by the latter against the national treasury (federal VAT premium credit). We emphasized that those credits are guaranteed by a final court decision and they have been transformed into government debt bonds, which are paid on an annual basis over a 10-year period. Two installments have already been received, the first in August 2011, totaling R$ 10,097, and the second in March 2013, totaling R$ 11,254, both of which with the application of negative goodwill, as allowed by the agreement. The balance of those receivables as of June 30, 2013 represents R$ 91,588 and, when deducted from the total indebtedness, the total is R$ 244,684, representing a Net Debt (bank and tax) / EBITDA ratio of 1.75 times.

INVESTMENTS

Investments in property, plant and equipment are concentrated on Tijucas, with the implementation of a full line of large-sized porcelain tiles. State-of-the-art, fully automated, Italian technology equipment, with high productivity and low energy consumption, started operations in July 2013. There have also been investments to improve the logistic model in terms of storage and distribution.

Investments



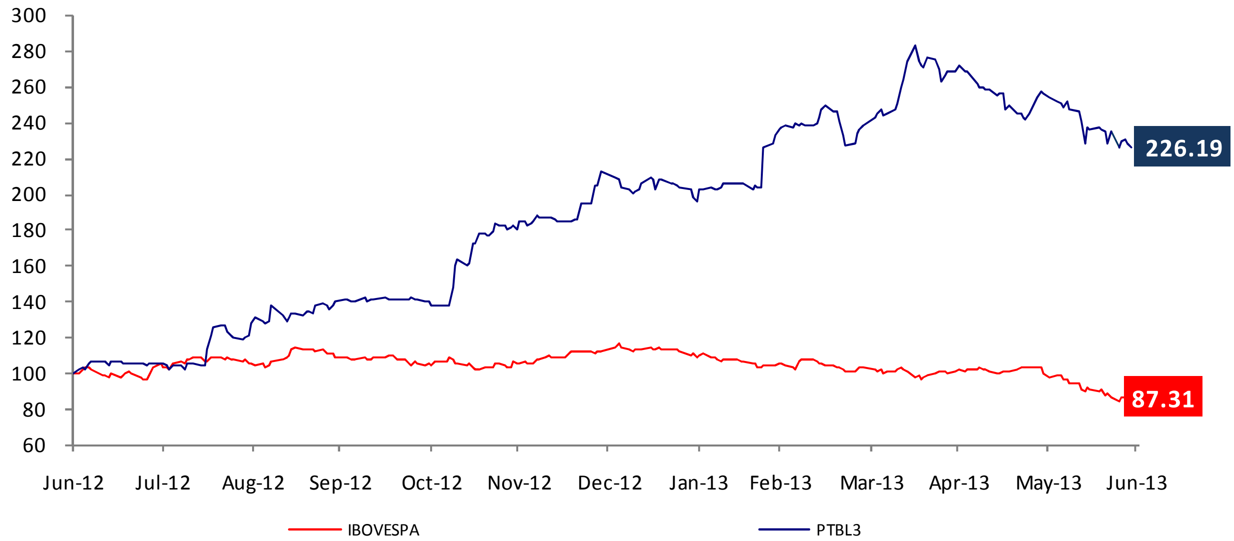
REMUNERATION TO SHAREHOLDERS

The Company's Board of Directors approved, on August 12, 2013, prepaid dividends of R$ 2.8 million and interest on capital of R$ 4.2 million referring to 2013. With this resolution, the amount to be paid will be R$ 7 million (R$ 6.3 million net of income tax). The total amount distributed is equivalent to 22% of the Company's net income in the 1S13 and represents a yield (dividend per share divided by the final quoted share price) of 0.84%.

PERFORMANCE OF PTBL3 SHARES

The common shares issued by Portobello, traded on BM&FBovespa under the ticker symbol PTBL3, ended the last trading day of June 2013 quoted at R$ 4.75, an appreciation of 126% in the last twelve months, whereas the Ibovespa index dropped by 13%. In the second quarter of 2013 Portobello presented a market value equivalent to R$ 755 million (R$ 334 million as of June 30, 2012).

PTBL3 x Ibovespa
From (Base 100) 06/30/2012 to 06/30/2013



OUTLOOK

- Although the Brazilian economy has shown a low growth, the Company estimates to be able to maintain the sales growth levels in the domestic market, due to the launch of real estate enterprises and a perceived retail demand;
- Portobello expects to continue enjoying a greater demand for construction materials and higher value-added finishing materials, which is the segment where it operates, also influenced by the zero federal VAT tax rate for ceramic products, extended through the end of 2013. For that purpose, we will increase the offer with additional products acquired from third parties and implementation of a new production line of large formats, with a 20% increase in capacity, and investments of about R$ 86 million;
- The Company believes in, and has directed its efforts to the domestic market, either by expanding the range of its products and services targeting the real estate market and the large construction company commercial market, whether expanding its investments in marketing and higher value-added products to meet the needs of retail networks and the main Brazilian home centers. Thus we expect to maintain the growth rate presented in the last few years;
- The exporting market has shown high potential for growth. The growing demand for higher value-added products allows Portobello to serve that market and potentialize its own profitability;

- In the specialized store segment, its franchise network, Portobello Shop, has scheduled the opening of new stores in several states: Rio de Janeiro, Bahia, Pará, Paraíba, Acre, Amapá, São Paulo and Minas Gerais;
- The sales of new products in the collections launched in 2013 in our sector's most important exhibition – Revestir – have so far exceeded our initial expectations, which confirms that the policies adopted will continue increasing sales profitability;
- Continuous productivity gains, with consequent production cost reductions and quality improvements, the investments in logistics and our meritocracy process indicate the maintenance or even increases in profitability as compared to 2012 levels;
- The Company has suffered inflationary pressures in input costs, especially energy and labor, which will have to be neutralized through a continuous striving for productivity gains. The risk of increases in natural gas prices exists, and can affect the competitiveness of Portobello and the Santa Catarina state ceramic industry;
- Portobello regards as important the measures under analysis by governmental bodies aiming to review import tariffs for technical porcelains so as to regularize the competitiveness of the Brazilian industry in this specific product segment;
- This year, the ceramic sector was benefited by the unburdening of payroll, and this will improve the competitiveness of the Brazilian ceramic sector;
- The Foreign Trade Secretariat (SECEX) started an antidumping investigation of technical porcelain tiles, the purpose of which is to verify whether there is dumping in Brazil's imports of products from China. The sentence was issued in July 2013, as a result of a petition filed in October 2012 by Anfacer, with a view to protecting the domestic manufacturing industry from the damages of this practice.

SOCIAL AND ENVIROMENTAL RESPONSIBILITY

As one of the important values of its brand, Sustainability is for the Company a permanent commitment with the future in the environmental, social and economic areas and is a top's practices that guarantee the continuity of the environment, the Company and the business.

In the environmental area the Company has a management system allowing the alignment of production and management with the legal requirements, prevention of pollution and continuous improvement. The use of natural gas in 100% of the production, and solid waste recycling, reuse and reforming, and the closed circuit for water used in the productive process are examples of that practice.

In the first semester of 2013, the Company invested around R$ 656 million in environmental actions such as performing environmental investigation studies in the monitoring of effluents and atmospheric emissions. We maintain permanent preservation areas with the same size as the areas from which we extract raw materials, guaranteeing 291 hectares of preserved areas. We reduced from 5 to 3 years the period of regrowth of the areas felled through a special recovery method.

In our portfolio, there are tiles made of different types of wood, mixing design and ecology and sparing a growing number of trees. On average, our products contain 18% of recycled content, which ensures one point for the projects in the Green Building assessment. The Planet and Habitat lines contain more than 20% of recycled content, showing that it is possible to do more with less. Portobello was the first Brazilian company to produce Extra Thin porcelain tiles, which are only 5.0 millimeters thick. They are lighter and easier to handle, cut and transport. Portobello Extra Thin Porcelain Tiles reduce the consumption of energy and natural resources and do not generate waste with an overlaid application.

In the social area we must highlight that in 2013 the Company published the Sustainability Report and the second edition of the book Brazilian Architecture, which promotes the production of Brazilian architects, and maintained the Athlete of the Future program, which assists 300 children of the community, and the Internment and Trainee programs for forming future professionals and the social responsibility management, carried out by an employee committee. In 2012, 240 children participated in the Athletes of the Future Project, 43 in the Angels of Light Choir, and approximately R$ 200 thousand was donated to actions for the benefit of society in 2011 and 2012.

Portobello also has the following initiatives for the benefit of society and the environment:

- Logistics – recyclable and ergonomic packaging
- Vaccination program, health in the workplace and accident prevention
- Program to promote the inclusion of people with special needs
- Sponsorships and donations to philanthropic and cultural entities
- Internal Olympic Games for employees
- Winter Clothing Campaign and Volunteer Christmas

In order to implement this vision in the field of sustainability, Portobello has a Sustainability Council which helps its Management to set policies and strategies in the environmental, social and corporate governance areas. It assesses the various existing programs and projects in the company, for the external and internal publics, and assesses their repercussion and reach in the environmental, social and corporate governance spheres, suggesting actions that may increase their efficacy.

INDEPENDENT AUDIT

Portobello's policy towards its auditors with respect to service provision not related to external audits of financial statements, which is covered by the principles that preserve the professional independence. These principles are based on the assumption that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client. In the 2Q13, the Company did not hire independent auditors for services other than those related to external auditing.

COMPOSITION OF MANAGEMENT

The Executive Board

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

Board of Directors

Name	Position
Cesar Bastos Gomes	President
Cesar Gomes Júnior	Vice-President (CEO)
Cláudio Ávila da Silva	Vice-President (Executive Vice-President)
Mr. Plínio Villares Musetti	Board member (Independent)
Mr. Francisco Amaury Olsen	Board member (Independent)
Glauco José Côrte	Board member (Independent)
Mário José Gonzaga Petrelli	Board member (Independent)
Maurício Levi	Board member (Independent)
Rami Naum Goldfajn	Board member (Independent)

Please visit the Investor Relations website: *www.portobello.com.br/ri*

1 General information

Portobello S.A., herein also referred to as “Company” or “Parent Company”, is a publicly-traded corporation whose shares are traded on the segment Novo Mercado of Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA S.A.), under code PTBL3. The Company is controlled by a group of shareholders, formalized by agreement entered into on April 15, 2011, and holds on June 30, 2013 60.81% of the company’s shares. The remaining 39.19% of the shares is widely held.

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

Also, the Company holds interest in the following subsidiaries: (i) Portobello América, incorporated to sell Portobello products in the North-American market, and which on June 30, 2013 is classified as discontinued operation as described in Note 36; (ii) Mineração Portobello, responsible for the supply of part of the raw material used in the production of ceramic tiles; (iii) PBTech, responsible for the management of own stores Portobello Shop and currently manages a store in Belo Horizonte; and (iv) Portobello Shop, which administers the network of franchise stores Portobello Shop and Empório Portobello, specialized in ceramic tiles. It is the unique franchise of ceramic tiles of Brazil with 112 stores.

2 Preparation basis

a) Statement of compliance (in relation to IFRS standards and CPC standards)

These financial statements include:

- The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP); and

- The individual financial interim statements of the subsidiary prepared according to the BR GAAP.

The individual financial interim statements of the Parent Company were prepared in accordance with BR GAAP, and, in the case of the Group, these practices differ from the IFRS applicable to separate financial statements due to the fact that investments in subsidiaries are valued under the equity method in BR GAAP, whereas, for IFRS purposes, these investments would be carried at cost or fair value.

However, there is no difference between the shareholders' equity and consolidated result presented by the Group and the shareholders' equity and result of the Parent company in the individual interim Financial Statements.
Accordingly, the consolidated interim financial statements of the Group and the Parent Company's individual financial statements are being presented side by side in a single set of financial statements.

Such Interim financial statements were prepared in accordance with the standards of the Brazilian Securities Commission (CVM), applicable to the preparation of Interim financial statements (ITR).

The issue of individual and consolidated interim financial statements was authorized by the Board of Directors on August 12, 2013.

b) Basis of measurement

The individual and consolidated interim financial statements were prepared based on the historical cost, except for the following items recognized in the interim financial statements:

- the defined benefit actuarial assets are recognized as the plan assets, plus the cost of prior service and actuarial losses, net of actuarial gains and the present value of the defined benefit obligation and it is limited as Note 3.18.

- derivative financial instruments measured at fair value; and

c) Functional currency and presentation currency

These individual and consolidated interim financial statements are being presented in Reais, functional currency of the Company and its subsidiaries, except for the functional currency of the subsidiary Portobello América, Inc. which is the US dollar, translated into Reais on the disclosure date, in conformity with note 3.3 b).All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

d) Use of estimates and judgments

The preparation of individual and consolidated interim financial statements according to IFRS and CPCs standards requires management to make judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the year in which the estimates are reviewed and in any future years affected.

Information about critical estimates and judgment referring to the accounting policies adopted which impact significantly the amounts recognized in the individual and consolidated financial statements are included in the Note 4.

3 Significant accounting policies

The main accounting policies applied in the preparation of these consolidated interim financial statements are as follows: These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Consolidation

3.1.1 Consolidated interim financial statements

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to establish the financial and operating policies, usually accompanied by interest of more than the half of the voting rights (voting capital). The existence and effect of potential voting rights, currently exercisable or convertible, are taken into account when assessing whether the Company controls other entity.

In thousands of Reais, unless otherwise indicated

The subsidiaries are fully consolidated as of the date control is transferred to the Company, and stop being consolidated as of the date when control no longer exists.

The percentage of interest held by the Company in subsidiaries is as follows:

	Percentage of voting	
	June 30, 2013	December 31, 2012
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

The transactions among the Company and its subsidiaries, as well as the balances and unrealized gains and losses in those transactions, were eliminated for preparation purposes of the consolidated interim financial statements.

The accounting policies of the subsidiaries are changed when required in order to assure the consistency with the policies adopted by the Company.

b) Transactions and non-controlling interests

The Company and its subsidiaries treat transactions with non-controlling interest likewise the transactions with holders of assets classified as related parties. For purchases of non-controlling ownership interest, the difference between any considerations paid and the acquired portion of the controlling subsidiary's net assets is recorded in shareholders' equity. Gains or losses on disposals of non-controlling interest are also recorded in shareholders’ equity.

When the Company or its subsidiaries cease to hold the control, any interest held is remeasured to its fair value, and the change in the book value is recognized in the result. Any amounts previously recognized in other comprehensive results related to that entity are accounted for as if the related assets and liabilities had been directly sold. It means that the amounts previously recognized in other comprehensive results are reclassified in the statement of income.

3.1.2 Individual interim financial statements

In the individual interim financial statements, subsidiaries are accounted for under the equity method. According to this method, the investment is initially recognized at cost and then adjusted by the recognition of interest attributed to the Company in changes in net assets of the investee. Adjustments to the book value of investment are also required by the recognition of proportional interest of the Company in changes in balance of the components of adjustments of the investee’s equity evaluation, directly recognized in its shareholders’ equity. These variations are recognized on a reflexive basis, that is, in adjustment of equity evaluation directly in shareholders’ equity.

Upon adoption of the equity method, the portion of the result of subsidiaries destined to dividends is recognized as dividends receivable in current assets. Thus, the value of investment is shown net of the dividend proposed by the subsidiary. Accordingly there is no recognition of income from dividends.

3.2 Presentation of information per business segment

The operating segment information is shown consistently with the internal report supplied to the main operating decision maker. The main operating decision maker, in charge of allocating funds and evaluating performance of operating segments is the Executive Board, also in charge of the strategic decision making of the Company and its subsidiaries.

3.3 Foreign currency translation

a) Transactions and balances

Transactions with foreign currencies are converted into Reais by using exchange rates prevailing on the transaction or valuation dates, when the items are remeasured. Exchange gains and losses resulting from the settlement of those transactions and from the conversion at year-end exchange rates referring to monetary assets and liabilities in foreign currencies, are recognized in the statement of income as other net gains and losses, except for the financing operations which are recognized in the financial income as described in Notes 33 and 34.

b) Subsidiaries

Assets and liabilities in foreign currency (US Dollar) recorded for the subsidiary located abroad were translated into Reais at the foreign exchange rate in effect at the balance sheet date. The exchange variation on investment abroad was recorded as accumulated translation adjustment in shareholders' equity under the caption "Adjustment de equity evaluation".

3.4 Financial assets

3.4.1 Classification

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

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, but not quoted on any active market. They are included in current assets, except those maturing at least 12 months after balance sheet date (these are classified as noncurrent assets). The loans and receivables of the Company and of its subsidiaries includes "trade accounts receivable", as well as "cash and cash equivalents".

b) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other highly liquid short-term interest earning bank deposits with original maturities of 3 months or less, are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

c) Trade accounts receivable

Trade accounts receivable correspond to the amounts receivable from clients for sales of products and goods and provision of services in the normal course of the activities of the Company and its subsidiaries the accounts payable to suppliers are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts "PDD" (impairment). In practice, they are usually recognized at the billed amount, adjusted by provision for impairment, if necessary. If the payment term is equivalent to one year or less (or any other term that is in conformity with the normal cycle of the Company and its subsidiaries), accounts receivable are classified as current assets. Otherwise, they are presented under "non-current assets".
The allowance for doubtful accounts (impairment) is formed when there is objective evidence that the Company and its subsidiaries will not be able to collect all amounts due according original terms of accounts receivable and the calculation of the allowance is based on an estimate sufficient to cover losses in the realization of accounts receivable, considering the situation of each client and respective guarantees provided.

d) Financial assets held to maturity

Are basically marketable securities that cannot be classified as loans and receivables, since they are priced in an active market. In this case, these financial assets are acquired with the intention and financial capacity to hold them in the portfolio to maturity.

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

Financial assets measured at fair value through profit or loss are financial assets held for active and frequent trading. A financial asset is classified in this category if it is acquired mostly for short-term sale and classified as non-current assets. Gains or losses resulting from fluctuations in their fair value are presented in statement of income under "financial income" for the period in which they occur.

3.4.2 Recognition and measurement

The regular purchases and sales of financial assets are recognized on the trading date, which is the date when the Company commits to buy or sell the asset. Investments are initially recognized at fair value plus transaction cost for all financial assets not classified at fair value through profit or loss. Financial assets classified at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income. Financial assets are written off when rights to receive cash flows from the investments have been expired or transferred; in the latter case, as long as the Company has transferred virtually all ownership risks and benefits. Financial assets available for sale and financial assets measured at fair value through profit or loss as subsequently measured at fair value. After their initial recognition, loans and receivables and investments held to maturity are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

3.4.3 Offsetting of financial instruments

Financial assets and liabilities are offset and their net amounts in the balance sheet only when there is a legal right to offset the amounts recognized and there is an intent to settle them on net bases, or realize the asset and settle the liability simultaneously.

3.5 Impairment of financial assets

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

The criteria used by the Company to determine whether there is objective evidence of an impairment loss include:

i) Issuer or debtor's relevant financial difficulties;
ii) a breach of contract, such as a default or delay on payment of interest or the principal;
iii) it is likely that the debtor will declare bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset due to the financial difficulties; or
v) observable data indicating a measurable reduction in estimated future cash flows from a financial asset portfolio since the initial recognition of the assets, even if the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment situation of the portfolio's debtors;
- national or local economic conditions correlating with defaults on the portfolio's assets.

3.5.1 Financial assets measured by the amortized cost

The Group considers as evidence of impairment of assets measured by amortized cost. Individually significant receivables are assessed for impairment. All the receivables and investment securities held to maturity which are material on an individual basis, identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are assessed on an aggregate basis in relation to impairment by grouping the assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Group makes use of historical trends of probability of default, the recovery term and the amounts of losses incurred, adjusted to reflect the management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in an allowance in the income statement against loans and receivables or assets held to maturity. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

3.6 Inventories

Inventories are presented at the lower value between the cost and net realizable value. Cost is calculated under the moving weighted average cost method. The cost of finished products and work in process comprises raw materials, direct labor, other direct costs and related general production expenses, always (based on the normal operating capacity), except for the costs of loans obtained. The net realizable value is the sales price estimated for the normal course of business, less the performance costs and selling expenses.

In thousands of Reais, unless otherwise indicated

3.7 Judicial deposits

The balances of judicial deposits are monetarily restated at the savings rate and presented as non-current assets, long-term receivables.

3.8 Receivables - Eletrobrás

The receivables from Eletrobrás result from noncontroversial value and are recognized based on the calculation of the Federal Justice expert and are restated at inflation index, plus 12% p.a.

3.9 Investments

The investments in subsidiaries are stated under the equity method of accounting, and recognized in income for the year as operating income (or expense). In the case of exchange variation of investment in the subsidiary Portobello América Inc., variations in the value of investment derived exclusively from exchange variation are recorded under “Adjustment of equity evaluation”, in the Company’s shareholders’ equity, and are only recorded in the result for the year when the investment is sold or written off to loss.

The provision for losses on investments is recognized when there are losses on investments in subsidiaries and these losses exceed the limit of the book value of investment. The Company classifies the provision in noncurrent liabilities, under the caption “Provision for losses on investments” with a corresponding entry recorded in the result, under the caption “Equity pick-up”. The provision for loss on investment in subsidiary Portobello América, which is at discontinuation phase, is recorded in current liabilities.
Other investments are recognized at historical cost and adjusted by the provision for impairment, in case there is indication of loss (note 18).

3.10 Property, plant and equipment

Property, plant and equipment are recorded at the deemed cost less accumulated depreciation. The corresponding entry of the revaluations is recorded in an account of the shareholders’ equity and under deferred taxes in noncurrent liabilities. In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition.

Subsequently incurred costs are added to the asset's book value or are recognized as a separate asset, as applicable, and only when it is likely that associated future economic benefits will flow and that the item's cost can be reliably measured. The book value of replaced items and parts is written off. All other maintenance and repair costs are recorded as production cost, when incurred.

Lands are not depreciated. Depreciation of other assets is calculated using the straight-line method, with the costs of other assets being allocated to their residual values over the estimated useful life, as follows:

	Years
Buildings, civil works and improvem	33
Machinery and equipment	14
Furniture and fixtures	10
Computers	5

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year. To date, these reviews do not indicate the need to recognize permanent losses.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 19).

Gains and losses from divestitures are determined by the comparison of results with the book value and are recognized in "Other net operating income (expense)" in the statement of income.

3.11 Intangible assets

Intangibles refer to the registry of rights whose object are intangible assets, such as brands and patents, expenses with implementation of the management system and software programs and rights of exploitation of ore mines, goodwill. Stated at cost incurred on acquisition or formation and, subsequently deducted from accumulated amortization and losses of the recoverable value, when applicable. Accordingly, they are stated at acquisition cost, combined with annual amortization rates calculated under the straight-line method, mentioned in note 20, considering the useful life defined for the asset, as follows:

	Years
Software	5
Right to exploration of outcrops	5
Trademarks and patents	Undefined
Goodwill	Undefined
Management system	(a)

(a) Intangible assets under formation and their useful life will still be defined.

The Company and its subsidiaries determined the useful life of the brands and patents and goodwill as indefinite. Based on analysis of all the significant factors, we noted that these assets did not present predictable limits in relation to the period during which they are expected to generate net cash inflows to the entities.

The recovery of an intangible asset with indefinite useful life is tested by comparing its recoverable value to its respective book value. The procedure is adopted every year or whenever there is indication that the intangible asset may be losing economic substance, in conformity with CPC 01 – Impairment, and when it is believed that the balances on June 30, 2013 approximate fair value.

3.12 Leases

The commercial leasing of fixed assets in which the Company and its subsidiaries assume substantially the risks and benefits of ownership is classified as financial leasing under the caption “Loans and financing”, and recorded as financed purchase, recognizing, initially, a fixed asset and a financing liability at fair value and subsequently at amortized cost. Property, plant and equipment items acquired in financial leases are depreciated at usual rates described in Note 19.

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company and its subsidiaries and are classified as operating leases. Operating lease expenses are recorded in the result under the straight-line method over the leasing period.

3.13 Impairment of non-financial assets, (except for inventories, deferred income and social contribution taxes)

Assets subject to depreciation and amortization are reviewed to confirm their impairment annually and whenever events or changes in circumstances indicate that the book value may not be recoverable. Impairment loss is recognized in the amount by which the book value of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use. For impairment valuation purposes, 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.

3.14 Suppliers

Trade accounts payable are obligations due for assets or services acquired from suppliers in the normal course of businesses, and are classified as current liabilities if payment is due within one year. Otherwise, trade accounts payable are presented as non-current liabilities.

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

3.15 Loans and financing

Loans and financing obtained are initially recognized at fair value when funds are received net of transaction costs. Subsequently, loans taken are stated at amortized cost, i.e., with the addition of charges and interest proportional to the period elapsed (calculated on a pro rata temporis basis).

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

3.16 Provisions for contingencies, contingent liabilities and contingent assets

Provisions for contingencies are recognized when the Company has a present, legal or unformalized obligation, as a result of past events, and it is likely that an outlay of funds will be necessary to settle the obligation, and a reliable estimate of the amount can be made. The provisions are measured at the present value of the expenditures that shall be necessary to settle the obligation and are individually evaluated by the Company’s legal counselors who classify them according to the expectation of success of the lawsuits. The increase in the obligation over time is recognized as a financial expense.

The contingent liabilities classified as possible losses are not recorded, and are only divulged in the interim financial statements, and those classified as remote are neither accrued nor divulged.

Contingent assets are not recorded except when the Company judge that the gain is virtually certain or when there are secured guarantees or favorable sentences to which no further appeals are applicable.

3.17 Current and deferred income tax and social contribution

Current income tax and social contribution are calculated with a basis on the effective rates of income tax (25%) and of social contribution (9%) on adjusted net income under the terms of the current legislation. Offset of tax loss carryforwards is considered, limited to 30% of taxable income.

Deferred income and social contribution tax credits derive from accumulated balances of tax losses, social contribution tax loss carryforwards and asset temporary differences, whereas deferred income and social contribution tax debits derive from revaluation of fixed assets and liability temporary differences. The credits considered the future expectation of generation of taxable income and are calculated based on the tax rates currently applicable by the tax legislation and recorded up to the amount considered as realizable based on estimates prepared by the Company.

A deferred income tax and social contribution asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the tax loss carryforwards and credits can be utilized.

3.18 Employee benefits

a) Private pension plan

The Company sponsors a defined-contribution benefit plan, however it offers a minimum retirement benefit for length of service or age (components of defined benefit). A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company does not have legal or constructive obligations to make contributions if the fund does not have sufficient assets to pay to all the employees the benefits related to the employee's service in the current and prior period. A defined benefit plan is different from a defined contribution plan. Defined benefit plans, usually establish a benefit amount that the employee will receive upon retirement, depending on one or more factors, such as age, time in company and salary.

The defined benefit liability is annually calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation was determined by discounting estimated future cash outlays, using interest rate yields prevailing in the market for the currency in which benefits will be paid, and having maturity periods similar to those in the related pension plan obligation. The liability recognized in the balance sheet is the present value of the defined-benefit obligations on the balance sheet date, less the fair value of plan assets, with the adjustments of unrecognized past services. The calculation is made by a qualified actuary and when it results in a benefit for the Company, the asset to be recognized is limited to the total of any unrecognized prior service costs and the present value of the economic benefits available as future plan refunds or reduction in the future payments.

Actuarial gains and losses, resulting from adjustments based on experience and on changes in actuarial assumptions, are recorded as other comprehensive results, in shareholders' equity under the caption "Adjustment of equity evaluation".

Costs of past services are immediately recognized in the result, unless the changes in the pension plan are not conditioned to the employee's permanence in the job, for a specific period of time (the period in which the right is acquired). In this case, the costs of past services are amortized under the straight-line method during the period in which the right was acquired.

Regarding the defined contribution plans, the Company has no additional obligation to make payments after the contribution is made. The contributions are recognized as employee benefit expenses, when due and the contributions made in advance are recognized as asset as a refund in cash or a reduction of payments of current or future services is made available.

The Company does not use the corridor method, therefore there was no impact on the change in CPC 33, IAS 19 (R1).

b) Profit sharing plan

This interest is recognized monthly in current liabilities, under the caption "Other" and in the income statement under the caption "Other operating expenses". It is calculated based on a formula that considers the attainment of 80% of income before estimated interest and taxes.

c) Long-term incentive

The Company operates a long-term incentive plan, whereby the entity receives services from employees as consideration for cash or shares of the Company. The fair value of the employees' services, received in exchange for the granted stock options (cash and cash equivalents or share-based payment) is recognized as an expense. The total amount to be recognized as obligation is determined every year considering the principal aspects: the EBITDA growth and a ratio of EBITDA with the Company's net debt (Note 29). Total expenses are recognized during the period in which the right is acquired; period during which the specific conditions of acquisition of rights should be met. On the balance sheet date, the entity reviews its estimates of quantity of options whose rights should be acquired based on the conditions of acquisition of rights and recognizes the impact of the review of the initial estimates, if any, in the income statement, with a corresponding adjustment in the shareholders' equity.

3.19 Capital

The Company's capital is represented solely by common shares and is classified in shareholders' equity in conformity with Note **Erro! Fonte de referência não encontrada.**.

3.20 Issuance costs

Costs of issuance of shares are recognized in the Company's shareholders' equity, less the value of shares issued.

3.21 Total Dividends and Interest on Own Capital of the period

Payment of dividends to Company's shareholders is recognized as a liability in the financial statements at the end of each year, with basis on the Company's by-laws. Any amount above the mandatory minimum is provisioned only on the date of its approval by the Shareholders' Meeting.

The fiscal benefit of interest on capital is recognized in the statement of income.

3.22 Revenue recognition

The revenue comprises the fair value of the consideration received or receivable for the sale of products in the normal course of activities of the Company and its subsidiaries, the revenue is presented net of taxes, goods returned, rebates and discounts, and elimination of intergroup sales of the Companies and its subsidiaries.

Income from sales is recognized upon the physical delivery of the assets or services, transfer of ownership and when all the following conditions had been met: a) the client assumes the significant risks and benefits resulting from the ownership of the assets; b) the amount of the revenue can be reliably estimated; c) recognition of other accounts receivable is probable; and d) the costs incurred or to be incurred in connection with the transaction may be measured on a reliable basis.

a) Sale of goods - Wholesale

The Company produces and sells a variety of ceramic tiles in the wholesale market. Sales of products are recognized whenever the Company delivers the products to the wholesale dealer, which then has total liberty over the channel and the price of resale of products, and there is no obligation not satisfied that could affect the acceptance of the products by the wholesale dealer. The 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 wholesale dealer; (iii) the wholesale dealer has accepted the products according to the sales agreement; and (iv) the acceptance provisions have been agreed upon, or the Company has objective evidences that all the acceptance criteria have been met.

Ceramic tiles are eventually sold at discounts per volume. Clients have the right to return products with defects in the wholesale market. Sales are recorded based on the price specified in the sales agreements. Sales are made with different payment terms according to the type of client (Home Centers, Construction Companies, Franchised Stores), without nature of financing, and are consistent with the market practice; thus, these sales are not discounted to present value.

b) Income from royalties

Income from royalties is recognized on accrual basis in conformity with the essence of applicable agreements.

c) Financial income

Financial income is recognized in accordance with the elapsed time using the effective interest rate method and it is recognized upon an expectation to realize.

3.23 Income from discontinued operations

The result of discontinued operation is presented in a single amount in the income statement, including the total result after income tax on these operations less any impairment loss and is presented in note 36.

The classification as a discontinued operation is made upon its sale or when the operation fails to meet the criteria for being held for sale, if this occurs before. When an operation is classified as a discontinued operation, the comparative statement of income and the statement of comprehensive income are reissued as if the operation had been discontinued since the beginning of the comparative period.

3.24 Statement of added value

The Group prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent additional financial information.

3.25 Financial expenses

Financial expenses comprise interest expenses on loans and financing, monetary variation in trade accounts payable, exchange variation of loans and financing, update of taxes payable in installments and discounts granted to clients. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in in the income using the effective interest rate method.

3.26 New accounting standards

The following rules and changes in existing rules were disclosed and are mandatory for the accounting periods starting after January 1, 2013 or after that date or for subsequent periods. However, none of those standards or changes in standards was adopted by the Company and its subsidiaries.

- IAS 1 - Presentation of the financial statements. The main change is the separation of other components of comprehensive income into two groups: those that will be made realized against income (loss) and those who remain in shareholders' equity.

- IFRS 9 - “Financial instruments", covers the classification, measuring and the recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces the parts of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 requires the classification of financial assets into two categories: measured at fair value and measured at amortized cost. The calculation is made upon initial recognition. The basis for classification depends on the entity's business model and the contractual cash flow features of the financial instruments. For financial liabilities, the standard maintains most of the requirements established by IAS 39. The main change is that where the option of fair value is adopted for financial liabilities, the portion of change in fair value due to credit risk of the entity undertaking shall be recorded in other comprehensive income and not in the statement of income, except when it results in accounting mismatching. IFRS 9 is applicable only as from January 1, 2015

- IFRS 10 – "Consolidated Financial Statements" finds support in already existing principles, and identifies the concept of control as the preponderant factor when determining whether or not an entity should be included in the parent company's consolidated financial statements. The standard provides additional instructions for determination of control.

- IFRS 11 - "Joint arrangements", issued in May 2011. The standard provides more realistic reflections about joint agreements by focusing on the rights and obligations of the agreement rather than on its legal form. There are two types of joint arrangements: (i) joint operations – these occur when an operator has rights over contractual assets and obligations, and, as a result, with recognize its share in the assets, liabilities, revenues and expenses; and (ii) shared control – this occurs when an operator has rights over the agreement's net assets and recognizes the investment under the equity method. The proportional consolidation method will no longer be allowed with joint control.

- IFRS 12 – "Disclosure of interests in other entities" deals with disclosure requirements for all types of interest in other entities, including joint agreements, associations, specific-purpose interests, and other interests not recorded in the books.

- IFRS 13 - "Fair value measurement", issued in May 2011. The purpose of IFRS 13 is to improve consistency and reduce complexity of fair value measurements, by providing a more precise definition and a single source for measuring the fair value and related disclosure requirements under IFRS. The requirements, which are fairly aligned between IFRS and US GAAP, do not expand the use of fair value recording, but rather provide guidelines about how to apply it when its use is already required or allowed by other IFRS or US GAAP standards.

The adoption of those standards does not result in any changes regarding the method used in the preparation of the Company's interim financial statements.

4 Estimates and critical accounting judgments

4.1 Estimates

The Company and its subsidiaries make use of assumptions to establish estimates for the future. By definition, resulting accounting estimates are seldom equal to the respective actual incomes. The estimates and assumptions which present a significant risk, likelihood of causing an important adjustment to the book value of assets and liabilities for the coming year are shown below.

a) Review of the useful life and recovery of the assets

The recovery capacity of assets which are used in Company's operations is valued whenever events or changes in the circumstances indicate that the book value of an asset or group of assets may not be recoverable based on future cash flows. If the book value of those assets exceeds recoverable value, their net value is adjusted and their useful lives are changed to new levels.

b) Provisions for contingencies

The Company is not a party to labor, civil or tax lawsuits which are in many court levels. Reserves for contingencies, recorded to face potential losses arising from lawsuits in progress, are established and updated with basis on management's appraisals, grounded on the opinion of their legal counsel, and require a high degree of judgment on the involved matters.

c) Allowance for inventory losses

The inventory reserve for potential losses is established when, with basis on Management's estimates, the items are defined as discontinued or low turnover or when the inventory items have a cost exceeding the net realizable value.

d) Deferred income and social contribution taxes

Deferred tax assets and liabilities are based on tax losses and temporary differences between the book value stated in the interim financial statements and the tax basis. If the Company and its subsidiaries start operating at a loss or become unable to generate future taxable income in a sufficient level, or if there is a significant change in the current tax rates or in the period of time over which underlying temporary differences become taxable or deductible, it may be necessary to make a reversal of a significant portion of deferred tax assets, possibly resulting in an increase in the effective tax rate.

e) Private pension plan

The current value of pension plan obligations depends on a series of factors that are determined with basis on actuarial calculations that use several assumptions. One of the assumptions used in the determination of pension plan net cost (revenue) is the discount rate. Any changes in these assumptions will affect the book value of pension plan obligations.

The appropriate discount rate is determined at the end of each year. That is the interest rate that should be used to determine the present value of estimated future cash outlays that should be necessary to settle pension plan obligations. When determining the appropriate discount rate, management considers the interest rates of prime private securities, maintained them in the currency in which the benefits will be paid and having terms similar to the related pension plan obligations.
Other major assumptions for pension plan obligations are partly based on current market conditions.
Additional information is disclosed in Note 28.

4.2 Critical judgments in applying the Entity’s accounting polices

a) Receivables - Eletrobrás

The recognition of the receivables from Eletrobrás is based on the opinion of the company's legal counsel and is supported by the fact that the lawsuit is no longer appealable and is in the stage of payment. The amounts have been computed by the Federal Justice accounting department, taking into account the rules of the court decision and the limitations established by the judge; thus, according to legal counsel, the definitive approval of the recorded amounts is virtually certain.

b) Receivables from related companies with guarantees

The receivable from Refinadora Catarinense is recognized with basis on the value of the contract entered into with that party and the amounts of the provided guarantees. The receivables that have been pledged have already been converted into bonds covering court-ordered payments (called “precatory bonds”). The related payments are already included in the federal government's budget. In August 2011 and March 2013 Refinadora Catarinense S/A made payments of parts of its debts to the Company corresponding to the first and second annual installments, out of 10 installments, according to the contractual provisions.

c) Installment PM 470

The amount of the installments for Provisional Measure No. 470 is based on the assumption that the Company will obtain approval for its claim according to the opinion of its legal counsel.

The Company has already requested a court ruling to obtain judicial approval for the installment plan referred to in Provisional Measure No. 470. Said legal action – a writ of mandamus – is expected to be considered as valid by the court, in the opinions of the Company's legal area, and of two highly specialized law firms (Demarest Almeida and Souza Cescon).

d) ICMS Tax benefits

The Company has an ICMS (state VAT) tax incentive called Santa Catarina State Corporation Development Program (PRODEC), granted by the Santa Catarina state government as described in Note 22(h). The Federal Supreme Court issued decisions for direct actions for unconstitutionality, which declared the unconstitutionality of several state laws that granted ICMS tax benefits without the prior agreement between the states. Although it does not have ICMS tax incentives judged by the Federal Supreme Court, the Company has been monitoring, together with its legal counsel, the progress of this matter in the courts to determine any impacts on its operations and consequent effects on its interim financial statements.

5 Financial risk management

5.1 Financial risk factors

The activities of the Company and its subsidiaries expose it to various financial risks: market, risk and liquidity risk. The global risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the consolidated financial performance.
The management of risk is conducted by the Treasury and Financial Executive Board, under the policies approved by the Board of Directors. The Treasury and the Finance Division identify, evaluate and protect the Company and its subsidiaries against possible financial risks, in cooperation with the operating units. The Board of Directors establishes principles, for global risk management and for specific areas such as exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and cash surplus investment.

a) Market risk

i) Exchange rate risk

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

In thousands of Reais, unless otherwise indicated

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

	In Reais			
	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Accounts receivable	19,565	18,183	19,565	18,183
Receivables with subsidiary companies	45,362	41,839	-	-
Provision for loss in investments	(45,020)	(41,496)	-	-
Suppliers, net of advances	(36,382)	(22,205)	(36,382)	(22,205)
Loans and financing	(65,899)	(48,006)	(65,899)	(48,006)
Commissions	(827)	(815)	(827)	(815)
Exposed net liabilities	(83,201)	(52,500)	(83,543)	(52,843)

		In foreign currency			
		Parent company		Consolidated	
		June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Accounts receivable	euro	304	176	304	176
Suppliers, net of advances	euro	(4,493)	(1,305)	(4,493)	(1,305)
Loans and financing	euro	(177)	(265)	(177)	(265)
Commissions	euro	(35)	(23)	(35)	(23)
		(4,401)	(1,417)	(4,401)	(1,417)
Accounts receivable	Dollar	6,367	6,907	6,367	6,907
Receivables with subsidiary companies	Dollar	20,474	20,474	-	-
Provision for loss in investments	Dollar	(20,319)	(20,306)	-	-
Suppliers, net of advances	Dollar	(10,574)	(9,145)	(10,574)	(9,145)
Loans and financing - FINIMP	Dollar	(17,696)	(16,143)	(17,696)	(16,143)
Loans and financing - Others	Dollar	(11,818)	(7,000)	(11,818)	(7,000)
Commissions	Dollar	(363)	(372)	(363)	(372)
		(33,929)	(25,585)	(34,084)	(25,753)

The strategy adopted to mitigate exchange rate exposure in the Company's assets and liabilities has been to maintain a liability exchange rate exposure at an amount equivalent to that of one year of exports. Temporarily, in this quarter the exposure was equivalent to one year and a half.

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

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

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

In thousands of Reais, unless otherwise indicated

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

b) Credit risk

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

Regarding financial investments, they are mostly made in investment funds as described in Note 6.

c) Liquidity risk

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

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

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

	Parent company							
	June 30, 2013				December 31, 2012			
	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities
Less than one year	105,248	961	131,250	14,768	74,667	917	120,541	22,029
Between one and two years	93,328	991	-	25,302	17,507	1,274	-	26,377
Between two and five years	85,699	-	-	28,368	72,356	209	-	28,251
Above 5 years	368	-	-	55,156	2,290	-	-	54,933
Total	284,643	1,952	131,250	123,594	166,820	2,400	120,541	131,590

	Consolidated							
	June 30, 2013				December 31, 2012			
	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities
Less than one year	105,248	961	131,973	15,325	74,667	917	121,532	22,961
Between one and two years	93,321	991	-	25,678	17,500	1,274	-	26,809
Between two and five years	86,600	-	-	28,521	72,328	209	-	28,404
Above 5 years	368	-	-	55,458	3,240	-	-	55,233
Total	285,537	1,952	131,973	124,982	167,735	2,400	121,532	133,407

In thousands of Reais, unless otherwise indicated

d) Sensitivity analysis

i) Sensitivity analysis of variations in the interest rates

In the quarter Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by changes in interest rates, such as TJLP and CDI.

On June 30, 2013, the Management considered CDI rate at 7.72% and TJLP of 5% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais							
	June 30, 2013	Risk	Probable		Possible 25%		Remote 50%	
Operation			%	R$	%	R$	%	R$
Investments (remunerated at 88.96% CDI)	71,834	Low CDI	7.72%	4,933	5.79%	3,700	3.86%	2,467
Total	71,834			4,933		3,700		2,467
Operation								
Loans – Working Capital	(18,032)	High CDI	7.72%	(1,392)	9.65%	(1,740)	11.58%	(2,088)
Loans - Export credit note	(61,257)	High CDI	7.72%	(4,729)	9.65%	(5,911)	11.58%	(7,094)
Loans - Trade 4131 Swap	(50,391)	High CDI	7.72%	(3,890)	9.65%	(4,862)	11.58%	(5,835)
Loans - BNDES	(30,939)	HighTJLP	5.00%	(1,547)	6.25%	(1,934)	7.50%	(2,320)
Total	(160,619)			(11,558)		(14,447)		(17,337)

ii) Sensitivity analysis of variations in the exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of June 30, 2013 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these interim financial statements as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

	Consolidated in Reais						
	June 30,2013	Probable		Possible 25%		Remote 50%	
		Rate - US$	Gain (loss)	Rate - US$	Gain (loss)	Rate - US$	Gain (loss)
Accounts receivable	19,565	2.2156	-	2.7695	4,891	3.3234	9,783
Suppliers, net of advances	(36,382)	2.2156	-	2.7695	(9,095)	3.3234	(18,191)
Loans and financing	(65,899)	2.2156	-	2.7695	(16,475)	3.3234	(32,950)
Commissions	(827)	2.2156	-	2.7695	(207)	3.3234	(414)
Exposed net liabilities	(83,543)	2.2156	-	2.7695	(20,886)	3.3234	(41,772)

In thousands of Reais, unless otherwise indicated

5.2 Capital management

The Management's objectives in managing its capital are to safeguard its business continuity capacity to offer return to shareholders, besides offering the best cash management maintaining an optimal capital structure to reduce this cost.

The capital is monitored based on the ratio of consolidated financial leverage. That index corresponds to the ratio divided between net debt and total capital. Net debt, in turn, corresponds to total loans and installment payment of tax liabilities less the amount of cash and cash equivalents, receivables with other related credits with related parties and securities. The total capital is calculated through the sum of shareholders' equity, as shown in the consolidated balance sheet, with net debt.

The financial leverage ratios on June 30, 2013 can be summarized as follows:

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Loans and financing	283,743	165,600	284,637	166,515
Installment payment of tax liabilities	123,594	131,590	124,982	133,407
Less: Cash and cash equivalents	(916)	(56,576)	(73,347)	(58,870)
Credits with other related parties	(91,588)	(100,398)	(91,588)	(100,398)
Net debt	314,833	140,216	244,684	140,654
Total shareholders' equity	152,939	127,119	152,954	127,127
Total capital	467,772	267,335	397,638	267,781
Financial leverage index - %	67	52	62	53

On June 30, 2013, the Company has available credit facilities, unused, amounting to R$ 159,197. According to the Significant Matter Notice disclosed to the market on July 2, 2013, the Company had a credit facility approved by the Banco do Nordeste do Brasil S/A in the amount of R$ 147,784, the purpose of which is to invest in the new manufacturing unit in the city of Marechal Deodoro, state of Alagoas.

5.3 Financial instruments by category

Shown below is the classification of financial instruments by category on the stated dates:

In thousands of Reais, unless otherwise indicated

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Assets, according to the balance sheet				
Loans and receivables				
Cash and cash equivalents	916	56,576	73,347	58,870
Trade accounts receivable	160,567	137,626	166,513	142,678
Total	161,483	194,202	239,860	201,548
Liabilities, according to the balance sheet				
Other financial liabilities				
Suppliers	131,082	120,122	131,805	121,113
Loans and financing	283,743	165,600	284,637	166,515
Installment payment of tax liabilities	123,594	131,590	124,982	133,407
Total	538,419	417,312	541,424	421,035

6 Cash and cash equivalents

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Current account	916	3,155	1,513	3,655
Interest earning bank deposits	-	53,421	71,834	55,215
Total	916	56,576	73,347	58,870

Financial investments designated as cash equivalents are shares of investment funds. These funds' average yield in the second quarter of 2013 was equivalent to 88.96% of the interbank deposit certificate (CDI) rate. The investment can be redeemed at any time without penalties.

7 Derivative financial instruments

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

In December 2012 the Company entered into a transaction under the rules of Law No. 4131 (exporting trading companies) in the amount of R$ 50,000 at the cost of 9.8% per year as a fixed rate, but using the swap for CDI as detailed in item "a" below, with 60 months for payment and a 24-month grace period. That transaction is classified in long-term liabilities and linked to the loans and financing group. Amortizations are semi-annual, beginning in December 2014.

a) Interest rate swap

In thousands of Reais, unless otherwise indicated

The reference (notional) value of the interest rate swap agreement in the quarter ended June 30, 2013 corresponds to R$ 50,000 at the rate of CDI+1.60% per year. Amortizations are semi-annual so they have not occurred prior to this date.

The operation risk was recorded under current assets in the amount of R$ 12 and the installment recognized in the statement of income on June 30, 2013 totals a gain of R$ 91 (R$ 39 on December 31, 2012).

8 Trade accounts receivable

	Parent company		Consolidated	
	June 30,2013	December 31, 2012	June 30,2013	December 31, 2012
Receivables from third parties:				
Clients - domestic Market	140,917	118,935	146,872	123,999
Clients - Foreign market	19,565	18,183	19,565	18,183
	160,482	137,118	166,437	142,182
Accounts receivable from related parties				
Entities related to the Management	1,199	1,417	1,199	1,417
	1,199	1,417	1,199	1,417
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(1,072)	(882)	(1,081)	(894)
Recomposition of the nominal value to present value	(42)	(27)	(42)	(27)
	(1,114)	(909)	(1,123)	(921)
Total	160,567	137,626	166,513	142,678

Changes in the provision for *impairment* of accounts receivable is as follow:

	Parent company	Consolidated
December 31, 2012	882	894
Provision (reversal) of*impairment* of accounts receivable	190	187
June 30, 2013	1,072	1,081

Management understands that allowance for doubtful accounts is sufficient to cover probable losses in the settlement of accounts receivable considering the situation of each client and respective guarantees offered. Its amount represents the estimate of risk of non-realization of overdue receivables under the analysis of the manager in charge.
The formation and write-off of the allowance to accounts receivable are recorded in income/loss for the year as business expenses.

In thousands of Reais, unless otherwise indicated

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

	Parent company							
	June 30, 2013	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2012	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	152,702	152,562	-	140	125,911	125,700	-	211
Overdue up to 30 days	7,099	-	7,063	36	10,846	-	10,834	12
Overdue from 31 to 90 days	342	-	293	49	759	-	727	32
Overdue from 91 to 360 days	1,142	-	582	560	819	-	307	512
Overdue for more than 360 days	396	-	109	287	200	-	85	115
Total	161,681	152,562	8,047	1,072	138,535	125,700	11,953	882

* For the formation of allowance for doubtful accounts the situation of each client and the respective guarantees offered are considered.

	Consolidated							
	June 30,2013	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts	December 31, 2012	Trade notes falling due not provisioned	Trade notes overdue not provisioned	Allowance for doubtful accounts
Falling due	158,556	158,416	-	140	130,850	130,639	-	211
Overdue up to 30 days	7,144	-	7,108	36	10,918	-	10,906	12
Overdue from 31 to 90 days	373	-	324	49	760	-	728	32
Overdue from 91 to 360 days	1,163	-	599	564	871	-	347	524
Overdue for more than 360 days	400	-	108	292	200	-	85	115
Total	167,636	158,416	8,139	1,081	143,599	130,639	12,066	894

* For the formation of allowance for doubtful accounts the situation of each client and the respective guarantees offered are considered.

The Company's receivables constitute a guarantee of some of the loans and financings obtained, as described in Note 22. Its sum is calculated based on a percentage of the residual balance of the debt. On June 30, 2013, the total amount of accounts receivable pledged as collateral was R$ 64,216 (R$ 63,229 on December 31, 2012).

9 Inventories

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Finished goods	116,709	96,460	116,962	96,636
Work in process	5,783	7,826	5,783	7,826
Raw materials and consumption materials	10,667	11,174	10,667	11,174
Provision for inventory appraisal at realizable value	(6,888)	(5,505)	(6,955)	(5,568)
Imports in transit	11,244	9,977	11,244	9,977
Total	137,515	119,932	137,701	120,045

In thousands of Reais, unless otherwise indicated

10 Advances to suppliers

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Advances to suppliers	9,260	2,156	8,000	954
Domestic market	6,942	2,112	5,682	910
Foreign market	2,318	44	2,318	44
Total	9,260	2,156	8,000	954

11 Recoverable taxes

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Current				
ICMS	746	530	769	540
IPI (a)	981	820	981	820
IRPJ/CSLL	-	-	456	459
Others	142	100	362	245
Total	1,869	1,450	2,568	2,064
Non-current assets				
PIS/COFINS on property, plant and equipment	2,416	-	2,416	-
ICMS on property, plant and equipment	3,067	1,682	3,067	1,682
Total	5,483	1,682	5,483	1,682

a) The reduction of percentages of the rates of IPI (excise tax) levied on the products produced and traded by Portobello S.A. originally allowed by Decree no. 7,032 of December 14, 2009, was postponed for the fourth time, according to Decree no. 7,796 of August 30, 2012, and will be maintained until December 31, 2013. This measure originates credits that are used on a quarterly basis to offset federal taxes.

12 Credits with other related parties

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

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

In thousands of Reais, unless otherwise indicated

It is emphasized that “Refinadora” had already entered into a contract with the Company guaranteeing the reimbursement of the amounts used. The aforesaid guarantee was provided with credits also originated on the ‘IPI premium credit’ tax benefit, of calculation period prior to October 4, 1990, running in the Federal Courts of the Federal District, with award calculation decision handed down and favorable to Refinadora.

At the time of adhesion to the payment scheduling of Law 11,941/09, the Company and “Refinadora” signed an instrument confirming such credits as a guarantee, and as suitable to cover all the tax debts payable in installments. On June 30, 2013, these credits that also originate in proceeding 87.00.00967-9, represent R$ 91,588 (R$ 100,398 on December 31, 2012) and are restated by the SELIC rate, according to the contract.

It should be mentioned that the pledged credits have already become a writ of payment, effectively. In August 2011 the Company received the amount of R$8,505 relating to the first annual installment, of a total of 10 installments, as provided for in the contract. The second installment, in the amount of R$ 9,824, was received by the Company in March 2013.

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

13 Judicial deposits

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

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

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Civil	43	43	43	43
Labor	7,188	6,450	7,225	6,487
Tax	2,101	1,964	2,101	1,964
Total	9,332	8,457	9,369	8,494

14 Receivables - Eletrobrás

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

On December 16, 2005 this lawsuit was considered to have grounds and in February 2006 the Company organized the execution action. On this occasion, Eletrobrás and the Federal Government challenged the proceeding, recognizing as an uncontroversial part the amount of R$ 6,286 (amounts on March 1, 2008), represented (i) by means of a bank deposit in the amount of R$ 4,964, on April 1, 2008 and (ii) by the transfer of 61,209 class “B” nominative preference shares of Eletrobrás that were sold on August 13, 2008 for R$ 1,597.

In thousands of Reais, unless otherwise indicated

The Federal Courts determined that the accounting unit should determine the remaining amount due to the Company. The accounting unit then determined the amount of R$ 12,064 on February 1, 2006. The Company recognized the amount calculated by the court expert investigation and keeps these amounts updated by the INPC (National Consumer Price Index) plus 12% p.a. As of September 30, 2010, the remaining balance was R$ 15,613 before the restatement.

Having submitted the calculation to review, the accounting unit of the Federal Courts presented new amounts, determining as ‘net court award’ the amount of R$ 24,749. In September 2010 the Company recognized the difference between the amounts calculated previously and the current calculation of the accounting unit of the federal courts in the amount of R$ 9,136, recorded under the heading “Other operating income”. On June 30, 2013, the amount of the assets is R$ 40,464 (R$ 36,819 on December 31, 2012).

15 Income and social contribution taxes

a) Income tax and social contribution

The Company’s tax system is annual taxable income, for which reason during the fiscal year estimated payments are recorded in current liabilities in reducing accounts of the amounts of IRPJ (corporate income tax) and CSLL (social contribution on net income) payable. This accounting method was adopted as of 2012, while in 2011 the estimated payments were recorded in current assets.

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

	Current assets				Current liabilities			
	Parent company		Consolidated		Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Income tax	-	-	409	413	(1,989)	(2,564)	(2,536)	(3,045)
Social contribution	-	-	47	46	(718)	(924)	(915)	(1,097)
Total	-	-	456	459	(2,707)	(3,488)	(3,451)	(4,142)

b) Deferred income and social contribution taxes

The deferred income and social contribution taxes are calculated on the corresponding temporary differences between the calculation basis of tax on assets and liabilities, and book values of interim financial statements. Such tax rates, currently defined to find the deferred taxes, are of 25% for income tax and 9% for social contribution.

Deferred tax liabilities are recognized inasmuch as it is likely that the future taxable income is available for use to offset temporary differences, based on projections of future income prepared and based on internal assumptions and on future economic scenarios that may, however, be subject to change.

In thousands of Reais, unless otherwise indicated

The amounts of deferred income tax and social contribution are as follows:

	Parent company and Consolidated	
	June 30,2013	December 31, 2012
Deferred and current income tax and social contribution – assets	25,136	24,867
Temporary credit differences	25,136	24,867
Portobello Private Pension	(313)	(246)
Provision for adjustment to market value	2,836	2,377
Provision for contingencies	6,374	6,126
Provision for PIS and COFINS with a reduced bases for ICMS	12,050	11,171
Allowance for doubtful accounts	364	300
Provision for profit sharing	904	1,775
Provision for long-term incentive	1,039	740
Other timing difference assets	1,882	2,624
Deferred income and social contribution taxes – Liabilities	(41,194)	(41,176)
Temporary liability differences	(41,194)	(41,176)
Realization of revaluation reserve	(17,664)	(17,933)
Receivables - Eletrobrás	(13,757)	(12,518)
Contingent assets - IPI premium credit - Phase II	(4,527)	(4,376)
Adjustment to present value - Prodec	(933)	(1,231)
Adjustment to present value of trade accounts payable	(57)	(142)
Adjustment of depreciation (for the useful life of assets)	(4,553)	(4,639)
Foreign exchange variation at cash basis	297	(337)
Deferred income and social contribution taxes - net	(16,058)	(16,309)

The net changes in income tax and social contribution at June 30, 2013 were as follows:

	Parent company and Consolidated
December 31, 2012	(16,309)
Temporary credit differences	269
Temporary liability differences	(287)
Revaluation reserve	269
June 30, 2013	(16,058)

The changes in deferred income tax and social contribution assets and liability balances in the period, not considering the offsetting of balances is as follow:

In thousands of Reais, unless otherwise indicated

	Parent company and Consolidated			
	2nd Quarter		Accumulated	
	June 30,2013	June 30,2012	June 30,2013	June 30,2012
	Debited (credited) in the income (loss)		Debited (credited) in the income (loss)	
Deferred tax asset:				
Tax losses	-	(1,374)	-	(3,013)
Portobello Private Pension	(35)	(13)	(67)	(42)
Provision for adjustment to market value	256	27	459	76
Provision for contingencies	(14)	226	248	526
Provision for PIS and COFINS with a reduced bases for ICMS	174	708	879	1,453
Allowance for doubtful accounts	35	(645)	64	(624)
Provision for profit sharing	(1,235)	329	(871)	841
Provision for long-term incentive	299	-	299	-
Other timing difference assets	(20)	141	(742)	222
Total	(540)	(601)	269	(561)
Realization of revaluation reserve	134	134	269	268
Receivables - Eletrobrás	(582)	(467)	(1,239)	(929)
Contingent assets - IPI premium credit - Phase II	(79)	(94)	(151)	(197)
Adjustment to present value - Prodec	15	208	298	478
Adjustment to present value of trade accounts payable	(5)	15	85	41
Adjustment of depreciation (for the useful life of assets)	45	33	86	64
Foreign exchange variation at cash basis	731	466	634	242
Total	259	295	(18)	(33)
	(281)	(306)	251	(594)

The Company does not have any deferred income tax and social contribution credits resulting from unrecognized tax loss.

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

Income and social contribution tax expenses are as follow:

Movement in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Current tax				
Current tax on income for the year	(5,110)	(3,199)	(6,993)	(4,560)
Total current tax	(5,110)	(3,199)	(6,993)	(4,560)
Deferred tax				
Generation of temporary differences assets (liabilities)	(281)	(306)	(281)	(306)
Total deferred tax	(281)	(306)	(281)	(306)
Income and social contribution tax expense	(5,391)	(3,505)	(7,274)	(4,866)

In thousands of Reais, unless otherwise indicated

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Income (loss) before tax	21,646	16,140	23,537	17,142
Tax calculated based on rates of local taxes	(7,360)	(5,488)	(8,002)	(5,828)
Income (loss) of subsidiaries by the equity method	1,163	949	-	-
Nondeductible expenses for tax purposes	478	43	478	43
Depreciation of revalued assets	(134)	(134)	(134)	(134)
Tax credits on tax losses and temporary differences	743	1,431	665	1,359
Formation of deferred income and social contribution taxes	(281)	(306)	(281)	(306)
Tax charge	(5,391)	(3,505)	(7,274)	(4,866)

Movement in the 1st semester of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Current tax				
Current tax on income for the year	(10,911)	(7,017)	(14,411)	(10,311)
Total current tax	(10,911)	(7,017)	(14,411)	(10,311)
Deferred tax				
Generation of temporary differences assets (liabilities)	251	(594)	251	(594)
Total deferred tax	251	(594)	251	(594)
Income and social contribution tax expense	(10,660)	(7,611)	(14,160)	(10,905)

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Income (loss) before tax	39,977	31,401	43,511	34,339
Tax calculated based on rates of local taxes	(13,593)	(10,677)	(14,793)	(11,675)
Income (loss) of subsidiaries by the equity method	1,829	2,050	-	-
Nondeductible expenses for tax purposes	844	123	770	123
Depreciation of revalued assets	(269)	(268)	(269)	(268)
Tax credits on tax losses and temporary differences	278	1,755	(119)	1,509
Formation of deferred income and social contribution taxes	251	(594)	251	(594)
Tax charge	(10,660)	(7,611)	(14,160)	(10,905)

16 Tax assets

The Company has a lawsuit claiming the recognition of tax benefits entitled ‘IPI premium credit’, in different calculation periods. Proceeding no. 1987.0000.645-9 referring to the period from April 1, 1981 to April 30, 1985, already having a decision in favor of the Company, is in the award calculation stage with the amounts already determined by the accounting unit of the federal courts. The Company expects to realize this asset in the medium term. Accordingly, in November 2009 the Company recognized the uncontroversial amount that restated up to June 30, 2013 is R$ 13,315 (R$ 12,872 on December 31, 2012).

In thousands of Reais, unless otherwise indicated

17 Contingent assets

The contingent assets refer to court suits nº 1998.34.00.029022-4 and 1984.00.020114-0 and also involve the recognition of tax benefits entitled 'IPI premium credit'. These proceedings are in award calculation stages. Nevertheless, the amounts due by the Federal Government have not yet been determined by the federal courts and cannot and have not yet been recognized as assets. However, the Company requested a calculation by the attorneys of record, who estimate credits net of provisions in the amounts of R$ 54,605 and R$ 1,848, respectively.

18 Investments

a) Equity in income of subsidiaries and associated companies

The Company is the parent of four businesses and investments are recorded in permanent assets under the heading "Equity in the income of subsidiaries and associated companies" and in liabilities as "Provision for loss on investments".

	Shareholders' equity	Income (loss) for the year	Ownership interest	December 31, 2012	Exchange variation	Equity in income of subsidiaries and associated companies	June 30, 2013
Provision for loss in investments							
Portobello América Inc.	(45,020)	(27)	100%	(41,496)	(3,497)	(27)	(45,020)
PBTech Ltda.	(6,450)	(1,519)	99.94%	(4,927)	-	(1,518)	(6,445)
Mineração Portobello Ltda.	(1,046)	(134)	99.76%	(907)	-	(134)	(1,041)
				(47,330)	(3,497)	(1,679)	(52,506)
Investments - Interest in subsidiaries							
Portobello Shop S.A.	7,542	7,061	99.90%	480	-	7,054	7,534
				480	-	7,054	7,534
Total investments in subsidiaries				(46,850)	(3,497)	5,375	(44,972)

In the quarter ended June 30, 2013 the Company presents provision for loss on investments of the subsidiary Portobello América Inc. in noncurrent liabilities, according to Management's intention to capitalize the subsidiary's debt.
The subsidiaries are closely-held companies, where the parent company's stake in the assets, liabilities and income for the year is as follows:

	Organization Country	Ownership interest	Assets	Liabilities	Income	Income (loss)
December 31, 2012						
Portobello América Inc.	United States	100.00%	355	41,851	425	527
PBTech Ltda.	Brazil	99.94%	1,498	6,426	1,115	(1,363)
Portobello Shop S/A	Brazil	99.90%	8,813	8,333	51,530	11,073
Mineração Portobello Ltda.	Brazil	99.76%	457	1,363	2,168	149
June 30, 2013						
Portobello América Inc.	United States	100.00%	355	45,375	-	(27)
PBTech Ltda.	Brazil	99.94%	2,160	8,606	2,432	(1,518)
Portobello Shop S/A	Brazil	99.90%	85,451	77,917	25,779	7,054
Mineração Portobello Ltda.	Brazil	99.76%	521	1,561	1,097	(134)

In thousands of Reais, unless otherwise indicated

19 Property, plant and equipment

a) Breakdown

		Parent company				Consolidated	
		June 30, 2013			December 31, 2012	June 30, 2013	December 31, 2012
	Annual average depreciation rate	Cost	Accumulated depreciation	Amount net	Net amount	Net amount	Net amount
Land		11,111	-	11,111	11,111	11,488	11,488
Buildings, civil works and improvements	3%	98,649	(17,265)	81,384	82,836	81,510	82,985
Machinery and equipment	7%	291,066	(215,958)	75,108	78,986	75,108	78,986
Furniture and fixtures	10%	8,328	(7,455)	873	951	971	1,061
Computers	20%	13,667	(12,084)	1,583	1,616	1,632	1,668
Other fixed assets	20%	219	(198)	21	30	555	89
Construction in process (a)		88,054	-	88,054	10,311	88,056	10,779
Total		511,094	(252,960)	258,134	185,841	259,320	187,056

(a) The balance of construction in progress comprises mainly projects for the expansion and optimization of the Company's industrial unit.

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

As provided for in Technical Interpretation ICPC 10 of the Committee of Accounting Pronouncements, approved by Deliberation CVM no. 619/09 and effective as of 1/1/09, the Company reviewed and altered the economic useful life of its fixed assets in 2008, based on the Technical Report issued by the Company's engineers, and the same rates were maintained from 2009 until the present date.

b) Changes in property, plant and equipment

	Parent company									
	December 31, 2011	Additions	Transfers	Depreciation	Write-offs	December 31, 2012	Additions	Transfers	Depreciation	June 30, 2013
Land	11,111	-	-	-	-	11,111	-	-	-	11,111
Buildings and improvements	80,366	-	5,291	(2,821)	-	82,836	-	23	(1,475)	81,384
Machinery and equipment	70,314	846	19,669	(11,843)	-	78,986	533	621	(5,032)	75,108
Furniture and fixtures	1,026	121	18	(214)	-	951	32	-	(110)	873
Computers	1,389	668	-	(441)	-	1,616	216	-	(249)	1,583
Other fixed assets	48	-	-	(18)	-	30	-	-	(9)	21
Construction in process	13,058	22,560	(24,978)	-	(329)	10,311	78,387	(644)	-	88,054
	177,312	24,195	-	(15,337)	(329)	185,841	79,168	-	(6,875)	258,134

	Consolidated									
	December 31, 2011	Additions	Transfers	Depreciation	Write-offs	December 31, 2012	Additions	Transfers	Depreciation	June 30, 2013
Land	11,488	-	-	-	-	11,488	-	-	-	11,488
Buildings and improvements	80,523	-	5,291	(2,829)	-	82,985	-	23	(1,498)	81,510
Machinery and equipment	70,314	846	19,669	(11,843)	-	78,986	533	621	(5,032)	75,108
Furniture and fixtures	1,156	129	18	(242)	-	1,061	34	-	(124)	971
Computers	1,406	709	-	(447)	-	1,668	219	-	(255)	1,632
Other fixed assets	107	-	-	(18)	-	89	-	466	-	555
Construction in process	13,058	23,450	(24,978)	-	(751)	10,779	78,387	(1,110)	-	88,056
	178,052	25,134	-	(15,379)	(751)	187,056	79,173	-	(6,909)	259,320

In thousands of Reais, unless otherwise indicated

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

	Parent company		Consolidated		Parent company		Consolidated	
	2nd Quarter				Accumulated			
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Cost of goods sold	3,029	3,696	3,029	3,696	6,058	7,293	6,058	7,293
Commercial expenses	275	227	290	238	549	445	571	465
Administrative expenses	134	115	140	115	268	228	280	228
Total	3,438	4,038	3,459	4,049	6,875	7,966	6,909	7,986

20 Intangible assets

a) Breakdown

		Parent company				Consolidated	
		June 30, 2013			December 31, 2012	June 30,2013	December 31, 2012
	Annual average rate of amortization	Cost	Accumulated amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,105)	253	311	253	311
Right to exploration of outcrops	20%	1,000	(650)	350	450	355	457
Trademarks and patents		150	-	150	150	150	152
Goodwill		-	-	-	-	190	190
Management system (a)		17,636	(140)	17,496	14,209	17,496	14,209
Total		31,144	(12,895)	18,249	15,120	18,444	15,319

(a) Refers to the expenditures with acquisition and implementation of business management systems, also designated Value Chain Management System, substantially represented by the Oracle, WMS and Demantra systems and Inventory Optimization and by the developments carried out in the value chain management process. The expenditures will be amortized through the conclusion of the acquisitions and implementations according to the future benefit period estimated by Company management. Part of the management system that refers to WMS has already started the amortizations.

In thousands of Reais, unless otherwise indicated

b) Changes in intangible assets

	Parent company						
	December 31, 2011	Additions	Amortizations	December 31, 2012	Additions	Amortizations	June 30, 2013
Software	451	-	(140)	311	-	(58)	253
Right to exploration of outcrops	650	-	(200)	450	-	(100)	350
Trademarks and patents	150	-	-	150	-	-	150
Management system	3,407	10,814	(12)	14,209	3,415	(128)	17,496
	4,658	10,814	(352)	15,120	3,415	(286)	18,249

	Consolidated								
	December 31, 2011	Additions	Amortizations	Write-offs	December 31, 2012	Additions	Amortizations	Write-offs	June 30, 2013
Software	451	-	(140)	-	311	-	(58)	-	253
Right to exploration of outcrops	659	-	(202)	-	457	-	(102)	-	355
Trademarks and patents	152	-	-	-	152	-	-	(2)	150
Goodwill	80	210	-	(100)	190	-	-	-	190
Management system	3,407	10,814	(12)	-	14,209	3,415	(128)	-	17,496
	4,749	11,024	(354)	(100)	15,319	3,415	(288)	(2)	18,444

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

	Parent company		Consolidated		Parent company		Consolidated	
	2nd Quarter				Accumulated			
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Cost of goods sold	86	60	86	60	144	124	146	125
Commercial expenses	33	-	33	-	39	-	39	-
Administrative expenses	86	22	87	22	103	55	103	55
Total	205	82	206	82	286	179	288	180

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

In thousands of Reais, unless otherwise indicated

	Software	Right to exploration of outcrops	Management system (a)	Total
2013	45	102	43	190
2014	71	202	650	923
2015	48	51	1,677	1,776
2016	40	-	1,677	1,717
2017	40	-	1,677	1,717
2018	9	-	1,677	1,686
2019	-	-	1,087	1,087
2020 to 2034	-	-	9,008	9,008
Total	253	355	17,496	18,104

(a) Amortization plan based on the estimated completion of acquisitions and implementations.

The brands and patents and goodwill items in the total amount of R$ 340 did not undergo amortization due to their undefined useful life.

21 Suppliers

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Suppliers	131,250	120,541	131,973	121,532
Domestic market	92,550	98,292	93,273	99,283
Foreign market	38,700	22,249	38,700	22,249
Breakdown of the nominal value to present value	(168)	(419)	(168)	(419)
Total	131,082	120,122	131,805	121,113

In thousands of Reais, unless otherwise indicated

22 Loans and financing

	Maturities	Charges	Parent company June 30, 2013	Parent company December 31, 2012	Consolidated June 30, 2013	Consolidated December 31, 2012
Current						
Foreign currency						
"Suppliers credit"		VC+5.64% p.a.[1]	4,480	5,877	4,480	5,877
Prepayment and ACC (a)		VC+5.17% p.a.[1]	9,310	2,640	9,310	2,640
FINIMP (b)		VC+2.32% p.a.[1]	39,206	36,814	39,206	36,814
Total foreign currency		VC + 2.72% p.a.	52,996	45,331	52,996	45,331
Local currency						
Exim Pre-shipment TJ 462			-	502	-	502
FINEP (c)		6.25% p.a.	2,963	2,966	2,963	2,966
Export credit note (d)		9.09% p.a.[1]	20,424	12,602	20,424	12,602
Law 4131 (e) - (Note 8)		1.60% p.a. + CDI	391	354	391	354
Financial lease (f)		6.46% p.a.	961	917	961	917
BNDES - Progeren (g)		8.51% p.a.[1]	6,356	-	6,356	-
PRODEC (h)		4.00% p.a. + UFIR	4,084	1,955	4,084	1,955
FINAME (i)		3.00% p.a.	2	-	2	-
Working capital (j)		8.83% p.a.[1]	18,032	10,957	18,032	10,957
Total local currency		8.34% p.a.	53,213	30,253	53,213	30,253
Total current			106,209	75,584	106,209	75,584
Non-current assets						
Foreign currency						
"Suppliers credit"	Oct/2016	VC+6.25% p.a.[1]	1,825	2,675	1,825	2,675
Prepayment (a)	May/2018	VC+5.17% p.a.[1]	11,078	-	11,078	-
Total foreign currency		VC + 5.32% p.a.	12,903	2,675	12,903	2,675
Local currency						
FINEP (c)	Sep/2018	6.25% p.a.	12,460	13,926	12,460	13,926
Export credit note (d)	Dec/2017	9.01% p.a.[1]	54,000	-	54,000	-
Law 4131 (e) - (Note 8)	Dec/2017	1.60% p.a. + CDI	50,000	50,000	50,000	50,000
Financial lease (f)	May/2015	6.54% p.a.	991	1,483	991	1,483
BNDES - Progeren (g)	Mar/2016	8.46% p.a.[1]	24,583	-	24,583	
PRODEC (h)	Mar/2016	4.00% p.a. + UFIR	21,957	21,932	21,957	21,932
FINAME (i)		3.00% p.a.	640	-	640	-
Working capital	Mar/2017		-	-	894	915
Total local currency		8.11% p.a.	164,631	87,341	165,525	88,256
Total non-current			177,534	90,016	178,428	90,931
Total			283,743	165,600	284,637	166,515

[1] Average rate
UFIR – Benchmark Tax Unit
ACC - Advance on exchange contract

a) Prepayments and advance on exchange contract - The Company signed export prepayment agreements totaling US$ 10,431 in 2010 and 2011. The contracts have a term of up to 30 months and receivables of Portobello Shop S.A. and Portobello S.A were pledged as collateral. In June 2013, the Company signed another PPE contract in the amount of U$ 5,000, with the principal maturing in 16 installments and interest in 20 quarterly installments with the first on 9/20/2013. A commercial lien was offered as sole guarantee for this contract.

b) FINIMP (special credit lines for the import of capital assets, machinery, equipment and services) - The Company entered into several FINIMP contracts from November 2012 to June 2013, amounting to R$ 39,206, with an average terms of 6 months, with payments made at the end of each contract. These contracts were collateralized by receivables of Portobello S.A. in the amount of R$ 8,432 million in the average of 21.51% of the contractual debt due.

c) FINEP - Financing Agency for Studies and Projects - The Company entered into a lease agreement with FINEP in the amount of R$ 30,103 in May 2010, payable over 80 months, with an interest if 5% p.a. and 20 months of grace period. The first installment in the amount of R$ 13,248, was totally released at September 02, 2010. The second installment in the amount of R$ 5,572 was released in December 2012. This contract required the presentation of a bank guarantee letter at the cost of 1.25% p.a.

d) NCE – Export credit note – In January 2013, the Company signed an NCE contract in the amount of R$ 20,000 maturing in 7 semi-annual installments, with the first on January 5, 2015. Receivables of Portobello S.A, in the amount of 50% of the debit balance of the contract were pledged as collateral for this contract. In February 2013, the Company signed an NCE contract in the amount of R$ 10,000 with principal maturing on February 10, 2016. For this contract there are no restrictive clauses; clean operation as refers to guarantees. In April 2013, the Company signed an NCE contract in the amount of R$ 30,000, maturing in 5 semi-annual installments (4/22/2014, 10/17/2014, 4/15/2015, 10/13/2015 and 4/8/2016). Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract. In June 2013, the Company signed an NCE contract, in the amount of R$ 10,000, maturing in 11 monthly installments, with the first on 8/7/2013. Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract.

e) Law 4131 Trade Exporter with Swap for CDI – In December 2012 the Company signed a contract in the amount of R$ 50,000 with a payment term of 60 months and grace period of 24 months. Amortizations are semi-annual (Note 7) and receivables of Portobello S.A in the amount of 50% of the debit balance of the contract were pledged as collateral.

f) Financial lease – The Company entered into a lease agreement with SG Equipment Finance S.A, in the amount of R$ 2,418 in May 2012, payable over 36 months. The Company entered into a lease agreement with Hewlett Packard HP, in the amount of R$ 450 in May 2012, payable over 36 months. The financed assets were pledged as collateral for both contracts.

g) BNDES (Progeren) - - In January 2013, the Company signed a BNDES contract (Progeren) in the amount of R$ 20,000 with a grace period of one year and 24 successive monthly installments. There are no restrictive clauses for this contact; without guarantees. In March 2013, the Company signed another BNDES contract (Progeren) in the amount of R$ 10,000 also with a grace period of one year and 24 successive monthly installments. This contract was collateralized by receivables of Portobello S.A. in the amount of 40% of the contractual debt due.

h) PRODEC - Program for the Development of Companies from Santa Catarina - In July 2009, the Company obtained Special System authorization from the State of Santa Catarina. The balance is subject to adjustment to present value– APV. The rate used for calculating adjustment to present value is the average current working capital, 9.69% per annum.

- The deferred amount is 60% of the balance of the tax generated in the month that exceeds R$ 761 (average tax paid in the year 2007 and 2008);
- Grace period of 48 months;
- Term of 120 months;
- Monetary correction of 4% p.a. and UFIR rate.

i) FINAME – In May 2013, the Company signed an Industrial Credit Instrument contract in the amount of R$ 707, maturing in 96 monthly installments and with a grace period of 24 months. The financed equipment was pledged as collateral for this contract.

j) Bank Credit Notes – In June 2013, the Company entered into a contract of Working Capital, in the amount of R$ 18,000, payable in 11 monthly installments, the first of which fell due in 08/2013.

In thousands of Reais, unless otherwise indicated

Receivables da Portobello S.A, in the amount of 20% of the debit balance of the contract were pledged as collateral for this contract.

The loans and financing operations with balances on June 30, 2013 do not present covenants.

For the other loans granted, real estate mortgages, equipment, receivables of the Parent company (Note 8) and of subsidiary (note 42), and sureties of the controlling shareholders and subsidiary were pledged in guarantee. Additionally, inventories of finished goods were pledged, in the amount of R$ 11,016.

The long-term loans have the following payment schedule:

	Parent company		Consolidated	
Maturities on July 1	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
2014	28,993	18,055	28,993	18,055
2015	63,835	25,580	63,835	25,580
2016	54,468	26,963	54,468	26,963
2017	26,347	17,217	26,347	17,217
2018	3,529	2,201	4,423	3,116
2019 to 2023	362	-	362	-
Total	177,534	90,016	178,428	90,931

Exposure of loans to variations in interest rates and the contractual re-pricing dates on the balance sheet dates are as follows:

	Consolidated	
	June 30, 2013	December 31, 2012
Six months or less	43,274	41,834
6–12 months	66,159	5,142
1-5 years	117,085	58,719
Above 5 years	895	915
Total	227,413	106,610

In thousands of Reais, unless otherwise indicated

The carrying amounts and the fair values of loans presented in the following currencies:

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Reais	217,844	117,594	218,738	118,509
Euros	509	714	509	714
US Dollars	65,390	47,292	65,390	47,292
Total	283,743	165,600	284,637	166,515

The fair value of current loans is equal to its carrying value, once that the impact of discounting is not significant. The fair values are based on discounted cash flows, using a rate based on the borrowing rate of 7.02% (6.26 as of December 31, 2012).

Financial lease liabilities are described as follow:

	Parent company and Consolidated	
	June 30, 2013	December 31, 2012
Gross financial lease obligations - Minimum payments		
Less than one year	1,106	1,107
More than one year and less than 5 years	1,040	1,592
Total	2,146	2,699
Future finance charges on financial leases	(194)	(299)
Present value of financial lease liabilities	1,952	2,400
Present value of financial lease liabilities is as follows:		
Less than one year	961	917
More than one year and less than 5 years	991	1,483
Total	1,952	2,400

In thousands of Reais, unless otherwise indicated

23 Installment payment of tax liabilities

	Tax liabilities	Application for installment payments			
		Date	Installments falling due	June 30, 2013	December 31, 2012
Portobello S.A.	INSS	Dec/09	17	4,780	6,302
	IPI	Dec/09	17	3,247	4,281
	PIS	March/09	8	104	178
	COFINS	March/09	8	480	820
	IRPJ	March/09	8	762	1,301
	CSLL	March/09	8	283	484
	LAW 11941/09 (a)	Nov/09	136	113,938	118,224
Total Parent				123,594	131,590
Installment - current				21,373	22,029
Installments - non-current				102,221	109,561
Portobello Shop S.A.	INSS	Nov/09	25	379	507
	COFINS	March/09	17	36	61
	IRPJ	March/09	17	276	472
	CSLL	March/09	17	101	171
	LAW 11941/09 (a)	Nov/09	145	596	606
Total subsidiary				1,388	1,817
Total consolidated				124,982	133,407
Installment - current				22,123	22,961
Installments - non-current				102,859	110,446

The payment schedule is as follows:

	Parent company		Consolidated	
Maturity	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
2013	19,639	22,031	20,343	22,962
2014	13,338	16,958	13,529	17,341
2015 to 2023 (*)	85,101	84,753	85,564	85,214
2024	5,516	7,848	5,546	7,890
Total	123,594	131,590	124,982	133,407

(*) In June 2013 and December 2012, respectively, the annual grouped installments will be R$ 9,456 and R$ 9,417 for the Parent Company and R$ 9,507 and R$ 9,468 for Consolidated.

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

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

Between such participation and the Consolidation, the Company made the payment of minimum installment of R$ 395 as allowed by law. During this period, more precisely in the consolidation, decisions were made that reflected a positive economic adjustment of R$ 3,013, including R$ 3,613 with impact on other operating income and R$ 600 in financial expense. The main reflection occurred in virtue of the non-confirmation of migration of non-deferred debts in the installments of MP 470 to the installments of Law 11941/09 (see Note 24).

In thousands of Reais, unless otherwise indicated

After consolidation, the Company undertakes to pay the monthly installments of R$ 1,233 with no delays exceeding three months, as well as withdraw from lawsuits and waive any claim of rights upon which such suits are based, under penalty of immediate termination of the installment, and consequent loss of the benefits introduced by Law 11941/09. These waivers of lawsuits against assessments do not affect the continuation of the ongoing processes in Court, referred to in Note 16.

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

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

Upon conversion of this Provisional Measure into Law (Law 12249/10), in June 2010 the use of tax credits arising from tax losses existing as of December 31, 2009 was authorized. The Company used this benefit and recorded R$ 3,252 in 2Q10 (see Note 33) considering the paid installments.
The National Treasury Attorney General's Office (PGFN) partially rejected the request in June 2010, claiming the need to withdraw from lawsuits challenging the credit. The Company has expressed its position in order to request the withdrawal/waiver only of lawsuits that challenged the tax assessments received from the SRF. However, the PGFN in Santa Catarina understood that such withdrawal/waiver should be extended to the declaratory actions aimed at recognizing the IPI Premium Credit, referred to in Note16. The Company's Legal Department is taking appropriate measures against the decision of the PGFN for the purpose of removing the demand of withdrawal/waiver of the aforementioned declaratory actions. This procedure deliberated by Company Management is supported by an opinion issued by the office of Demarest Almeida, which argues that, for the debts included in the installments of Law 12.249/10, withdrawal from the aforementioned declaratory actions is not enforceable, unlike the provisions of Law 11941/09. Thus, it argues that it's practically certain to reverse this situation by pursuing the various judicial instances to remove the grounds for rejection based on merit.

In the remote event that PGFN's decision is maintained through the last legal level, the impact on the Company's results would be a loss of R$ 27,807 at June 30, 2013, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debits as contingent liabilities. This possible tax liability will be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in Note 17.

25 Taxes, rates and contributions

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
IRRF	781	1,188	766	1,397
ICMS	5,212	3,551	5,213	3,552
PIS	483	304	554	365
COFINS	2,140	1,399	2,471	1,680
Others	230	103	368	251
Total	8,846	6,545	9,372	7,245

In thousands of Reais, unless otherwise indicated

26 Provisions for contingencies

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

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

Sum provisioned	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Civil	4,396	4,533	5,311	4,575
Labor	12,022	11,288	12,022	11,288
Tax	37,768	35,051	37,768	35,051
Total	54,186	50,872	55,101	50,914
Current	2,102	1,288	3,009	1,322
Non-current	52,084	49,584	52,092	49,592

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

Statement of changes in provisions:

	Parent company			Total
	Civil	Labor	Tax	
December 31, 2012	4,533	11,288	35,051	50,872
Debited (credited) to the statement of income:	936	1,212	2,717	4,865
Additional provisions	739	651	1,749	3,139
Reversals for non-use	(200)	(302)	-	(502)
Monetary restatement (Note 33)	397	863	968	2,228
Reversals by realization	(1,073)	(478)	-	(1,551)
June 30, 2013	4,396	12,022	37,768	54,186

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2012	4,575	11,288	35,051	50,914
Debited (credited) to the statement of income:	2,281	1,212	2,717	6,210
Additional provisions	2,049	651	1,749	4,449
Reversals for non-use	(202)	(302)	-	(504)
Monetary restatement (Note 33)	434	863	968	2,265
Reversals by realization	(1,545)	(478)	-	(2,023)
June 30, 2013	5,311	12,022	37,768	55,101

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 157 lawsuits (112 lawsuits on December 31, 2012), in the scope of the Common Courts and Special Civil Courts. Most of the lawsuits are filed by clients and are aimed at compensation for alleged moral and material damages. Judicial deposits were made when applicable (Note 13).

The contingent liabilities of a civil nature are listed in Note 27.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 330 labor complaints (281 complaints on December 31, 2012), filed by former employees and third parties. The claims refer to the payment of severance pay, additional pay, overtime, salary equalization, monetary indexation of FGTS, and compensation for moral and material damages arising from occupational accidents/diseases. Provisions are reviewed by company Management in accordance with the Company's legal consultants. Some lawsuits are supported by judicial deposits (Note 13).

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

Contingent liabilities are evidenced in Note 27.

Tax

a) INSS on Cooperatives

These are lawsuits filed by the Company (injunction) against the National Institute of Social Security, which demanded the payment of social security contributions set forth in Article 22, item IV of Law 8212/91 as amended by Law 9879/99.
The Company asserts that in the exercise of its activities, it engages cooperatives in various work areas, which provide specialized services, thus subjecting it to the payment of the contribution, but it is understood that there is no constitutional provision for such collection, since this goes against the principles of legality, equality and protection for cooperatives, based on this it seeks preliminary injunction in order that its right not to be subject to the payment of social security contributions be declared, as well as making compensation of amounts unduly paid for such purposes. On June 30, 2013, the balance of provision totals R$ 2,331 (R$ 2,197 on December 31, 2012).

b) Exclusion of ICMS rate excluded from calculation basis of PIS and COFINS

On April 16, 2008, the Company obtained the injunction granted through Writ of Mandamus 2008.34.00.011286-4, to exclude state tax - ICMS form the calculation base for federal contributions PIS and COFINS. Based on this injunction, the Company began to calculate and pay PIS and COFINS, disregarding ICMS from the calculation base thereof. In March 2013, the judge of the 9th district court of the judicial section of Distrito Federal issued a judgment upholding the injunction of passive legitimacy, dismissing the case without prejudice. The Company filed an appeal against the aforementioned decision and starting in April 2013 suspended the effects of the injunction. Thus the Company reinstated the calculation base of PIS and COFINS considering the inclusion of ICMS as a constitutive part of the calculation base.
The balance of provisions for tax contingencies relating to the exclusion of ICMS from the calculation base in the contributions of PIS and COFINS on June 30, 2013 amounted to R$ 35,437 (R$ 32,854 on December 31, 2012).

In thousands of Reais, unless otherwise indicated

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

27 Lawsuits that may be lost

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

	Parent company		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Civil	1,922	927	2,162	967
Labor	9,881	10,839	9,881	10,839
Total	11,803	11,766	12,043	11,806

These lawsuits are classified as contingent liabilities because a ruling against the Company is unlikely. And, consequently, no outlays will be required to settle the obligations.

28 Employee benefits

28.1 Private pension plan

The Company and its subsidiaries, since November 1, 1997, have sponsored a benefit plan called Portobello Prev, administered by BB Previdência - Banco do Brasil Pension Fund, and has 42 participants. The plan has a defined contribution characteristic, but offers minimal retirement benefit for length of service or age.

On June 30, 2013, the balance of the special contributions relating to past, to be deposited in individual accounts of those participants who meet the conditions established in the regulations of the plan, amounted to R$ 2,720 (R$ 2,918 on December 31, 2012) and is provisioned in non-current liabilities. At the time that each member participant in this condition becomes eligible, the Company will pay off the related special reserve attributable thereto.

In thousands of Reais, unless otherwise indicated

The main actuarial assumptions used:

	Parent company	
	June 30, 2013	June 30, 2012
Economic assumptions		
Discount rate	6% p.a. (real)	6% p.a. (real)
Estimated rate of return for assets	6% p.a. (real)	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years	2% p.a. (real) up to 47 years
Growth of private pension benefits and limits	2% p.a. (real) as of 48 years	2% p.a. (real) as of 48 years
Inflation	Disregarded	Disregarded
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions		
Mortality table	AT 83	AT 83
Mortality table for invalids	Exp. IAPC	Exp. IAPC
Table Disability	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

28.2 Employee benefit expenses

a) Expenses incurred in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Remuneration	24,326	18,953	25,494	20,305
Benefits				
Pension plan	217	155	263	211
FGTS	1,857	1,737	1,948	1,815
Others	2,297	2,100	2,361	2,164
Total	28,697	22,945	30,066	24,495

b) Expenses incurred in the 1st quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Remuneration	43,862	36,044	46,448	38,615
Benefits				
Pension plan	448	304	561	416
FGTS	3,433	3,257	3,614	3,406
Others	4,087	4,034	4,225	4,158
Total	51,830	43,639	54,848	46,595

29 Long-term incentive

Faced with the prospect of creating business value, the long-term incentive (LTI) was established and approved by the Company's Board of Directors on May 10, 2012. This consists of a meritocracy program that aims to attract, retain and recognize the performance of professionals working at the Company, to align the interests of Company executives to those of its shareholders, and to stimulate the professionals to remain at their jobs.

Directors and managers with above-average performance ratings are eligible for the LTI, pursuant to the Company's internal policies on performance assessment, and by signing a contract of adhesion become participants in the program.

The adhesion contract defines the number of securities that each participant will receive. The securities are figuratively called "reference shares" and are not traded in the OTC market.

The "appreciation" of the securities is calculated annually by the performance of EBITDA[1] and the ratio between EBITDA and net debt[2]. The total expense is recognized during the period in which the right is acquired, during which period the specific conditions for vesting must be met. On the balance sheet date, the entity revises its estimates of the number and value of securities. And it recognizes the impact of the revision of original estimates, if any, on the income statement, with a corresponding adjustment to liabilities.

Payment will be made in three annual installments (2015, 2016, 2017) with two-year deferment at the beginning of the period (2013 and 2014). The liquidation will be complete after five years from the initial recognition (2017) and the Company will determine the form of payment, which may be through monetary values or Company stock options in an amount proportional to the values calculated by the metrics of the plan.

If payment is made through stock options, the mean value of the stock in the three months prior to the incentive payment date shall be considered. The Company may, at Board of Directors' discretion: (a) issue new shares within the authorized capital limit; or (b) sell treasury shares.

The first group of participants joined in fiscal year 2012 and the present value of the obligation on June 30, 2013 is R$ 3,055 at the parent company and R$ 3,682 at the consolidated (R$ 2,176 at the parent company and R$ 2,623 at the consolidated on December 31, 2012).

[1]income before interest and net financial expenses, taxes, depreciation and amortization
[2] loans and financing plus installment payment of tax liabilities with discount of cash and cash equivalents, as well as securities.

30 Shareholders' equity

a) Capital

The Company has a capital subscribed and paid in the amount of R$ 46,065 comprising 159,008,924 common shares, nominative and with no par value.

On April 30, 2013 a capital increase was approved at the Extraordinary Shareholders' Meeting, by capitalization of reserves in the amount of R$ 5,266, where R$ 5,000 comes from the Distributable Profit Reserves account and R$ 266 from the Capital Reserve account, with no change in the total number of shares, as set forth in Article 169, § 1 of Law 6404/76.

Each common share carries one vote at the General Meetings, according to the rights and privileges established by law and the statutes for the respective kind.

The Company is authorized to increase the share capital up to 1,000,000,000 (one billion) new common shares, nominative and without par value, totaling a capital stock represented by 1,159,008,924 shares, and the issuance of preferred shares or certificates of participation.

On June 30, 2013 there were 62,246,612 outstanding shares, equivalent to 39.15% of total shares issued (compared to 61,992,352 on December 31, 2012, equivalent to 38.99% of the total). The balance of outstanding shares is comprised of all securities available for trading on the market, excluding those held by controlling shareholders, members of the Board of Directors and Company Officers.

b) Profit reserve

Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset losses and increase capital In 2012, the Company created legal reserves in the amount of R$ 3,283 as provided for in Article 193 of the Law of Corporations.

Profit reserves to be allocated

The distributable profits reserve of R$ 46,786 at March 31, 2013 refers to the retention of the remaining balance of retained earnings, after the allocation of 5% to the legal reserve and 25% to mandatory minimum dividends.

c) Equity evaluation adjustment

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

It was formed as a result of the revaluation of land, buildings and improvements, supported by an appraisal report prepared by an independent appraisal company, which determined the values of re-appraised assets, as well as established the new period of remaining useful life, which became the new base for depreciation to the net book value of such assets.

It is being realized according to the depreciation of re-appraised buildings and improvements recorded against accumulated profits, net of taxes. The same effect of realization of the asset appraisal adjustment is reflected in P/L for the period, by the depreciation of the re-appraised assets.

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of income tax and social contribution on the re-appraised balance of land, since in 2006 when the re-appraisal was performed, the legislation did not allow incidence. ICPC 10 instructs Companies to constitute the provision of taxes on land re-appraisal when “it is likely that the economic benefits associated with the non-depreciable asset will revert to the entity itself, whether derived from current sale, the future sale or the very use of the asset.” The deferred income tax and social contribution corresponding to the adjustments to appraisal of land, buildings and improvements are classified as non-current liabilities, as per Note 15(b).

Considering the complement of the asset appraisal adjustment, approved by the Special Shareholders’ Meeting on December 29, 2006, the balance of the adjustment to company assets, net of deferred taxes, amounted to R$ 42,923 on June 30, 2013 (R$ 43,713 on December 31, 2012), the expense of depreciation of the re-appraisal, net of tax effects of deferred income tax and social contribution liabilities, in the quarter ending June 30, 2013, was R$ 790 (R$ 789 on June 30, 2012), and the balance of deferred income tax and social contributions adjustments to asset appraisal recorded in non-current liabilities is R$ 17,664 (R$ 17,933 on December 31, 2012), see Note 15(b).

In thousands of Reais, unless otherwise indicated

31 Revenues

The reconciliation of gross revenue to net revenue, presented in the income statement for the quarter ending June 30, 2013, is as follows.

a) Income earned in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Gross sales	250,408	185,637	265,597	197,502
Deductions from gross income	(56,408)	(39,143)	(57,996)	(40,333)
Sales tax	(48,099)	(35,886)	(49,643)	(37,076)
Returns	(8,309)	(3,257)	(8,353)	(3,257)
Net income from sales	194,000	146,494	207,601	157,169
Domestic market	179,087	136,396	190,869	145,494
Foreign market	14,913	10,098	16,732	11,675

b) Income earned in the 2nd semester of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Gross sales	458,811	363,176	486,043	386,823
Deductions from gross income	(99,832)	(77,298)	(102,687)	(79,661)
Sales tax	(87,107)	(70,904)	(89,894)	(73,267)
Returns	(12,725)	(6,394)	(12,793)	(6,394)
Net income from sales	358,979	285,878	383,356	307,162
Domestic market	331,075	267,658	351,788	285,128
Foreign market	27,904	18,220	31,568	22,034

32 Expenses per type

The cost of goods sold, selling expenses and administrative expenses for the quarter and semester ending June 30, 2013 are as follows:

In thousands of Reais, unless otherwise indicated

a) Expenses incurred in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Changes in inventories of finished products and work in process (a)	(1,105)	(15,232)	(1,105)	(15,232)
Direct production costs (raw materials and inputs)	58,522	56,248	57,955	55,695
General production expenses (including maintenance)	8,778	8,542	8,778	8,542
Cost of goods resold	44,721	28,906	45,081	29,240
Transportation of goods sold	677	639	677	639
Salaries, charges and benefits to employees	32,540	28,340	34,192	30,213
Third-party labor and services	5,957	4,439	8,214	6,159
Amortization and depreciation	3,568	4,079	3,589	4,089
Rentals and operating leases	2,499	1,925	2,614	1,926
Sales commissions	4,457	3,224	4,488	3,224
Marketing and advertising expenses	2,217	1,597	4,063	2,955
Other commercial expenses	3,954	3,501	5,300	4,132
Other administrative expenses	917	1,037	946	1,047
Total	167,702	127,245	174,792	132,629

(a) The changes in inventories of finished products and work in process is the difference between the cost of goods produced and the cost of goods sold (COGS), and could result in a negative balance due to the write-off of COGS related to products that were produced in prior periods which were included in the inventories account.

b) Expenses incurred in the 1st quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Changes in inventories of finished products and work in process	(8,840)	(20,066)	(8,840)	(20,066)
Direct production costs (raw materials and inputs)	116,327	108,398	115,227	107,334
General production expenses (including maintenance)	15,828	15,598	15,828	15,598
Cost of goods resold	82,078	53,734	82,803	54,413
Transportation of goods sold	1,250	1,153	1,250	1,153
Salaries, charges and benefits to employees	61,099	53,755	64,737	57,331
Third-party labor and services	10,336	7,832	14,026	10,957
Amortization and depreciation	7,040	8,060	7,073	8,081
Rentals and operating leases	4,093	3,888	4,239	3,890
Sales commissions	8,222	6,417	8,280	6,417
Marketing and advertising expenses	3,442	3,049	6,442	5,227
Other commercial expenses	7,678	6,687	10,006	7,881
Other administrative expenses	1,663	1,862	1,803	1,884
Total	310,216	250,367	322,874	260,100

33 Other operating income and (expenses), net

Other individual and consolidated operating income and expenses for the quarter ended June 30, 2013 are as follow:

In thousands of Reais, unless otherwise indicated

a) Expenses incurred in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Other operating income				
Related party service revenue	343	573	-	-
Reintegration of Law 12546/11 (a)	2,091	-	2,091	-
Sale of property, plant and equipment	210	-	210	-
Other income	274	813	244	808
Total	2,918	1,386	2,545	808
Other operating expenses				
Provision for contingencies (Note 26)	(382)	(438)	(1,142)	(884)
Provision for profit sharing (b)	(1,871)	(1,885)	(1,934)	(2,244)
Provision for long-term incentive (Note 29)	(879)	-	(935)	-
Other expenses	(864)	(82)	(906)	(129)
Total	(3,996)	(2,405)	(4,917)	(3,257)
Net total	(1,078)	(1,019)	(2,372)	(2,449)

(a) Amount of a credit for offset of taxes – Reintegra – Law No. 12,546/11
(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

b) Expenses incurred in the 1st quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Other operating income				
Related party service revenue	887	1,315	-	-
Bank exclusivity contract	-	2,100	-	2,100
Reintegration of Law 12546/11 (a)	2,091	-	2,091	-
Sale of property, plant and equipment	210	-	210	-
Other income	563	1,143	511	1,120
Total	3,751	4,558	2,812	3,220
Other operating expenses				
Provision for contingencies (Note 26)	(888)	(878)	(2,448)	(1,325)
Provision for profit sharing (b)	(2,942)	(3,391)	(3,180)	(4,020)
Provision for long-term incentive (Note 29)	(879)	-	(935)	-
Other expenses	(1,027)	(360)	(1,102)	(408)
Total	(5,736)	(4,629)	(7,665)	(5,753)
Net total	(1,985)	(71)	(4,853)	(2,533)

(a) Amount of a credit for offset of taxes – Reintegra – Law No. 12,546/11
(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

In thousands of Reais, unless otherwise indicated

34 Other gains (losses), net

The net foreign exchange variation registered under the heading of other gains (losses), individual and consolidated, for the quarter and semester ending June 30, 2013 is as follows:

	Parent company and Consolidated			
	2nd Quarter		Accumulated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net exchange variation				
Accounts receivable	468	5,113	(344)	3,640
Suppliers	1,329	(811)	1,159	(598)
Total	1,797	4,302	815	3,042

35 Financial income (loss)

The individual and consolidated financial income for the quarter and semester ended June 30, 2013 is as follows:

a) Expenses incurred in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Financial income				
Interest	638	305	884	335
Restatement of assets	3,161	3,410	3,161	3,410
Others	198	181	251	233
Total	3,997	3,896	4,296	3,978
Financial expenses				
Interest	(4,076)	(4,048)	(4,138)	(4,108)
Finance charges on taxes	(1,735)	(2,633)	(1,756)	(2,684)
Decomposition of discount of provisions for contingencies (note 26)	(1,095)	(1,095)	(1,131)	(1,097)
Commissions and service fees	(1,024)	(341)	(1,038)	(347)
Others	(603)	(787)	(671)	(799)
Total	(8,533)	(8,904)	(8,734)	(9,035)
Net exchange variation				
Loans and financing	(4,259)	(4,194)	(4,259)	(4,194)
Total	(4,259)	(4,194)	(4,259)	(4,194)
Net total	(8,795)	(9,202)	(8,697)	(9,251)

In thousands of Reais, unless otherwise indicated

b) Expenses incurred in the 1st quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30,2013	June 30, 2012	June 30, 2013	June 30, 2012
Financial income				
Interest	1,775	587	2,079	666
Restatement of assets	6,506	7,046	6,506	7,046
Others	375	526	430	584
Total	8,656	8,159	9,015	8,296
Financial expenses				
Interest	(8,069)	(8,258)	(8,192)	(8,358)
Finance charges on taxes	(3,399)	(5,603)	(3,442)	(5,711)
Decomposition of discount of provisions for contingencies (note 26)	(2,220)	(2,208)	(2,257)	(2,212)
Commissions and service fees	(1,024)	(676)	(1,038)	(687)
Others	(3,365)	(1,584)	(3,449)	(1,602)
Total	(18,077)	(18,329)	(18,378)	(18,570)
Net exchange variation				
Loans and financing	(3,569)	(2,958)	(3,569)	(2,958)
Total	(3,569)	(2,958)	(3,569)	(2,958)
Net total	(12,990)	(13,128)	(12,932)	(13,232)

36 Income from discontinued operations

On August 17, 2010, the Board approved the discontinuation of the operational activities of the subsidiary Portobello América, given that demand in the U.S. market will remain contained for the coming years. The disposal of the asset are in progress and the main assets and liabilities of that unit, as well as the results of discontinued operations for the quarter ending June 30, 2013, are summarized below:

Assets	June 30, 2013	December 31, 2012	Liabilities	June 30, 2013	December 31, 2012
Current assets	355	355	Current liabilities	45,375	41,851
Cash and cash equivalents	355	272	Rentals	13	12
Others	-	83	Related party debts	45,362	41,839
			Shareholders' equity	(45,020)	(41,496)
Total assets	355	355	Total liabilities	355	355

There were no groups classified as held for sale in 2013 and 2012.

The results of discontinued operations are presented on a consolidated basis, therefore, aside from the results of the subsidiary Portobello América, Inc., (Note 18), considers the portion of the Parent Company's operations in the discontinued operations. In the 2Q13, income from discontinued operations was R$ 27, represented by some administrative costs that occurred during this period.

37 Earnings per share

a) Basic

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

In thousands of Reais, unless otherwise indicated

Income (loss) for the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Profit attributable to shareholders of the Company	16,255	12,635	16,255	12,635
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.10	0.08	0.10	0.08
Income from continued operations	16,255	12,635	16,259	12,273
Income from discontinued operation	-	-	(4)	362
Weighted average number of common shares	159,009	159,009	159,009	159,009
Result from discontinued operations per share	0.10223	0.07946	0.10225	0.07718
Result from discontinued operations per share	-	-	(0.00003)	0.00228

Income (loss) for the 1st semester of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Profit attributable to shareholders of the Company	29,317	23,790	29,317	23,790
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.18	0.15	0.18	0.15
Income from continued operations	29,317	23,790	29,344	23,428
Income from discontinued operation	-	-	(27)	362
Weighted average number of common shares	159,009	159,009	159,009	159,009
Result from discontinued operations per share	0.18437	0.14961	0.18454	0.14734
Result from discontinued operations per share	-	-	(0.00017)	0.00228

In the first semester of 2013, the Company does not have treasury shares. And the last issue of shares occurred in 2007. Thus the weighted average number of shares is equal to the total that comprises the own capital (Note **Erro! Fonte de referência não encontrada.**). This is comprised by only one class of common shares.

The consolidated profit attributable to shareholders does not include the non-controlling interest. The same criteria was used for net income (loss) of continued and discontinued operations.

b) Diluted

Diluted earnings per share is equal to basic, since the Company does not hold any financial instrument or contract that gives the holder the right to common shares.

38 Dividends

In thousands of Reais, unless otherwise indicated

The Annual Shareholders' Meeting held on April 30, 2013 approved Management's proposal to allocate a portion of income from 2012 for the purpose of mandatory minimum dividends in the amount of R$ 15,595; the amount of R$ 1,853 paid on December 28, 2012 was deducted from the total for the minimum mandatory dividends, as interest on shareholder equity, net of income tax, and R$ 5,104 as dividends. The balance of R$ 8,551, which corresponds to R$ 0.054321 per common share, was paid to shareholders on May 21, 2013.

39 Information per business segment

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

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

The revenue generated by the operating segments is derived exclusively from the manufacture and sale of ceramic tiles used in the construction industry.
The Executive Board assesses the performance of the operational segments based on the measurement of operating income (income before net interest and income taxes - EBIT) and does not take into account the assets for analysis of the performance of the segments, since the Company's assets are not segregated.

Information per business segment, reviewed by the Executive Board:

a) Income (loss) for the 2nd quarter of 2013 and 2012:

	June 30, 2013			June 30, 2012		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	190,869	16,732	207,601	145,494	11,675	157,169
Cost of goods sold	(124,955)	(10,186)	(135,141)	(95,018)	(6,282)	(101,300)
Gross operating income	65,914	6,546	72,460	50,476	5,393	55,869
Operating income (expenses), net	(36,894)	(3,332)	(40,226)	(28,301)	(1,175)	(29,476)
Sales, general and administrative	(36,366)	(3,285)	(39,651)	(30,015)	(1,314)	(31,329)
Other operating income (expenses), net	(2,180)	(192)	(2,372)	(2,268)	(181)	(2,449)
Other gains (losses), net	1,652	145	1,797	3,982	320	4,302
Operating income (loss) before financial income (loss)	29,020	3,214	32,234	22,175	4,218	26,393
% on ROL	15%	19%	16%	15%	36%	17%

b) Income (loss) for the 1st semester of 2013 and 2012:

	June 30, 2013			June 30, 2012		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	351,788	31,568	383,356	285,128	22,034	307,162
Cost of goods sold	(231,125)	(19,727)	(250,852)	(186,518)	(14,283)	(200,801)
Gross operating income	120,663	11,841	132,504	98,610	7,751	106,361
Operating income (expenses), net	(70,761)	(5,300)	(76,061)	(56,200)	(2,590)	(58,790)
Sales, general and administrative	(67,063)	(4,960)	(72,023)	(56,662)	(2,637)	(59,299)
Other operating income (expenses), net	(4,451)	(402)	(4,853)	(2,347)	(186)	(2,533)
Other gains (losses), net	753	62	815	2,809	233	3,042
Operating income (loss) before financial income (loss)	49,902	6,541	56,443	42,410	5,161	47,571
% on ROL	14%	21%	15%	15%	23%	15%

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

In thousands of Reais, unless otherwise indicated

40 Commitments

a) Commitments for the acquisition of assets

Expenditures contracted on the balance sheet date but not yet incurred referring to PP&E on June 30, 2013 totaled R$ 167.

b) Commitment with operational lease

Operational leases refer to vehicles. The minimum non-cancellable future payments, in total and for each of the following periods, is as follows:

	Consolidated	
	June 30, 2013	December 31, 2012
Less than one year	727	367
More than one year and less than 5 years	587	277
Total	1,314	644

In thousands of Reais, unless otherwise indicated

41 Insurance coverage

On June 30, 2013, insurance coverage against fire, theft, collision and miscellaneous risks on PP&E, goods in inventory and lost profits, is considered sufficient by management to cover possible losses.

	Parent company and Consolidated
Coverages	2013
Fire/lighting/explosion of any type	84,000
Electrical damages	3,600
Riots	1,000
Windstorms/smoke with vehicle impact	25,000
Civil liability - operations	500
Civil liability - employer	500
Loss of profits - windstorm with impact	16,000
Loss of profits - basic	35,115

The term of the policy corresponds to the period from February 14, 2013 until February 14, 2014, when the Company intends to enter into a new insurance contract.

The adopted risk assumptions, in view of their nature, are not part of the scope of an audit of interim financial statements, and, therefore, were not audited by our independent auditors.

42 Related companies and parties

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

Nature	Transactions with subsidiaries and associated companies	June 30, 2013	December 31, 2012
Assets			
Dividends receivable	Portobello Shop S.A.	2,073	2,073
Amounts receivable	Portobello Shop S.A.	70,548	-
Accounts receivable	Portobello América Inc.	-	41,839
Receivables with subsidiaries - Current		70,548	41,839
Accounts receivable	Portobello América Inc.	45,362	-
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	3,750	3,424
Loans	PBTech Com. Serv. Cer. Ltda.	2,614	1,945
Receivables with subsidiaries - Non-current		51,726	5,369
Credits with other related parties	Refinadora Catarinense S.A.	91,588	100,398
Liabilities			
Dividends paid in advance	Portobello Shop S.A.	(5,100)	-
Other transactions			
Advances to suppliers	Mineração Portobello Ltda.	1,394	1,207
Accounts receivable - net of advances	Solução Cerâmica Com. Ltda.	(747)	(1,773)
Accounts receivable - net of advances	Flooring Revest. Cer. Ltda.	243	1,022
Rent	Gomes Part. Societárias Ltda.	(27)	-
		863	456

In thousands of Reais, unless otherwise indicated

		2nd Quarter		Accumulated	
Nature	Transactions with subsidiaries and associated companies	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Income					
Rendering of services	Portobello Shop S.A.	1,530	1,530	3,060	3,055
Sale of goods	Solução Cerâmica Com. Ltda.	3,894	3,489	7,143	7,120
Sale of goods	Flooring Revest. Cer. Ltda.	1,897	1,443	3,515	3,034
Sale of goods	PBTech Com. Serv. Cer. Ltda.	524	-	1,007	-
Expenses					
Cost of services rendered	Portobello Shop S.A.	(1,158)	(928)	(2,115)	(1,691)
Purchase of products	Mineração Portobello Ltda.	(566)	(553)	(1,099)	(1,065)
Rent	Gomes Participações Societárias Ltda.	(125)	(34)	(195)	(85)
		5,996	4,947	11,316	10,368

The loan agreement with the subsidiary PBTech is compensated by a variation of 100% of the CDI (Interbank Certificate of Deposit) and matures on December 31, 2016.

No receivables of the subsidiary Portobello Shop were pledged as collateral for loans of the Parent Company. The subsidiary is guarantor of the Company in certain financing operations (see Note 22).

This quarter, the Company presents the balance of accounts receivable from Portobello América Inc. in non-current assets, considering the intention of company Management to capitalize the subsidiary's debt.

Related party transactions

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

					2nd Quarter		Accumulated	
Nature	Transactions with subsidiaries and associated companies	June 30, 2013	December 31, 2012	Nature	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Assets				Income				
Accounts receivable	PBTech Com. Serv. Cer. Ltda.	7	7					
Accounts receivable	Solução Cerâmica Com. Ltda.	383	211	Royalties	1,007	934	1,848	1,892
Accounts receivable	Flooring Revest. Cer. Ltda.	184	137	Royalties	495	381	922	794
		574	355		1,502	1,315	2,770	2,686

Remuneration of key management personnel

The remuneration of the key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter and semester ended June 30, 2013, was as follows:

In thousands of Reais, unless otherwise indicated

a) Expenses incurred in the 2nd quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Fixed Compensation				
Salaries	2,108	1,763	2,473	2,017
Fees	880	428	972	692
Variable compensation	2,974	1,052	4,105	1,388
Direct and indirect short-term benefits				
Pension plan	167	110	212	162
Others	336	262	406	320
Termination benefits	-	31	-	31
	6,465	3,646	8,168	4,610

In thousands of Reais, unless otherwise indicated

b) Expenses incurred in the 1st quarter of 2013 and 2012:

	Parent company		Consolidated	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Fixed Compensation				
Salaries	3,892	3,389	4,520	3,905
Fees	1,486	858	1,853	1,389
Variable compensation	3,306	1,447	4,487	1,827
Direct and indirect short-term benefits				
Pension plan	292	214	400	318
Others	596	503	726	616
Termination benefits	-	31	-	31
	9,572	6,442	11,986	8,086

In thousands of Reais, unless otherwise indicated

CORPORATE PROJECTIONS

Disclosed projections and assumptions

a) Purpose of prospect

Investments in expansion and modernization of the Tijucas manufacturing unit by replacing a production line for producing large-format enameled porcelain.

b) Period prospected and prospect term

Growth projected to start in the second semester of 2013.

c) Prospect assumptions, indicating which ones can be influenced by the Issuer's management and which are beyond its control

The increase in the projected production volume for the second semester of 2013 is based on the installation of a new furnace that will increase production by approximately 4.6 million m2 per year.
It is estimated that, in 2014, when the line will be operating at its full production capacity, the new unit will generate a revenue of R$ 141 million per year.
Portobello's growth target for 2013, which is based on the data on the last five years, is 20%, since, according to data disclosed by entities of the sector (ABRAMAT, ANFACER, ANAMACO and IBGE), the ceramic tile industry is expected to grow by 6 to 7% in 2013.
All the assumptions considered are subject to external influencing factors, which are beyond the Company Management's control and may affect the projections disclosed.

d) Value of the indicators that are the subject matter of the prospect

Projections	Estimated value
Investment in the expansion and modernization of the manufacturing unit in Tijucas	R$ 86 million
Productive capacity of the new line	4.6 million m²/year
Net income of the new line estimated for 2014	R$ 141 million
Goals of growth in 2013	20%

In addition to the projections disclosed above, Portobello is studying the implementation of a manufacturing unit, which is expected to be located in the State of Alagoas. Initially, an investment of approximately R$ 205 million is expected, although the aforementioned study has not yet been concluded.

It should be mentioned that the amounts presented above are only estimates and under no circumstances are they to be construed as a performance promise by the Company or its management.

Monitoring of and changes in disclosed projections

a) State which of them are being replaced by new projections included in the form and which are being repeated in the form.

There were no changes in the prospects previously disclosed.

However, we inform that the new production line started operations in July 2013.

In relation to the implementation study of the manufacturing unit in the State of Alagoas, the detailing of the executive project is under way.

b) As regards the projections related to elapsed periods, compare the projected data with the actual performance of the indicators, clearly demonstrating the reasons that caused the distortions in the projections**.**

The projections disclosed were fully achieved, thus preventing comparisons.

c) In relation to the projections for periods still in progress, state whether the projections remain valid as of the date of presentation of this form, and, when applicable, explain why the projections have been abandoned or replaced.

The projections disclosed remain valid, since the estimates are projected to achieve results as from the second semester of 2013.

Portobello

Statement of the Executive Officers on the Quarterly Information and Special Review Report of the Independent Auditors

Pursuant to CVM Instruction No. 480/09, item I of Article 29, in compliance with items V and VI of Article 25 of this Instruction, the management of Portobello S.A. declares that:

(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended June 30, 2013, and

(ii) reviewed, discussed and agreed with the opinions expressed in the KPMG Independent Auditors' Report relating to the Company's Quarterly Information for the quarter ended June 30, 2013.

Members of the Executive Board

Cesar Gomes Júnior – Chief Executive Officer

Cláudio Ávila da Silva – Executive Vice President

John Shojiro Suzuki – CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, August 12, 2013.

Cesar Gomes Júnior

Cláudio Ávila da Silva

John Shojiro Suzuki

Mauro do Valle Pereira