Portobello S/A - BOVESPA code: PTBL3, one of the largest companies in the Brazilian ceramic sector, listed in the traditional segment of the Brazilian Stock Exchange (BOVESPA) since 1991 and in the New Market since April 30, 2008, presents its results of operations for 2008. The financial and operating information below is consolidated, in accordance with Brazilian Corporate Law, and the comparisons refer to 2007, unless otherwise indicated.

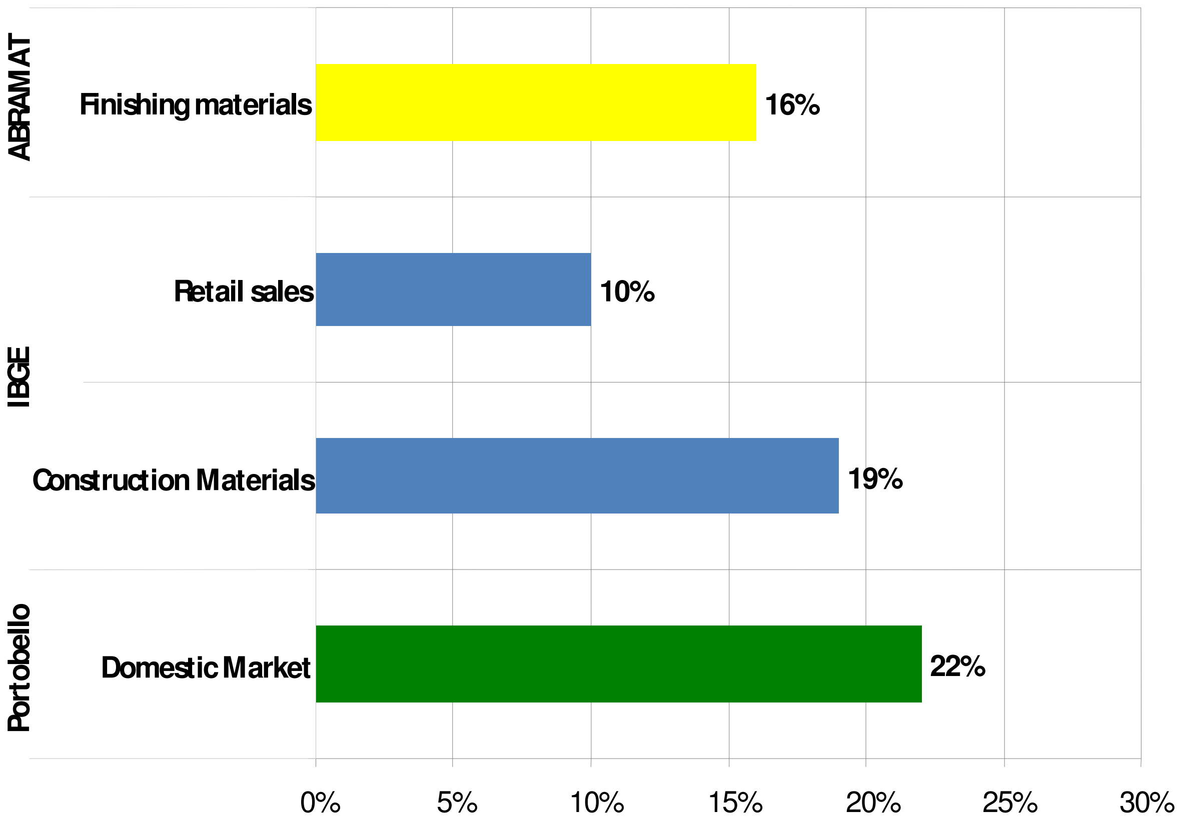
MESSAGE FROM THE BOARD OF DIRECTORS

2008 was a year marked by important advances in the strategy to recover the Company's profitability. Management has been focusing with absolute priority on the implementation of measures to increase the profitability and operating efficiency of the Company. The period's adjusted EBITDA of R$ 53 million increased 40% in relation to the prior year, and represented 13% of net revenues, an increase of 3 percentage points. Sales of R$ 517 million and net revenues of R$ 409 million increased, respectively, 8% and 3% in relation to the prior year.

The results for the year have been impacted by the acute recession in the real estate market in the United States, in which subsidiary Portobello America, Inc incurred losses. Since the end of 2007, management has been taking large restructuring measures of operations in that market, including the closing of three of the five warehouses previously in existence, which resulted in extraordinary non-recurring losses caused by the liquidation of inventories and the rescission of rental and labor agreements. This restructuring left the Company better prepared for the current crisis in the sector in the US. In the other export markets, the strategy included increases in prices and the replacement of uncompetitive products with new more profitable ones. In the short-term, the consequence was a decrease of 29% in revenues from export sales, corresponding to 25% of consolidated net revenues.

Since 2007, the Company's strategy has been to prioritize domestic market growth consolidating its sector leadership. This domestic market prioritization continued improving the profitability, resulting in net revenue growth of 22%, totaling R$ 304 million, a Company record; in this same period, the Brazilian civil construction market - finishing materials - grew 16% according to ABRAMAT. We highlight the performance of the Portobello franchise network - *Portobello Shop* - that increased its revenues by 31%, and was responsible for 24% of the Company's total net revenues, within the strategy of strengthening this most profitable sales channel. Sales of the multibrand resale channel increased by 26%, which is also higher than the market growth, and was responsible for 25% of net revenues. Revenues of the engineering channel - sales to construction and real estate development companies - increased by 12%, and represented 26% of total sales.

The chart below presents a comparison of Portobello's growth with other domestic market indicators.



The Company invested R$ 37 million in 2008 on the installation of two production lines and on increasing the polishing capacity, thus ensuring conditions to meet the high demand, as well as providing greater industrial competitiveness in costs and quality. This installation was completed in the third quarter, with an increase in production capacity of 31% in relation to that existing at the beginning of the year. The production capacity of technical porcelain was expanded, consolidating Portobello's leadership in this type of product in the Brazilian market, and the wall tile capacity has been expanded with the installation of a third production line.

HIGHLIGHTS

Fairs and Launches

The Company participated in the principal ceramic tile fairs in the world: *Revestir*, in São Paulo, *Coverings*, in the United States, and *Cersaie*, the largest fair of ceramic tiles in the world, in Italy. These events were the scenario of various launches, among which a highlight for the products reproducing the French "limestone" and the smooth and delicate Indian marbles. Also emphasized were the products in large format - 60x60 cm, 30x90 cm and 90x90 cm.

AWARDS

The Company and its franchise continue to receive awards for their products and services: "Best Franchise in the House, Decoration and Gifts Category", of the *Pequenas Empresas & Grandes Negócios* magazine; "Most Highly Regarded Ceramic Tiles Company" in the Industry Concept and Image Ranking, of the Revenda Group; "Top 10 in Quality - Ceramic Tile Segment", of the *Anamaco* magazine; and "Corporate Reputation Award", of the *Amanhã* magazine.

DISTRIBUTION

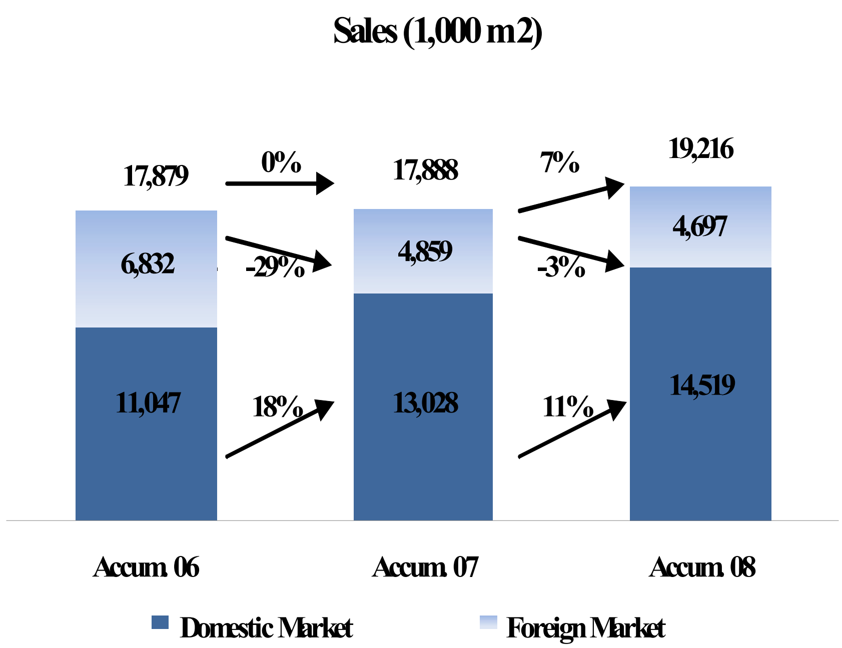
The distribution strategy is based on five distinct channels with specific characteristics of products, services and commercial policy.

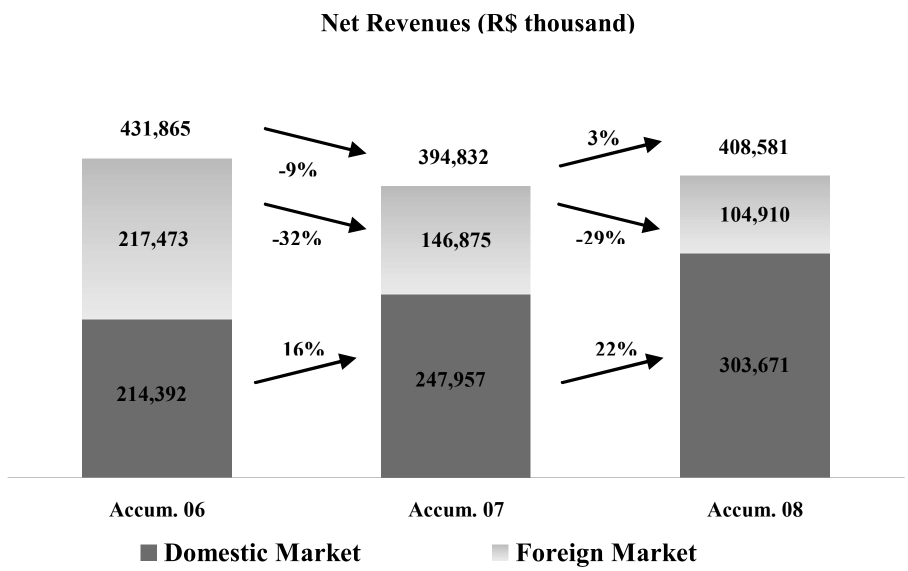
<u>Domestic Market:</u> There are three distribution channels: (i) "multi-brand resales", responsible for customers who are resellers of construction materials and sell our products in the retail market; (ii) "engineering", represented by specialized teams that serve civil construction and real estate development companies; and (iii) "franchises" that serve our customers in the retail market through franchised stores under the names *Portobello Shop* and *Empório Portobello*. With 103 stores located in 89 cities, it is the largest Brazilian network of stores specialized in ceramic tiles.

<u>Foreign Market:</u> Divided into two channels, "USA" and "Other Countries". The restructuring proposed for the wholly-owned subsidiary Portobello America, Inc., which in 2007 had a staff of 120 employees and which operated six warehouses spread throughout the United States, resulted in the redimensioning of the operation in the US so that at the end of 2008 it has only two small warehouses and a staff of 20 employees. This new reduced fixed costs structure aimed at reaching a lower break-even point, more compatible with the market scenario. Although exports to "Other Countries" in the first six-month period were focused on the adjustment of prices in US dollars to offset for the depreciation of the American currency in that period, as from September, with the appreciation of the US dollar, the focus was changed to increasing the volumes exported.

SALES PERFORMANCE

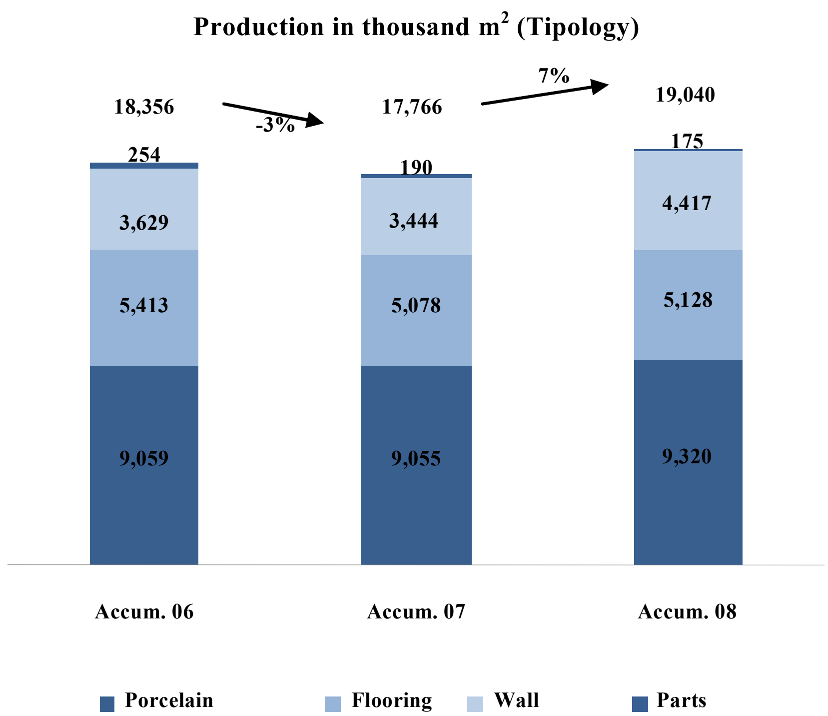
Sales in the domestic market increased 11% in volume and 22% in net revenues as compared to the prior year. The participation of each channel in the domestic market total revenues is quite balanced and the three channels presented an increase in net revenues and sales volumes in comparison to 2007, with highlight to the *Portobello Shop* channel, which is the most profitable one.





OPERATING PERFORMANCE

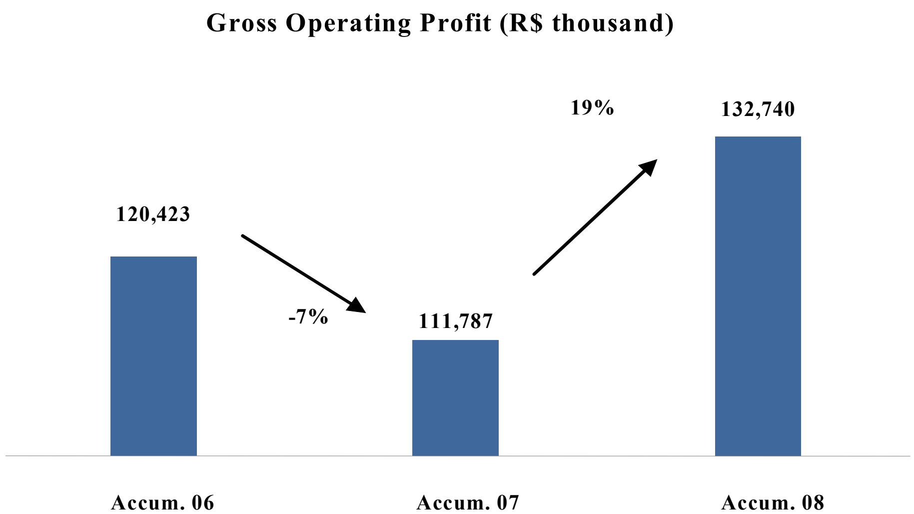
The ceramic tiles production increased 7% in relation to the prior year, already reflecting the positive effects of the 2008 investment program, concluded in September, which was partly negatively impacted by the interruption for 10 days at the end of the year due to the non-supply of natural gas as a result of the rupture, caused by the floods, of the gas pipeline that supplies the State of Santa Catarina.



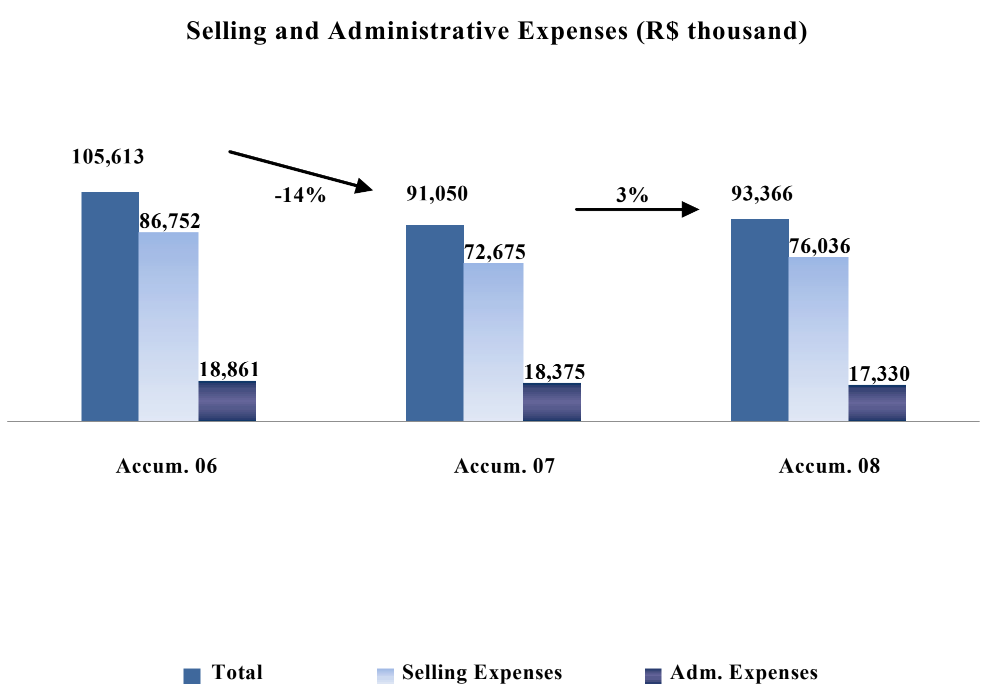
The added capacity enabled the launching of new product lines with more competitive prices to meet the demand of the civil construction companies for finishings for class B and C properties.

The cost of products sold decreased by 3% as compared to the prior year due, among other factors, to the higher efficiency of the two new production lines. In this same period, volumes sold increased by 7% and gross margin went up from 28% to 33%.

Gross profit increased by 19% and totaled R$ 133 million, representing a gain of R$ 21 million in relation to the prior year. Three main factors positively influenced the Gross Operating Profit; a higher mix of sales, more productivity and the increase in the US dollar price of exports. The decrease of the exchange rate in the first three quarters of the year impaired the export margins, but in the fourth quarter the devaluation of the real reestablished the good gross sales margins.



The Company has been successful in its continuous efforts to reduce costs and expenses through control policies, which resulted in significant reductions in its expenses every quarter.



Selling Expenses

Selling expenses totaled R$ 76 million, 5% above 2007. This increase resulted from non-recurring expenses related to the restructuring of the subsidiary Portobello America, Inc. Notwithstanding the nominal increase, the selling expenses percentage in relation to net revenues remained practically stable at a little below 19%.

Administrative Expenses

These expenses totaled R$ 17 million and represented 4% of net revenues, a reduction of R$ 1 million in relation to the prior year, when the administrative expenses represented 5% of net revenues. This reduction in expenses is the result of strong expenditure controls.

Other Operating Income and Expenses totaled the positive net amount of R$ 4 million, which include R$ 15 million of non-recurring credits related to the ELETROBRÁS compulsory loan and R$ 7 million of provisions for contingencies. This income represent an increase of R$ 32 million in relation to the prior year, when the balance of this account was negative due to R$ 28 million recorded as provisions for federal taxes relating to prior years.

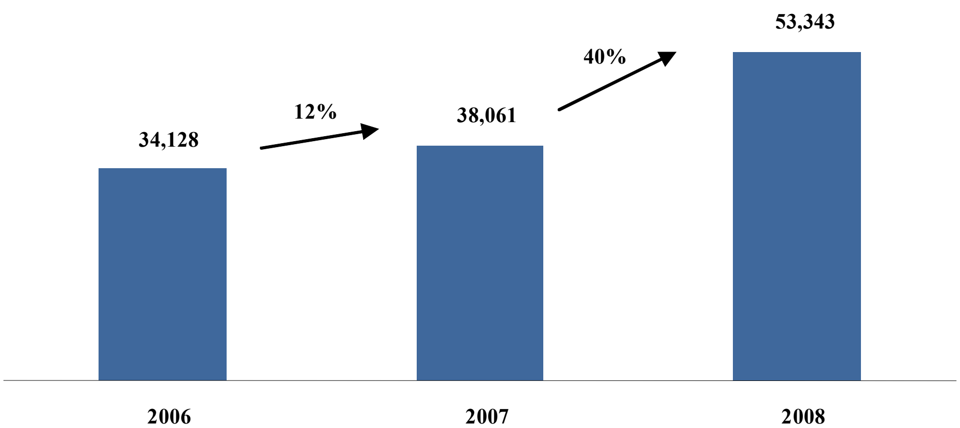
EBIT – Earnings before interest and taxes of R$ 43 million was equivalent to 11% on net revenues and was R$ 51 million higher than the operating loss of R$ 7 million recorded in the prior year. The negative result in 2007 was due to the recognition of R$ 28 million in provisions for federal taxes relating to prior years.

EBITDA

	R$ thousand		
	2006	2007	2008
Net loss for the year	(29,294)	(39,408)	(9,352)
Financial result, net	39,267	18,454	40,227
Depreciation, amortization and depletion	21,802	19,317	15,382
Income tax and social contribution on net income	2,220	12,456	11,548
Minority interest	(67)	(89)	7
Non-operating losses	1,845	1,342	958
(=) EBITDA	35,773	12,072	58,770
Non-recurring income and expenses	-	26,932	(5,427)
(=) ADJUSTED EBITDA	34,128	38,061	53,343
% of Net Revenues	8%	10%	13%

The accumulated ADJUSTED EBITDA for the year was R$ 53 million and represented 13% of net revenues, 40% higher than that of the prior year, already considering the adjustments stated in above.

Consolidated Adjusted EBITDA (R$ thousand)



Financial Income and Expenses

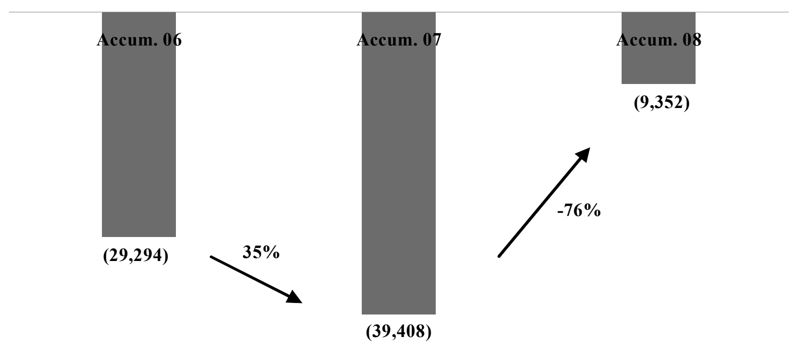
The net negative financial result of R$ 40 million was R$ 22 million higher than in the prior year. The increase in financial expenses is mainly due to two factors: the difference of R$ 21 million of exchange variations, R$ 9 million of exchange losses in 2008 as compared to R$ 13 million of exchange gains in 2007; and to R$ 23 million increase in financial indebtedness.

Financial Result (R$ thousand)	**2006**	**2007**	**2008**
Financial income	3,258	2,963	2,048
Interest expense	(46,183)	(34,173)	(33,662)
Exchange variations, net	3,658	12,756	(8,613)
	(39,267)	**(18,454)**	**(40,227)**

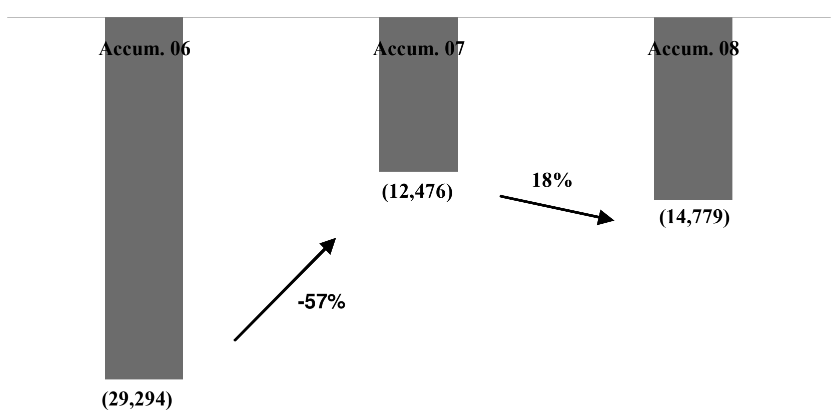
Net Loss for the Year

The loss before taxation improved by R$ 29 million in relation to the prior year, representing an amount of R$ 2 million. However, taxable income amounts to R$ 44 million in the Consolidated statements. The difference is justified mainly because the R$ 19,558 thousand loss of the US subsidiary is not deductible for income tax and social contribution calculation purposes, and also because of additions to recognize foreign exchange variations which, for tax purposes, are considered on a cash basis. Accordingly, the Company incurred tax charges in Brazil of R$ 12 million. This fact notwithstanding, the net result for the year improved by R$ 30 million in relation to the prior year, amounting to a loss of R$ 9 million.

Net Loss for the Year



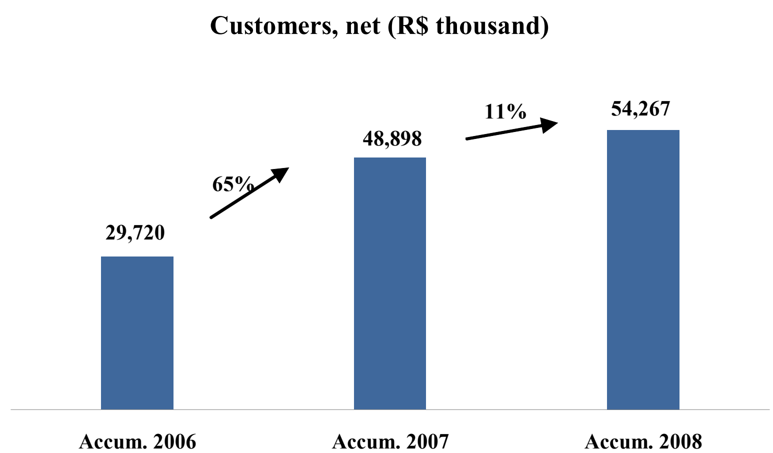
Adjusted Net Loss for the Year

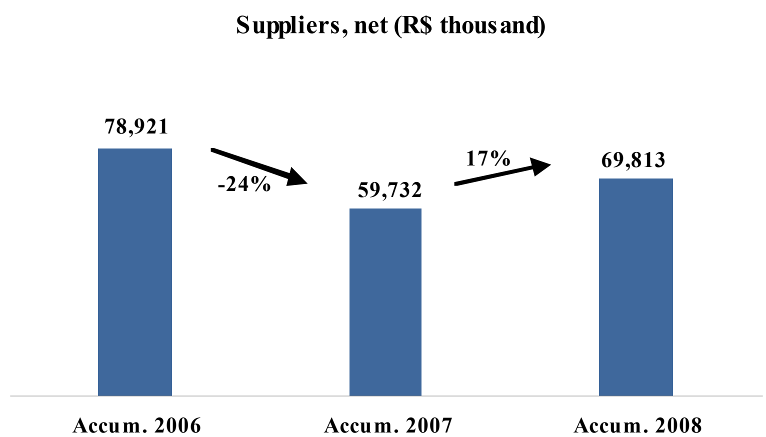


Working Capital

Despite the increase in production and sales, the Company undertook successfully a strict inventory control program. As a result, working capital to finance inventories was reduced by R$ 11 million in the year. Expressed in average days sales, the reduction was from 97 to 85 days.

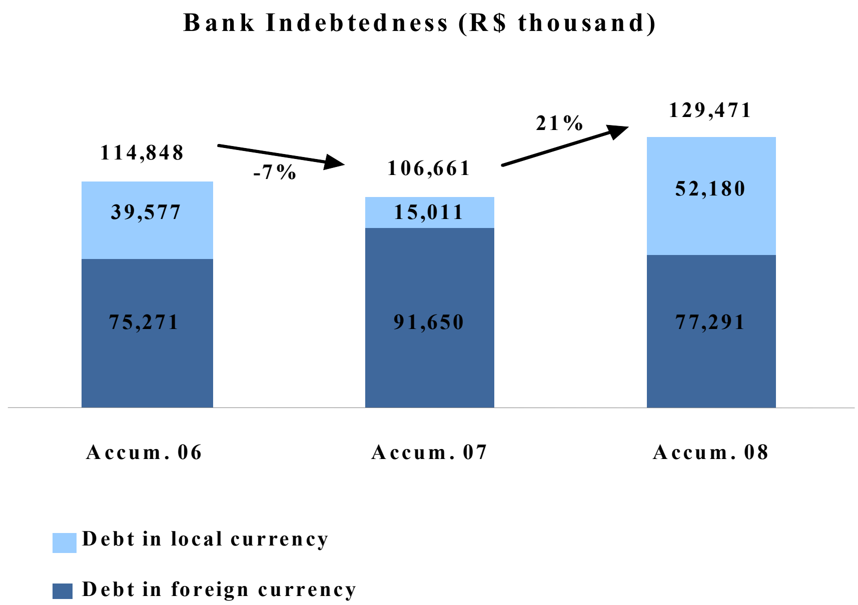
Working capital to finance customers went up from 37 days to 38 average days of sales. Financing obtained from suppliers went up from 77 days to 92 days on average.





Loans and Financing

The balance of R$ 129 million in loans and financing at December 31, 2008 shows an increase of 21% in relation to the prior year balance. The relation of net debt to ADJUSTED EBITDA decreased from 2.8 times in 2007 to 2.4 times in 2008. The net balances of loans and financing in US dollars amounted to US$ 33 million, 17% less than in the prior year.



The debt in foreign currency (net exposure) is equivalent to about nine months of exports based on the average for the year. Since almost all the loans in foreign currency are long-term, the foreign currency gains over the payment period are approximately equivalent to the debt service, therefore, a natural hedge in the cash flows.

HUMAN RESOURCES

The investments in the areas of training and employee benefits including, among others, health care and pension plans, amounted to R$ 5 million. 21 thousand hours were spent in training of the staff of the Company and its subsidiaries. In the preventive health care area, 695 doses of vaccine against influenza and 800 doses of vaccine against rubella were applied. The consolidated number of personnel at year end totaled 1,994, 1,632 of whom are Company employees, 345 are outsourced and 17 are interns. In comparison with the prior year, there was an increase of 143 jobs, equivalent to 8% of the total consolidated, while production capacity increased by 31%.

SOCIAL RESPONSIBILITY

The Social Responsibility Council, created in 2004 and formed by Company employees, had a valuable performance in 2008 during the flood catastrophe, when several employees had their homes inundated. The Council mobilized the employees in a solidarity campaign to collect clothes and food, in addition to R$ 63 thousand which were used to buy furniture and construction materials. It also acted in favor of the community, with winter-charity campaigns, voluntary Christmas and a partnership with *Casa Irmã Dulce* provides services to the Jardim Progresso destitute community. The Social Responsibility Council of Portobello S.A. also participated in Environmental Education, through lectures in public schools and in the Environment Week of the city.

STOCK EXCHANGE

The price of common shares at the close of the year was R$ 1.03, a drop of 66% in relation to prior year closing. 5,552 transactions with Company shares were recorded at the São Paulo Stock Exchange (BOVESPA), totaling R$ 46 million at the average price of R$ 1.63 per share. In the prior year, 10,128 transactions were recorded, totaling R$ 62 million at the average price of 2.69 per share.

OTHER SIGNIFICANT INFORMATION

The Company informs that, pursuant to a Commitment Clause established in its by-laws, it is bound to arbitration by the Market Arbitration Chamber.

In compliance with Brazilian Securities Commission Instruction CVM 381 of 01/14/2003, the Company informs that the independent audit is performed by PricewaterhouseCoopers Auditores Independentes, which does not provide any other type of service to the Company or to its subsidiaries.

The members of the Company's Management are:

Executive Board

Name	**Position**
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Vice-President
Mario A. F. Baptista	Financial and Investor Relations Director
Nilton Torres de Bastos Filho	Industrial Director

Board of Directors

Name	**Position**	**Note**
Cesar Bastos Gomes	Chairman	
Cesar Gomes Júnior	Vice-Chairman	Chief Executive Officer
Plínio Villares Musetti	Board member	Independent
Fernando Marcondes de Mattos	Board member	Independent
Glauco José Corte	Board member	Independent
Mailson Ferreira da Nóbrega	Board member	Independent
Rami Naun Goldfajn	Board member	Independent elected by minority stockholders
Cláudio Ávila da Silva	Board member	Director
Francisco Amaury Olsen	Board member	Independent

Accountant

Gladimir Arnaldo Brzezinski - CRC SC 13.729/O-1

(A free translation of the original in Portuguese)

Portobello S.A. and Subsidiaries

Financial Statements at December 31, 2008 and 2007 and Report of Independent Auditors

(A free translation of the original in Portuguese)

Report of Independent Auditors

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

1 We have audited the accompanying balance sheet of Portobello S.A. and the consolidated balance sheet of Portobello S.A. and its subsidiaries at December 31, 2008, and the related statements of operations, of changes in stockholders' equity, of cash flows and of value added of the Company and the related consolidated statements of operations, of cash flows and of value added for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2 We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Portobello S.A. and of Portobello S.A. and its subsidiaries at December 31, 2008, and the results of its operations, the changes in stockholders' equity, its cash flows and the value added to the Company's operations, and the consolidated results of operations, cash flows and value added to the operations of the Company and its subsidiaries, for the year then ended, in accordance with accounting practices adopted in Brazil.

Portobello S.A.

4 As described in Note 1 to the financial statements, the Company has incurred recurring losses in its operations and at December 31, 2008 has an excess of current liabilities over current assets of R$ 31,862 thousand (R$ 70,673 thousand in the consolidated statements). Management's plans relating to these matters are also described in Note 1 and consider, among other aspects, strengthening the operating and financial areas of the Company through the extension of the debt profile and the reduction of industrial costs with the modernization of certain production lines. The financial statements for the year ended December 31, 2008 have been prepared in accordance with the accounting practices adopted in Brazil applicable to companies operating as a going concern and consider that management's plans will be effective and, therefore, do not include any adjustments or reclassifications as a result of these uncertainties.

5 The audit of the financial statements for the year ended December 31, 2007, comprising the balance sheet (parent company and consolidated) of Portobello S.A. and the related statements of income, of changes in stockholders' equity (parent company) and of cash flows for the year then ended, prepared in connection with the financial statements for 2008 and presented for comparison purposes, was conducted by other independent auditors who issued an unqualified opinion thereon with a double date of March 12, 2008 and March 18, 2008, however, including a paragraph of emphasis relating to the continuity of operations, similar to that described in paragraph 4 of this report.

6 As mentioned in Note 2, the accounting practices adopted in Brazil were changed as from January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the financial statements for 2008, were prepared in accordance with the accounting practices adopted in Brazil in effect until December 31, 2007 and, as allowed by Technical Pronouncement No. 13 of the Brazilian Accounting Pronouncements Committee (CPC) – First-time Adoption of Law No. 11638/07 and Provisional Measure No. 449/08, have not been restated to facilitate comparison between the years.

Portobello S.A.

7 The statements of value added of the parent company and consolidated for the year ended December 31, 2007, prepared in connection with the financial statements for 2008, were not subject to the audit procedures by other independent auditors and, therefore, our report does not cover these statements.

Joinville, March 13, 2009

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

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

Portobello S.A. and subsidiaries

Balance Sheet at December 31

In thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company 2008	Parent company 2007	Consolidated 2008	Consolidated 2007
Current assets					
Cash and cash equivalents		6,446	1,280	9,017	2,362
Trade accounts receivable	4	104,944	73,379	74,224	59,436
Marketable securities	5	6,790	4,339	6,790	4,339
Inventories	6	57,696	59,205	64,300	75,609
Advances to suppliers		2,322	1,690	2,365	1,731
Taxes recoverable		224	510	1,166	1,510
Dividends receivable	19	8,285	922		
Prepaid expenses		104	263	214	269
Other		1,469	2,197	1,534	2,663
		188,280	143,785	159,610	147,919
Non-current assets					
Long-term receivables					
Receivables from subsidiaries	19	820	783		
Receivables from other related parties	19	95,229	90,304	95,229	90,304
Judicial deposits		260	785	365	951
Deferred income tax and social contribution on net income	7a	5,313	5,475	5,313	6,715
Properties for sale		208	156	1,016	156
Receivables from Eletrobrás	8	9,059		9,059	
Other	9	461	273	1,072	940
		111,350	97,776	112,054	99,066
Investments					
Investments in subsidiaries	10	479	4,618		
Compulsory loans			590		590
Other		199	290	221	428
Property, plant and equipment	11	173,948	150,170	175,403	152,172
Intangible assets	12	3,070	549	3,141	550
Deferred charges	13		5,174		5,306
		177,696	161,391	178,765	159,046
		289,046	259,167	290,819	258,112
Total assets		477,326	402,952	450,429	406,031

Liabilities and stockholders' equity	Note	Parent company 2008	Parent company 2007	Consolidated 2008	Consolidated 2007
Current liabilities					
Suppliers		70,812	60,039	72,178	61,463
Loans and financing	14	91,553	55,366	93,144	63,648
Tax liabilities payable in installments	15	9,303	9,535	9,761	9,810
Taxes, fees and contributions	16	9,716	11,794	10,005	12,298
Dividends payable				8	
Debts with related parties	19	2,120	2,226	2,120	2,226
Advances from customers		18,677	10,345	19,957	10,538
Social and labor liabilities		8,031	7,630	9,169	8,847
Other		9,930	5,837	13,941	6,091
		220,142	162,772	230,283	174,921
Non-current liabilities					
Loans and financing	14	35,583	42,348	36,327	43,013
Provisions for contingencies	18	11,965	2,849	12,010	2,895
Debts with related parties	19	7,386	9,356	149	4,525
Deferred income tax and social contribution on net income	11	17,711	18,249	17,711	18,249
Liabilities with pension plans	20	3,629	3,604	3,629	3,604
Tax liabilities payable in installments	15	28,957	28,097	30,217	28,256
Taxes payable	17	111,957	106,241	112,354	106,614
Provision for loss on investments	10	31,612	5,893		
Other		2,918		2,918	352
		251,718	216,637	215,315	207,508
Minority interest				(5)	62
Stockholders' equity					
Capital	21	112,957	112,957	112,957	112,957
Capital reserve		267	267	267	267
Revaluation reserve		52,989	54,584	52,989	54,584
Equity valuation adjustment		(9,352)		(9,352)	
Accumulated deficit		(151,395)	(144,265)	(152,025)	(144,268)
		5,466	23,543	4,836	23,540
		477,326	402,952	450,429	406,031

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

Portobello S.A. and Subsidiaries

Statement of Operations
Years Ended December 31

In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2008	2007	2008	2007
Gross sales revenues		464,025	395,265	517,466	479,284
Gross sales deductions		(104,993)	(81,080)	(108,885)	(84,452)
Net sales revenues		359,032	314,185	408,581	394,832
Cost of sales		(259,156)	(246,081)	(275,841)	(283,045)
Gross profit		99,876	68,104	132,740	111,787
Operating income (expenses)					
Selling		(45,468)	(42,655)	(76,036)	(72,675)
General and administrative		(13,225)	(13,014)	(17,330)	(18,375)
Equity in the loss of subsidiaries	10	(9,452)	(3,881)		
Other operating income (expenses), net	22	5,927	(25,751)	4,014	(27,982)
		(62,218)	(85,301)	(89,352)	(119,032)
Operating income (loss) before financial result		37,658	(17,197)	43,388	(7,245)
Financial result	24				
Financial income		1,301	2,579	2,048	2,963
Financial expenses		(32,178)	(31,781)	(33,662)	(34,173)
Monetary and foreign exchange variations, net		(8,613)	12,756	(8,613)	12,756
		(39,490	(16,446)	(40,227)	(18,454)
Operating profit (loss)		(1,832)	(33,643)	3,161	(25,699)
Other expenses, net		(1,115)	(1,225)	(958)	(1,342)
Profit (loss) before taxation		(2,947)	(34,868)	2,203	(27,041)
Income tax and social contribution on net income	7(b)				
Current		(6,154)		(10,684)	(2,257)
Deferred		376	(10,199)	(864)	(10,199)
		(5,778)	(10,199)	(11,548)	(12,456)
Loss before minority interest		(8,725)	(45,067)	(9,345)	(39,497)
Minority interest				(7)	89
Loss for the year		(8,725)	(45,067)	(9,352)	(39,408)
Outstanding shares at the balance sheet date (in thousands)		159,009	159,009	159,009	159,009
Loss for the year per thousand shares - R$		(54.87)	(283.42)	(58.81)	(247.84)

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

Portobello S.A. and subsidiaries

Statement of Changes in Stockholders' Equity

In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

Parent Company

	Note	Capital	Capital reserve	Revaluation reserve	Accumulated deficit	Equity valuation adjustment	Sub-total	Advance for future capita increase	Total
At December 31, 2006		100,717	267	56,192	(100,806)		56,370	423	56,793
Capital increase		12,240					12,240	(423)	11,817
Realization of revaluation reserve	11			(1,608)	1,608				
Loss for the year					(45,067)		(45,067)		(45,067)
At December 31, 2007		112,957	267	54,584	(144,265)		23,543		23,543
Realization of revaluation reserve	11			(1,595)	1,595				
Cumulative translation adjustments						(9,352)	(9,352)		(9,352)
Loss for the year					(8,725)		(8,725)		(8,725)
At December 31, 2008		112,957	267	52,989	(151,395)	(9,352)	5,466		5,466

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

Portobello S.A. and subsidiaries

Statement of Cash Flows
Years Ended December 31
In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Net cash from operating activities	(1,812)	(9,469)	(5,655)	481
Cash provided by (used in) operating activities	13,642	12,245	12,869	14,324
Loss for the year before taxation	(2,947)	(34,868)	2,203	(27,041)
Adjustments				
Depreciation and amortization	14,777	18,374	15,382	19,317
Equity in the loss of subsidiaries	9,452	3,881		
Financial charges and foreign exchange variations	(12,306)	12,139	(14,849)	7,036
Deferred income tax and social contribution on net income	(376)	10,199	(864)	10,199
Employee profit sharing	1,300		1,420	
Provision of inventories to market value	1,408	1,206	1,408	1,206
Provision for doubtful accounts	(112)	595	(155)	1,035
Residual cost of property, plant and equipment written-off	677	403	3,916	404
Minority interest			7	(89)
Other		316		
Income tax and social contribution on net income paid	1,769		4,401	2,257
Changes in assets and liabilities	(15,454)	(21,714)	(18,524)	(13,843)
(Increase)/decrease in accounts receivable	(31,565)	(24,845)	(35,602)	(24,541)
(Increase)/decrease in inventories	1,509	10,783	11,309	24,788
(Increase)/decrease in other assets	(9,273)	2,413	(1,557)	933
(Increase)/decrease in non-current assets	(13,574)	(15,484)	(12,988)	(12,183)
Increase/(decrease) in accounts payable	10,773	(12,295)	10,715	(18,429)
Increase/(decrease) in liabilities payable in installments	628	1,794	1,912	1,436
Increase/(decrease) in tax liabilities	1,632	10,872	(3,424)	10,918
Increase/(decrease) in labor liabilities	401	611	322	(166)
Increase/(decrease) in other accounts payable	24,015	4,437	10,789	3,401
Net cash used in investing activities	(30,287)	(4,208)	(30,287)	(4,497)
Purchases of property, plant and equipment	(36,848)	(4,208)	(36,848)	(4,497)
Eletrobrás compulsory loan	6,561		6,561	
Net cash provided by financing activities	37,265	13,589	42,597	4,479
New loans and financing	212,710	138,828	275,958	200,730
Payments of loans and financing	(175,339)	(136,978)	(233,255)	(203,949)
Payments to related parties	(106)	(78)	(106)	(4,119)
Capital increase		11,817		11,817
(Increase)/decrease in cash and cash equivalents	5,166	(88)	6,655	463
Opening balance of cash and cash equivalents	1,280	1,368	2,362	1,899
Closing balance of cash and cash equivalents	6,446	1,280	9,017	2,362

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

Portobello S.A. and Subsidiaries

Statement of Value Added
Years Ended December 31

In thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2008	**2007** (unaudited)	**2008**	**2007** (unaudited)
Revenues	478,734	396,362	553,222	457,534
Sales of goods, products and services	478,622	396,386	553,103	457,997
Other revenues		571	234	572
Provision (reversal) for doubtful accounts	112	(595)	(115)	(1,035)
Inputs acquired from third parties	(257,783)	(251,565)	(305,338)	(284,561)
Cost of products, goods and services sold	(188,349)	(168,691)	(216,456)	(183,839)
Materials, energy, third party services and other	(69,536)	(83,003)	(88,985)	(101,097)
Loss/recovery of assets	102	129	103	375
Gross value added	220,951	144,797	247,884	172,973
Retentions	(14,777)	(18,374)	(15,382)	(19,317)
Depreciation, amortization and depletion	(14,777)	(18,374)	(15,382)	(19,317)
Net value added produced	206,174	126,423	232,502	153,656
Value added received in transfer	41,622	18,914	43,543	22,567
Equity in the loss of subsidiaries	(9,452)	(3,881)		
Financial income	42,789	22,189	43,535	22,567
Other	8,285	606	8	
Total value added to be distributed	247,796	145,337	276,045	176,223
Distribution of value added	247,796	145,337	276,045	176,223
Personnel	69,322	62,189	82,905	76,081
Direct remuneration	59,513	54,603	72,457	67,987
Benefits	5,956	3,596	6,382	3,821
FGTS (Government Severance Indemnity Fund for Employees)	3,853	3,990	4,066	4,273
Taxes, fees and contributions	101,416	86,134	108,233	91,038
Federal	56,143	50,629	61,686	54,560
State	45,198	35,455	46,457	36,382
Municipal	75	50	90	96
Remuneration of third party capital	85,783	42,081	94,259	48,512
Interest	82,279	38,635	84,197	40,825
Rent	3,504	3,446	10,062	7,687
Remuneration of own capital	(8,725)	(45,067)	(9,352)	(39,408)
Loss for the year	(8,725)	(45,067)	(9,352)	(39,408)

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

1 Operations

Portobello S.A. ("Portobello" or the "Company") manufactures and sells ceramic tiles for interior walls, mosaics, external façades, floors, technical porcelain, enameled porcelain, decorated objects and special objects, and provides supplementary services for the civil construction industry in Brazil and abroad.

The Company also holds investments in subsidiaries. At December 31, 2008, the Company holds interest in the following subsidiaries:

(a) Portobello América - Distributes Portobello products in the North American market, is located in Pompano Beach, Flórida, and has 20 employees.

(b) Mineração Portobello - Supplies about 50% of the raw materials used by Portobello S.A. in the production of ceramic tiles. It has mineral deposits in several municipalities in the States of Santa Catarina and Paraná.

(c) PBTech Ltda. - Located in Tijucas, State of Santa Catarina and was incorporated with the objective of providing customers in the engineering sectors (civil construction companies) a differentiated service, with sales of products and services.

(d) Portobello Shop S.A. - Company which manages the Portobello Shop franchised stores specialized in ceramic tiles, currently totaling 103 stores

At December 31, 2008, Portobello S.A. has an excess of current liabilities over current assets of R$ 31,862 (2007 - R$ 18,987) and of R$ 70,673 (2007 - R$ 27,002) in the consolidated statements. Management plans to reverse this situation through:

- Restructuring of the debt extending the indebtedness profile and obtaining a grace period for payment.
- Implementation of measures to strengthen the operating and financial areas in order to improve the profit margins.
- Modernization of two production lines to reduce industrial costs, completed in September 2008, and to obtain more productivity and increase of the installed capacity.

The financial statements have been prepared and are being presented considering that the Company will continue as a going concern.

(All amounts in thousands of reais, unless otherwise indicated)

2 Presentation of the Financial Statements and Significant Accounting Practices

Presentation of the Consolidated Financial Statements

The financial statements were approved by the Company Board of Directors on March 13, 2008.

The consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, based on the provisions of Brazilian Corporation Law and the standards established by the Brazilian Securities Commission.

The preparation of financial statements requires the use of estimates to record certain assets, liabilities and other transactions. The Company's financial statements, therefore, include estimates related to the selection of the useful lives of property, plant and equipment, provisions for contingent liabilities, income tax and other similar liabilities. The actual results may differ from those estimated.

The balance sheet accounts, sales, costs and expenses arising from transactions between consolidated companies have been eliminated on consolidation. The balance of investments maintained by the Company has also been eliminated, and the minority interest highlighted.

The consolidated financial statements include the financial statements of the following subsidiaries:

	%	
	2008	**2007**
Portobello América, Inc.	100.00	98.42
Mineração Portobello Ltda.	99.76	99.76
PBTech Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90

When applicable, the accounting practices adopted by the subsidiaries are adjusted to reflect the same accounting practices adopted by the parent company.

The reconciliation between the stockholders' equity and the loss for the years presented by the parent company and consolidated, is as follows:

(All amounts in thousands of reais, unless otherwise indicated)

	Loss		Stockholders' equity	
	2008	**2007**	**2008**	**2007**
Parent company	(8,725)	(45,067)	5,466	23,543
Unrealized profit in inventories	(630)	(3)	(630)	(3)
Reversal of unrealized profit	3	5,662		
Consolidated	(9,352)	(39,408)	4,836	23,540

Changes to the Brazilian Corporation Law

Law 11638 was enacted on December 28, 2007 and altered by Provisional Measure (MP) 449 of December 4, 2008, amending and introducing new provisions to the Brazilian Corporation Law. The main purpose of this Law and MP was to amend the Brazilian Corporation Law to enable the process of convergence of the accounting practices adopted in Brazil with those included in the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). The application of this Law and MP is mandatory for annual financial statements for the years beginning on or after January 1, 2008.

The changes in the Brazilian Corporation Law had the following principal impacts on the Company's financial statements at December 31, 2008 and January 1, 2008 (transition date of the first time adoption of Law 11638 and MP 449):

(a) Reduction to the Recoverable Value of Assets: The Company estimated the recoverable value of property, plant and equipment and intangible assets through the value in use method (Future Cash Flows), and no required reductions to be recorded were identified.

(b) Foreign investments: The financial statements of the subsidiary Portobello America Inc., located abroad, were translated into local currency applying the following criteria: The balance sheet was translated based on the exchange rate ruling on December 31, 2008, and the statement of operations at the average rate for the year. The Cumulative translation adjustment of R$ 9,352 is recorded in stockholders' equity in the caption Equity valuation adjustment. At December 31, 2007, the Cumulative translation adjustment totaled R$ 281 and was recorded in the statement of operations under Other operating income (expenses), net.

(c) Investments in marketable securities: The assets classified as "Held for trading" are stated at fair value with contra entry to income for the year and recorded under "Cash and cash equivalents". At December 31, 2007, stockholders' equity had not been affected by this accounting practice. Also, there are no financial assets and liabilities classified as "Available for sale". The assets classified as "Held to maturity" are stated at amortized cost. There were on impacts on stockholders' equity at December 31, 2008 and 2007 as result of the adoption of these accounting practices.

(d) Adjustment to present value: Management understands that the concept of present value has application in the preparation of the financial statements of the Company and analyzed those situations in which there is the possibility of a difference, at the date of initial recognition, between the nominal value and the fair value of financial assets and liabilities and concluded that the effects of the adjustment to present value of short-term assets and liabilities at December 31, 2008 and 2007 are not significant. No long-term assets and liabilities were identified that should be adjusted to present value.

(e) Derivative financial instruments: The Company does not have any derivative financial instruments.

(f) Revaluation: As permitted by CPC 13 – First-time Adoption of Law 11638 and MP 449, the Company opted for maintaining the balances of the revaluation reserve up to their effective realization. (See Note 3 (g)).

(g) Reclassifications: Expenses recorded in deferred charges were reclassified to intangible assets at the transition date for the first-time adoption of CPC 13 on January 1, 2008. (See Note 3 (i)).

(h) Statement of Cash Flows: The presentation of the Statement of changes in financial position was replaced by the Statement of cash flows for 2008 and 2007; these statements were already being presented in a supplementary note to the financial statements of prior years.

(i) Statement of Value Added: Management decided to disclose the Statement of value added for the year ended December 31, 2007 in comparison to the year ended December 31, 2008.

(j) Changes in the economic useful lives of assets: During 2008, the Company reviewed the economic useful lives of property, plant and equipment and intangible assets, prospectively as from January 1, 2008, with a consequent reduction in the depreciation charge for the year of R$ 3,260. The related deferred tax liabilities have not been recorded since the Company does not comply with the conditions for recognition of deferred tax credits on income tax and social contribution on net income losses and temporary differences, as described in Note 7.

As permitted by the Brazilian Accounting Pronouncements Committee (CPC) pronouncement 13 - First-time adoption of Law 11638/07 and MP 449/08, the Company's management opted not to present restated comparative amounts to comply with Accounting Standards and Procedures (NPC) No. 12 - Accounting Practices, Changes in Estimates and Correction of Errors.

3 Principal Accounting Practices

The principal accounting practices adopted in the preparation of the financial statements are described below:

(a) Cash and cash equivalents

These comprise cash, bank deposits and short-term investments with high liquidity (held for trading stated at fair value through income for the year), recorded at cost plus income accrued up to the balance sheet date.

(b) Financial instruments

Classification and valuation

The Company classifies its financial assets according to the following categories: at fair value through income (held for trading), held to maturity and receivables since there are no financial assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets when first recorded.

Financial assets calculated at fair value through income (held for trading)

These are financial assets held for active and frequent trading. Gains or losses arising from the fair value variations of financial assets calculated at fair value through income are recorded in the statement of operations in Financial result in the period they occur.

Financial assets held to maturity

These are basically financial assets that cannot be classified as receivables because they are quoted in an active market. In this instance, these financial assets are acquired with the purpose and financial ability of being held in the portfolio up to their maturity. They are valued at acquisition cost plus accrued income with a contra entry to income for the year, based on the effective interest rate method.

Receivables

These include receivables which are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They are included in current assets, except for those with maturity of more than 12 months from the balance sheet date (these are classified as non-current assets). The Company's receivables comprise trade accounts receivable, related party receivables and other accounts receivable.

Trade accounts receivable are initially stated at present value, net of the provision for doubtful accounts, when applicable. The provision for doubtful accounts is established when there is objective evidence that the Company will not be able to realize the amounts due in accordance with the original terms of the accounts receivable. The amount of the provision is the difference between the book value and the recoverable value.

Advances on foreign exchange contracts and export contracts

These are stated at cost plus foreign exchange variations and interest calculated up to the balance sheet date. Advances related to credit sales already made are deducted from the accounts receivable.

Fair value

Fair value is the amount by which an asset could be exchanged, or a liability settled, between independent parties aware of the business and with interest in realizing them, in a transaction with no favored parties.

(c) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the Weighted Moving Average method.

The costs of finished products and work in process comprise raw materials, direct labor, other direct costs and related general production expenses (based on the normal operating capacity), except for borrowing costs. The net realizable value is the estimated sales price in the normal course of business, less production costs and selling expenses.

(d) Deferred income tax and social contribution on net income

The current income tax and social contribution on net income expense is calculated based on the current rates of these taxes on the net income adjusted under the terms of current tax legislation. The offset of income tax and social contribution losses is limited to 30% of taxable income of each year.

Deferred taxes relate to accumulated income tax and social contribution on net income losses, to temporary differences and to revaluations of property, plant and equipment. The credits have taken into consideration the expectation of future taxable income and are calculated based on the rates established in current tax legislation and recorded up to the amount considered realizable based on the Company's estimates of future taxable income.

(e) Judicial deposits

Judicial deposits are monetarily restated and presented as a deduction from the corresponding liability when they cannot be redeemed, unless there is a favorable outcome for the entity in the dispute.

(f) Investments

Investments in subsidiaries are recorded on the equity method of accounting; equity in earnings or losses are recognized in income for the year as operating income (or expense). In the event of exchange variations on the investment in the subsidiary Portobello America Inc. the changes in the value of the investment exclusively arising from exchange variations are recorded in the account "Equity valuation adjustment", in the Company's stockholders' equity, and will be only recorded in income for the year when the investment is sold or written off as a loss. The other investments are stated at acquisition cost less provision to adjust them to probable realization values, when applicable.

(g) Property, plant and equipment

Property, plant and equipment is stated at purchase or construction cost plus revaluations, less depreciation on the straight-line method at the rates listed in Note 11, which are reviewed annually. The contra entries to these revaluations are recorded in a specific stockholders' equity account and in deferred taxes in long-term liabilities.

As permitted by CPC Pronouncement 13 – First-time Adoption of Law 11,638/07, the Company opted to maintain the revaluation reserve up to its effective realization.

The Company adopts the procedure of reviewing property, plant and equipment for losses that may be considered permanent whenever events or changes in circumstances indicate that the book value of an asset or group of assets might not be recovered based on future cash flows. Based on the reviews to date, there is no need to record provisions for any permanent impairments.

(h) Intangible assets

These refer to the record of rights of trademarks and patents, and expenses with the implementation of the management system and software. They are stated at acquisition cost less accumulated amortization calculated on the straight-line method at rates which consider the estimated recovery period.

(i) Deferred charges

These are recorded at cost less amortization calculated as from the start of generation of benefits, over a minimum of five years. At December 31, 2008, the expenditures recorded in this caption were analyzed and classified as Intangible Assets, since they comply with the conditions of the accounting practices for such classification.

(j) Capital leases

The leases of property, plant and equipment in which the Company substantially assumes the risks and benefits of ownership are classified as capital leases under the caption Loans and financing, and recorded as a financed purchase. The transaction is recorded initially as a property, plant and equipment item and a financial liability at fair value and, subsequently, at amortized cost. Property, plant and equipment acquired in capital leases is depreciated at the normal rates listed in Note 11.

The leases in which part of the risks and benefits of ownership stay with the Company are classified as operating leases. The expenses with operating leases are charged to expense on the straight-line method throughout the lease period.

(k) Other current assets and long-term receivables

These are stated at realizable values including, when applicable, accrued income and monetary and foreign exchange rate variations.

(l) Profit sharing and bonuses

Profit sharing and bonuses are recognized at the end of the year, when the amount can be accurately calculated by the Company, and recorded in Other current liabilities and in the statement of operations as Other operating expenses.

(m) Loans and financing

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

(n) Other current and non-current liabilities

These are stated at known or estimated amounts including, when applicable, related charges on a pro rata daily basis.

(o) Determination of the results of operations

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

(p) Private pension plan

The plan is recorded on the accrual basis of accounting, as described in Note 20.

(q) Transactions with related parties

These transactions are carried out under the conditions described in Note 19.

(r) Provisions for contingencies

Provisions are recognized when the Company has a legal or informal present obligation as a result of past events, it is probable that a cash outflow is necessary to settle the obligation, and a reliable estimate of the amount can be made.

(All amounts in thousands of reais, unless otherwise indicated)

(s) Foreign currency translation

Foreign currency assets and liabilities are translated at the exchange rate in effect on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of these transactions are recognized in the results of operations, as a financial result.

The foreign currency items included in the financial statements of the Company (parent company and consolidated) are primarily measured using the currency that best reflects the significance and economic essence of the events and subjacent circumstances ("functional currency"). In the Company's financial statements, the items in foreign currency are presented in reais (R$), which is the functional currency of the Company.

The foreign currency transactions are translated as from the functional currencies using the foreign exchange rates ruling on the transaction dates. The balance sheet account balances are translated at the exchange rate at the balance sheet date. Exchange gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations.

The assets and liabilities recorded by the foreign subsidiary were translated to reais at the exchange rate ruling on the balance sheet date and the profit/loss at the monthly average exchange rates. The exchange variation on the foreign investment was recorded as Cumulative translation adjustment in stockholders' equity under the caption Equity valuation adjustment.

4 Trade Accounts Receivable

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Accounts receivable from third parties:				
Customers - Local market	51,821	47,906	54,480	48,317
Customers - Foreign market	20,398	17,373	28,661	26,698
	72,219	65,279	83,141	75,015
Accounts receivable from subsidiaries:				
Portobello America Inc. – foreign	37,937	21,128		
PB Tech Ltda. – local	2,327	1,940		
	40,264	23,068		

(All amounts in thousands of reais, unless otherwise indicated)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Provision for doubtful accounts	(1,898)	(2,011)	(3,276)	(2,622)
Discounted trade bills	(1,112)	(1,722)	(1,112)	(1,722)
Advances on export contracts	(4,529)	(11,235)	(4,529)	(11,235)
	(7,539)	(14,968)	(8,917)	(15,579)
Total accounts receivable	104,944	73,379	74,224	59,436

The aging of receivables is as follows:

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Not yet due	63,718	51,994	70,969	57,987
Overdue up to 30 days	3,635	7,453	4,347	8,901
Overdue from 31 to 60 days	966	1,042	1,384	1,622
Overdue from 61 to 90 days	606	687	929	818
Overdue from 91 to 180 days	346	1,639	2,570	1,918
Overdue from 181 to 360 days	429	838	433	1,235
Overdue for more than 360 days	2,519	1,626	2,509	2,534
Total accounts receivable	72,219	65,279	83,141	75,015

At December 31, 2007, the provision for loss on investments in subsidiaries was presented as a deduction from accounts receivable. For a more appropriate presentation, it was reclassified at December 31, 2008 to non-current liabilities. The balance of R$ 5,893 at December 31, 2007 has also been reclassified to maintain the comparison.

5 Marketable Securities

The financial assets in the parent company and consolidated at December 31, 2008, classified as Held to maturity are as follows:

(All amounts in thousands of reais, unless otherwise indicated)

	Parent company and consolidated	
	2008	**2007**
Restricted account (a)	6,790	2,661
Financial investments (b)		1,678
	6,790	4,339

(a) Restricted account - a current account restricted in connection with a prepayment transaction with interest of 2.373% p.a. in US$ and falling due on March 30, 2009

(b) Financial investments - pledged as collateral for loans (See Note 14).

6 Inventories

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Finished products	46,492	45,846	54,697	62,250
Work in process	7,379	7,310	7,379	7,310
Raw and consumption materials	6,927	8,542	6,927	8,542
Provision for reduction of inventories to realizable value	(3,102)	(2,493)	(4,703)	(2,493)
Total	57,696	59,205	64,300	75,609

7 Income Tax and Social Contribution on Net Income

(a) Deferred income tax and social contribution on net income

Deferred income tax and social contribution credits were recorded at the current tax rates at December 31, 2008 and are as follows:

(All amounts in thousands of reais, unless otherwise indicated)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Deferred income tax credits				
On tax losses	5,818	5,818	5,818	7,058
On temporarily non-deductible provisions	6,136	6,136	6,136	6,136
(-) Valuation allowance for the amount with realization not currently assured	(8,139)	(8,020)	(8,139)	(8,020)
	3,815	3,934	3,815	5,174
Deferred social contribution credits				
On tax losses	2,149	2,149	2,149	2,149
On temporarily non-deductible provisions	2,107	2,107	2,107	2,107
(-) Valuation allowance for the amount with realization not currently assured	(2,758)	(2,715)	(2,758)	(2,715)
	1,498	1,541	1,498	1,541
	5,313	5,475	5,313	6,715

In compliance with CVM Instruction 371, the Company did not record tax credits on income tax and social contribution losses incurred as from July 1, 2002, amounting to R$ 47,280 at December 2008 (R$ 41,070 at December 2007), since economic feasibility studies indicate that realization of these assets is limited to the amounts of the deferred income tax and social contribution liabilities on the revaluation reserve.

(b) Analysis of the tax expense

	Consolidated		Parent company	
	2008	**2007**	**2008**	**2007**
Income tax				
Provision for income tax - current	(4,518)		(7,954)	(1,678)
Reversal of deferred income tax on realization of the revaluation reserve	396	395	396	395
Valuation allowance for the deferred income tax with realization not currently assured	(120)	(8,020)	(1,360)	(8,020)
	(4,242)	(7,625)	(8,918)	(9,303)

(All amounts in thousands of reais, unless otherwise indicated)

	Consolidated		Parent company	
	2008	**2007**	**2008**	**2007**
Social contribution				
Provision for social contribution - current	(1,636)		(2,730)	(579)
Reversal of deferred social contribution on realization of revaluation reserve	145	141	145	141
Valuation allowance for the deferred social contribution with realization not currently assured	(45)	(2,715)	(45)	(2,715)
	(1,536)	(2,574)	(2,630)	(3,153)
	(5,778)	(10,199)	(11,548)	(12,456)

(c) Effective tax rate reconciliation:

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Profit/(loss) before taxation	(2,947)	(34,868)	2,203	(27,041)
Standard tax rate	34%	34%	34%	34%
(a) Tax credit (expense) at the standard rate	1,002	11,855	(749)	9,194
Tax effect of (additions) exclusions:				
(b) Equity in the loss of subsidiaries	(3,214)	(1,319)		
(c.1) - Loss on investments in subsidiaries		(95)		(95)
(c.2) - Other non-deductible expenses	(111)	(2,722)	(306)	(2,620)
(c) Total permanent differences (c.1) + (c.2)	(111)	(2,817)	(306)	(2,715)
(d) Depreciation of revalued assets	(544)	(518)	(544)	(518)
(e) Unrecorded tax credits on temporary differences and tax losses for the year	(3,287)	(7,201)	(8,085)	(8,218)
(f) Subtotal (a) + (b) + (c) + (d) + (e)	(6,154)		(10,684)	(2,257)
(g) Valuation allowance for amount with realization not currently assured	376	(10,199)	(864)	(10,199)
Expense for the year (f) + (g)	(5,778)	(10,199)	(11,548)	(12,456)

(d) Transition Tax Regime

In order to calculate income tax and social contribution on net income for 2008, companies may opt for the Transition Tax Regime (RTT) in which they are allowed to eliminate the accounting effects of Law 11638/07 and MP 449/08 through records in the Taxable Income Control Ledger (LALUR) or auxiliary controls, without any adjustments to the commercial accounting records. The company must declare its option for this regime upon filing the Corporate Income Tax Return (DIPJ) for 2008.

The financial statements for the year ended December 31, 2008 were prepared taking into consideration management's best estimates which, at the moment, indicate the option for the RTT.

8 Eletrobras Compulsory Loan

From 1977 to 1993, the Company paid, through invoices for electrical energy, the compulsory loan created by Law 4156/62 with the purpose of financing the expansion of the Brazilian electrical sector.

With the objective of obtaining reimbursement of this compulsory loan, the Company filed litigation against Centrais Elétricas Brasileiras S.A. - ELETROBRÁS, which was judged favorably on December 16, 2005.

After the final and unappealable decision, the Company filed an execution action in February 2006 against ELETROBRÁS and the Federal Government. ELETROBRÁS, in its defense, recognized the undisputed portion of R$ 6,286 (amounts at March 1, 2008), comprising (i) a bank deposit of R$ 4,964, received by the Company on April 1, 2008 and (ii) 61,209 class B nominative preferred shares of Eletrobras, valued at R$ 1,322 (March 2008). These shares, according to the IBOVESPA quotation at June 30, 2008, had a market value of R$ 1,594, and were sold on August 13, 2008 for R$ 1,597.

The Judge of the 2nd Federal Court of Florianópolis, after presentation of the parties' positions, determined that the Court Accounting Department calculate the amount due to Portobello, based on the parameters of the court decision. The Department determined that the amount of R$ 12,064, as of February 1, 2006, was due for the repayment of the compulsory loan, including legally defined charges.

(All amounts in thousands of reais, unless otherwise indicated)

The Company has updated the amount calculated by the legal experts, based the same methodology and deducting the amount already recognized as undisputed, resulting in a remaining balance of R$ 11,886 (R$ 9,059, net of provisions for income tax and social contribution)

9 Other Long-Term Receivables

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Marketable securities (a)	6,186	6,186	6,186	6,186
Provision for loss	(6,186)	(6,186)	(6,186)	(6,186)
Escrow deposits			611	652
Value-added Tax on Sales and Services (ICMS) credits on property, plant and equipment	254	273	254	273
Transactions with Banco Santos (a)	1,041	1,041	1,041	1,041
(-) ACE long-term	(1,041)	(1,041)	(1,041)	(1,041)
Receivables - SIMAB (b)	4,535	4,535	4,535	4,535
(-) Provision for loss	(4,535)	(4,535)	(4,535)	(4,535)
Municipal taxes and fees (c)	207		207	
Other				15
	461	273	1,072	940

(a) The Company recorded a provision for loss on the full amount of marketable securities related to transactions with Banco Santos S.A., a bank that was declared bankrupt in 2005. The Company received three advances on foreign exchange contracts (ACC) from Banco Santos in the total amount of US$ 2,200 thousand. R$ 1,041 of this amount is still outstanding and the products have been shipped (Advances on Export Contracts - ACE - performed) and are classified in Other long-term receivables as a reduction of trade accounts receivable relating to this same transaction. In reciprocity, the Company acquired debentures from companies of the Banco Santos group (SANTOSPAR Investimentos e Participações S.A. and SANVEST Participações S.A.), in the total amount of R$ 5,577 (R$ 6,185 at the date of bankruptcy). Following the intervention of Banco Santos by the Brazilian Central Bank, several actions were taken to protect the Company's interests. Having been unsuccessful in the administrative proceedings, the Company filed litigation seeking to offset the liabilities (ACC contracts) of R$ 3,454 against the receivables (Debentures) of R$ 5,577. The Judge of the Civil Court of Tijucas granted a preliminary injunction "*finding that the offset requested in the declaratory action relating* *to the funds received and applied in the debentures offered by Banco Santos was valid, and suspending for the present the effectiveness of the contract signed on October 20, 2004 (ACC 9398).*"

(All amounts in thousands of reais, unless otherwise indicated)

(b) On September 30, 2007, the Company recorded R$ 4,535 as a long-term account receivable relating to the transfer of tax credits (Excise Tax (IPI) premium credits) to SIMAB S.A. On the same date, the Company recorded a provision for loss of the same amount as the asset (see Note 17 b).

(c) In March 2008, the Company requested the reimbursement of municipal taxes paid to the Municipality of Tijucas, of R$ 207, according to Municipal Decree 078/2001.

10 Investments in Subsidiaries

					2008	2007
	Portobello América	Mineração Portobello	PBTech Ltda.	Portobello Shop S.A.	Total	Total
Paid-up capital	21,851	167	3,337	400		
Stockholders' equity/(net capital deficiency)	(29,277)	(300)	(2,035)	480		
Net income (loss) for the year	(15,820)	(74)	(472)	6,921		
Ownership interest %	100.00 %	99.76 %	99.94%	99.90%		
Balance at December 31, 2007				4,618	4,618	4,042
Equity in the earnings (loss)	(15,820)	(74)	(472)	6,914	(9,452)	(3,881)
Cumulative translation adjustments	(9,352)				(9,352)	(281)
Transfer to provision for loss on investment	25,172	74	472		25,718	5,660
Dividends proposed in prior years				(2,768)	(2,768)	
Dividends proposed				(8,285)	(8,285)	(922)
Total investment in subsidiary				479	479	4,618
Goodwill in subsidiaries						35
Amortization of goodwill In subsidiaries						(35)
Balance at December 31, 2008				479	479	4,618

(All amounts in thousands of reais, unless otherwise indicated)

At December 31, 2008, the balance of the provisions for loss on investments, represented by the corporate interest in the net capital deficiency of the subsidiaries Portobello América, Mineração Portobello and PBTech, totals R$ 31,612 (2007 - R$ 5,893).

11 Property, Plant and Equipment

(a) Analysis

				Parent company		Consolidated	
				2008	2007	2008	2007
	Average rate - %	Cost	Accumulated depreciation	Net	Net	Net	Net
Land		13,072		13,072	13,072	13,439	13,460
Buildings and improvements							
Machinery and equipment	2.88%	89,196	(5,133)	84,063	86,569	84,430	87,152
Furniture and fixtures	15%	237,229	(166,008)	71,221	45,096	71,308	45,542
Computers	10%	7,590	(6,384)	1,206	1,450	1,773	1,867
Other	20%	11,176	(10,518)	658	1,006	660	1,085
Construction in progress	20%	1,496	(987)	509	89	574	178
Total		3,219		3,219	2,888	3,219	2,888
		362,978	(189,030)	173,948	150,170	175,403	152,172

(b) Changes in property, plant and equipment

	2008					2007
		Parent company				
	Net	Additions	Transfers	Depreciation	Disposals	Net
Land	13,072					13,072
Buildings and improvements	84,063	2	63	(2,571)		86,569
Machinery and equipment	71,221	3,472	33,470	(9,503)	(1,314)	45,096
Furniture and fixtures	1,206	35		(279)		1,450
Computers and systems	658	159		(507)		1,006
Other	509	450	26	(14)	(42)	89
Assets in use	170,729	4,118	33,559	(12,874)	(1,356)	147,282
Construction in progress	3,219	33,864	(33,533)			2,888
Total	173,948	37,982	26	(12,874)	(1,356)	150,170

(All amounts in thousands of reais, unless otherwise indicated)

	2008	Consolidated				2007
	Net	**Additions**	**Transfers**	**Depreciation**	**Disposals**	**Net**
Land	13,439				(21)	13,460
Buildings and improvements	84,430		63	(2,586)	(199)	87,152
Machinery and equipment	71,308	3,538	33,470	(9,806)	(1,436)	45,542
Furniture and fixtures	1,773	310		(343)	(61)	1,867
Computers and systems	660	159		(581)	(3)	1,085
Other	574	451	26	(23)	(58)	178
Assets in use	172,184	4,458	33,559	(13,339)	(1,778)	149,284
Construction in progress	3,219	33,864	(33,533)			2,888
Total	175,403	38,322	26	(13,339)	(1,778)	152,172

As from January 1, 2008, the Company reanalyzed and changed the economic useful lives of its property, plant and equipment based on a Technical Appraisal issued by the Company's Engineering Dept. This resulted in a reduction of the depreciation charge for 2008 of R$ 3,260.

At the Extraordinary General Meeting held on December 29, 2006, the stockholders approved the recording of the revaluation of land, buildings and improvements, based on the appraisal report prepared by Bretas & Associados Engenharia e Consultoria Ltda., an independent appraisal company. This report established the revalued amount of the assets, as well their remaining useful lives, which became the new basis of depreciation. The revaluation of R$ 62,652 was credited to revaluation reserve, in the amount of R$ 43,868, less tax effects of R$ 18,784, which were recorded in long-term liabilities. This increase was carried out in addition to the balance of revaluation reserve of assets in the amount of R$ 13,368, related to revaluations prior to 2006.

(All amounts in thousands of reais, unless otherwise indicated)

The analysis of the assets revalued in 2006 is as follows:

	Amounts before the revaluation			Revaluation 12.31.2006	
	Acquisition cost	Accumulated depreciation	Balance 12.31.2006	Revaluation surplus	Balance after revaluation
Land	5,803		5,803	7,402	13,205
Buildings	63,047	(33,566)	29,481	47,656	77,137
Improvements	8,190	(3,189)	5,001	7,594	12,596
	77,040	(36,755)	40,285	62,652	102,938
(-) Deferred income tax and social contribution on net income				(18,784)	
Net amount of the revaluation				43,868	

The revaluations of own assets amounts to R$ 52,989 at December 31, 2008 (2007 - R$ 54,584), the depreciation expense on the revaluation in 2008 was R$ 1,595 (2007 - R$ 1,608), and the balance of deferred income tax and social contribution on the revaluation reserve was R$ 17,711 (2007 - R$ 18,249).

12 Intangible Assets

(a) Analysis

			Parent company		Consolidated	
			2008	2007	2008	2007
	Cost	Accumulated amortization	Net	Net	Net	Net
Trademarks and patents	154		154	192	154	193
Software	23,157	(20,241)	2,916		2,987	
Goodwill				357		357
Total	23,311	(20,241)	3,070	549	3,141	550

(All amounts in thousands of reais, unless otherwise indicated)

(b) Changes in intangible assets

	2008	Parent company				2007
	Net	Additions	Transfers(*)	Amortization	Write-off	Net
Trademarks and patents	154				(38)	192
Software	2,916		2,916			
Goodwill					(357)	357
Total	3,070		2,916		(395)	549

(*) Amounts received in transfer from Deferred charges.

	2008	Consolidated				2007
	Net	Additions	Transfers(*)	Amortization	Write-off	Net
Trademarks and patents	154				(39)	193
Software	2,987		2,999	(6)	(6)	
Goodwill					(357)	357
	3,141		2,999	(6)	(402)	550

(*) Amounts transfered from Deferred charges.

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

	2009	2010	2011	2012	2013
Trademarks and patents					
Software (b)	1,687	885	147	99	36
Total	1,687	885	147	99	36

(a) The balance of trademarks and patents is not being amortized.

(b) Part of the Software balance is still in implementation and accordingly R$ 133 is not being amortized.

(All amounts in thousands of reais, unless otherwise indicated)

13 Deferred Charges

	2008			Parent company		2007
	Net	**Additions**	**Transfers (*)**	**Amortization**	**Disposals**	**Net**
Pre-operating and implementation expenses		130	(244)	(19)		133
Implementation of management system expenses			(2,073)	(1,363)		3,436
Leasehold improvements (a)		21	(26)	(63)		68
Studies, research and projects (b)		9	(70)	(180)	(534)	775
Rights to use software		71	(555)	(278)		762
Total		231	(2,968)	(1,903)	(534)	5,174

(a) The balance of leasehold improvements of R$ 26 in third party properties was reclassified to Property, plant and equipment.

(b) R$ 26 of the total was written-off as an expense.

(*) Transfers to Intangible assets

	2008			Consolidated		2007
	Net	**Additions**	**Transfers (*)**	**Amortization**	**Disposals**	**Net**
Pre-operating and implementation expenses		130	(244)	(31)		145
Implementation of management system expenses			(2,073)	(1,363)		3,436
Leasehold improvements (a)		21	(26)	(63)		68
Studies, research and projects (b)		9	(70)	(230)	(534)	825
Rights to use software		73	(555)	(350)		832
Total		233	(2,968)	(2,037)	(534)	5,306

(a) The balance of leasehold improvements, R$ 26 in third party properties was reclassified to Property, plant and equipment.

(b) R$ 26 of the total was written-off as an expense.

(*) Transfers to Intangible assets.

(All amounts in thousands of reais, unless otherwise indicated)

14 Loans and Financing

	Parent company		Consolidated		
	2008	2007	2008	2007	Charges
Current					
Foreign currency					
Ancora	1,236		1,236		VC+LIBOR+7.54% p.a
Nuovafima	383		383		VC
IFC - International Finance Corporation	3,798	1,971	3,798	1,971	VC+LIBOR+4.625% p.a
Advance on export contract	3,834	10,171	3,834	10,171	VC+7.62% p.a
Suppliers credit	1,027	8,995	1,027	8,995	VC+6.25% p.a
Banco ABN	29,227	16,644	29,227	16,644	VC+LIBOR+5.5% p.a
Banco ABC (1)	2,384	1,840	2,384	1,840	VC+LIBOR+3.90% p.a
Banco ABC (2)	796	614	796	614	VC+LIBOR+3.75% p.a
Banco SAFRA	2,288	1,773	2,288	1,773	VC+LIBOR+3.60% p.a
Working capital in USA			1,591	8,282	VC+7.5% p.a
Total foreign currency	44,973	42,008	46,564	50,290	
Local currency					
FINAME/POC	196	292	196	292	TJLP+8.20% p.a
Leasing	109	116	109	116	2.16% p.m.
Working capital in Brazil	46,275	12,950	46,275	12,950	24.94% p.a (average)
Total local currency	46,580	13,358	46,580	13,358	
Total current liabilities	91,553	55,366	93,144	63,648	

	2008	2007	2008	2007	Maturity	Charges
Non-current						
Foreign currency						
Ancora	1,707		1,707		Dec 2010	VC+7.54% p. a
Nuovafima	1,213		1,213		Oct 2010	VC
IFC - International Finance Corporation		1,956		1,956	Dec 2009	VC+LIBOR+4.625% p.a
Suppliers credit	17,583	5,381	17,583	5,381	Nov 2009	VC+6.25% p.a
Banco ABN	7,303	27,676	7,303	27,676	Mar 2010	VC+LIBOR+5.5% p.a
Banco ABC (1)	1,168	2,657	1,168	2,657	Apr 2010	VC+LIBOR+3.90% p.a
Banco ABC (2)	584	1,033	584	1,033	Jun 2010	VC+LIBOR+3.75% p.a
Banco SAFRA	1,169	2,657	1,169	2,657	Jul 2010	VC+LIBOR+3.60% p.a
Total foreign currency	30,727	41,360	30,727	41,360		

(All amounts in thousands of reais, unless otherwise indicated)

	2008	2007	2008	2007	Maturity	Charges
Local currency						
FINAME/POC	16	210	16	210	Jan 2010	TJLP+8.20% p.a
Leasing	95	203	95	203	Feb 2011	2.16% p.m.
Working capital in Brazil	4,745	575	5,489	1,240	Oct 2011	24.94% p.a (average)
Total local currency	4,856	988	5,600	1,653		
Total non-current	35,583	42,348	36,327	43,013		
Total	127,136	97,714	129,471	106,661		

VC - Exchange variation
TJLP - Long-term interest rate
LIBOR - London Interbank Offered Rate
FINAME/POC – National Industrial Financing Authority/Program of Joint Operations

The loan contracts with IFC have restrictive covenants that require the Company to comply with certain financial ratios, as follows:

1) Current ratio > = 1.20
2) Indebtedness ratio < = 0.50
3) Interest coverage ratio > = 1.50

At December 31, 2008, some of these indices relating to loans with IFC had not been complied with so that the debt is subject to prepayment and the calling of the guarantees. The balance of this loan is recorded in current liabilities.

On March 30, 2007, the Company entered into an export prepayment contract of US$ 25 million with Banco ABN Amro Bank, subject to LIBOR plus interest of 5.5% p.a., to be amortized in 36 months, with a 15-month grace period. This contract contains the following restrictive covenants:

1) Total indebtedness divided by EBITDA <= 4.5
2) Operating cash generation over the last 12 months divided by financial expenses over the last 12 months > = 2.5
3) Total indebtedness divided by Stockholders' equity > = 7.0

At December 31, 2008, the Company had not fulfilled some of these ratios with Banco ABN. The Company requested a waiver and received confirmation that, due to the non- compliance with these ratios at December 31, 2008, no action will be taken to advance the maturity of the contract. This waiver is valid only for December 31, 2008.

(All amounts in thousands of reais, unless otherwise indicated)

The transaction is guaranteed by:

- Trade bills receivable in the local market equivalent to 50% of the transaction amount;
- Finished product inventories equivalent to 25% of the transaction amount;
- Deposit of receivables in the foreign market into an account at the financial institution equivalent to 150% of the next quarterly amount due.
- Guarantee of the controlling stockholders (individuals).

In May 2007, the Company entered into a prepayment transaction with Banco Safra S.A. of US$ 3 million subject to LIBOR plus interest of 3.75% p.a., payable over 3 years. There are no restrictive covenants for this loan, which is guaranteed personally by the Company's Chief Executive Officer. On the same date, the Company signed an agreement with Banco ABC Brasil S.A. for US$ 3 million subject to LIBOR plus interest of 3.9% p.a., payable over 3 years. There are no restrictive covenants for this loan which is collateralized by receivables of Portobello Shop S.A.

The other loans are mainly guaranteed by mortgages on properties, by equipment and receivables, reciprocity with financial investments and guarantees by the controlling stockholders.

Long-term loans fall due as follows:

	Parent company		**Consolidated**	
Maturity	**2008**	**2007**	**2008**	**2007**
2009		34,487		35,152
2010	21,054	7,861	21,798	7,861
2011	10,334		10,334	
2012	2,358		2,358	
2013	1,837		1,837	
Total	35,583	42,348	36,327	43,013

(All amounts in thousands of reais, unless otherwise indicated)

15 Taxes Payable in Installments

	Tax liabilities		Request for installment payment – Date	Request for installment payment – Number of installments	2008	2007
Portobello S.A.	INSS	(a)	Sept 06	16	420	2,640
	INSS	(a)	Jul 07	60	2,376	2,711
	INSS	(b)	Sept 06	32	2,330	4,660
	IPI *	(c)	Sept 06	120	20,501	21,027
	IPI	(d)	Sept 06	60	5,286	6,548
	CPMF		Mar 07	60	39	46
	PIS	(e)	Mar 09	60	377	
	COFINS	(e)	Mar 09	60	1,735	
	IRPJ	(e)	Mar 09	60	3,790	
	CSLL	(e)	Mar 09	60	1,406	
Total parent company					38,260	37,632
Current					9,303	9,535
Non-current					28,957	28,097
PBTech Ltda.	INSS		Sept 06	32	75	184
Portobello Shop S.A.	INSS		Sept 06	32	101	250
	COFINS	(e)	Mar 09	60	18	
	IRPJ	(e)	Mar 09	60	1,118	
	CSLL	(e)	Mar 09	60	406	
					1,718	434
Total consolidated					39,978	38,066
Current					9,761	9,810
Non-current					30,217	28,256

(*) REFIS

(a) In September 2005, the Company filed an application for installment payment of the overdue National Institute of Social Security (INSS) debts relating to the period from February 2005 to August 2005. On that date, the amount totaled R$ 4,344, payable in 24 installments.

The balance of the installment payment was R$ 2,350 in September 2006, when the Company filed an application for the Federal Tax Recovery Program (REFIS), as allowed by Provisional Measure 303 of June 29, 2006, for INSS installment payments previously granted, extending the payment term to 120 months.

Concurrently, in October 2006, the Company received a tax assessment of R$ 2,506 from the National Institute of Social Security. In July 2007, with all the appeals at the administrative level exhausted, the Company filed an application with the Federal Revenue Secretariat for installment payment of this debt. In October 2007, the request was denied because the Company had debts not included in the REFIS. Based on the denial of the REFIS relating to the INSS for 2005, the Company immediately filed a new application for installment payment in 60 months, which was accepted. The first installment of R$ 47 was due on October 31, 2007. The balance of this installment payment at December 31, 2008 is R$ 2,376.

(All amounts in thousands of reais, unless otherwise indicated)

Accordingly, at December 31, 2008 the INSS installment payments though the REFIS became installment payments of R$ 420 over 16 months.

(b) In September 2006, the Company filed an application for INSS installment payment for the period from January to July 2006, at the adjusted amount of R$ 5,939. The first of 32 installments was paid in March 2007. The balance of this installment payment at December 31, 2008 is R$ 2,330.

(c) In November 2005, the Company filed an application for IPI installment payments for the period from December 2004 to October 2005. On that date, the adjusted amount was R$ 20,660, payable in 60 months.

The balance of this installment payment was R$ 19,327 at September 2006, when the Company filed an application for REFIS, as allowed by Provisional Measure 303 of June 29, 2006, for the IPI installment payments previously granted. The payment term is 120 months, including monthly interest based on the SELIC (Special System for Settlement and Custody) interest rate. The remaining debt at December 31, 2008 is R$ 20,501.

(d) In September 2006, the Company filed an application for IPI installment payments for the period from January to July 2006, amounting to R$ 7,498, payable in 60 months and subject to the SELIC interest rate. The first installment was paid in October 2006. The balance of this installment payment at December 31, 2008 is R$ 5,286.

(e) The company has not paid federal taxes and contributions from September 2008 to February 2009, requesting payment in 60 installments in March 2009 to the Federal Revenue Secretariat. The approval of these payments in installments was granted before the approval of these financial statements.

16 Taxes, Fees and Contributions

	Parent company		Consolidated	
	2008	2007	2008	2007
IRRF on employee and management bonuses (a)	1,444	8,118	1,444	8,118
IRRF	644	561	808	763
ICMS	2,119	978	2,119	995
IPI (b)	5,380	401	5,380	401
PIS		289		315
COFINS	9	1,334	9	1,491
Other	120	113	245	215
	9,716	11,794	10,005	12,298

(All amounts in thousands of reais, unless otherwise indicated)

(a) The Company granted bonuses up to July 2007 on which management understood no taxes were due. Subsequently, management changed its understanding and, in June 2007, recorded liabilities related to unpaid taxes (IRRF - Income tax withheld at source), which are being paid, plus fine and interest.

(b) The Company has not paid Excise tax (IPI) from September 2008 to February 2009 and intends to pay this tax in installments during 2009.

17 Taxes Payable

Based on final and unappealable decisions and/or court approval and on legal counsel's opinion, management offset federal taxes payable with IPI premium credits acquired from third and related parties between 2001 and 2003, as follows:

	Parent company		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Taxes payable on credits acquired from related parties (a)	95,229	90,304	95,626	90,677
Taxes payable on credits acquired from third parties (b)	16,728	15,937	16,728	15,937
	111,957	106,241	112,354	106,614

(a) Taxes payable on credits acquired from related parties

The lawsuits filed by the Company can be summarized as follows: (i) lawsuit V-286/84 (substitution of plaintiff - Refinadora Catarinense, a related party), in which it was ultimately determined by a final and unappealable decision rendered on July 3, 1995 that the Company had the right to a refund of the IPI premium credit for the period from December 7,1979 to March 31, 1981; (ii) lawsuit 472-G/87, on which a final and unappealable decision was rendered on May 8, 1995, referring to the computation period of the IPI premium credit from April 1, 1981 to April 30, 1985. Both lawsuits were filed at the Federal Regional Court (TRF) of the 1st Region.

Also, taxes were offset against credits assigned by Refinadora Catarinense, by virtue of the injunction 2001.51.01.006335-5, of Rio de Janeiro, which was denied by the TRF of the 2nd Region. The lawsuit is pending decision on the admissibility of the special and extraordinary appeals filed and the tax payment is suspended by a court order issued on December 21, 2006 (Lawsuit 2006.02.01014847-2).

In March 2006, the Federal Revenue Authority in Florianópolis issued assessment notices disallowing the amounts offset by the IPI premium credit up to 2004, in two processes (11516.000745/2006-89, of R$ 89,622 and 11516.000744/2006-34, of R$ 31,855) in which the tax offsets were contested.

The Federal Revenue Authority initiated two processes arising from the procedure called Judicial Follow up Process (PAJ), and determined that the amounts offset against PIS, COFINS, IRPJ and CSLL, totaling approximately R$ 25,000, should be registered as debt to the Federal Government, without allowing defense by the Company. Regarding the two lawsuits in which the Company is the plaintiff (V-286/84 merit - 1998.34.029022-4 calculation of award and 472-G/87 merit - 87.00.00645-9 calculation of award), management, based on the opinion of its internal and external legal counsel, believes that there is a remote possibility that the Company will be held liable to pay the amount required by the assessment notices and to register it as a debt to the Federal Government, as described above, mainly because the decisions are final and unappealable and the calculation schedules presented in the award calculation process show that the amounts determined are sufficient to cover those offset. As regards lawsuit V-286/84 merit - 1998.34.029022-4 calculation of award, submitted to review by the law firm Felsberg e Associados, the firm concluded that, "*In view of the foregoing, although PORTOBELLO has offset a significant amount of IPI premium credits to which it was entitled, there is still a remaining credit of R$ 28,721, restated up to August 2007.*", (R$ 33,061 restated up to December 31, 2008) which definitely indicates not only the existence of the balance reported but also the possibility of offsetting it against future taxes payable. These amounts are not recorded in the legal accounting records because the Company cannot calculate the exact amount. This calculation will be impartially made by a judicial expert.

As regards lawsuit 20015101006335-5 in which IPI premium credits were transferred (assignment of credits) with express judicial order, the law firm that deals with the injunction request filed by Refinadora Catarinense is of the opinion that the risk of the tax payment being required is remote, despite the Federal Regional Court (TRF) of the 2nd Region decision that granted an injunction to the National Treasury and overturned the injunction granted by the original judge. However, the securitization of this transaction was established and the credit assignment agreement made between Refinadora Catarinense and the Company determines that the assignor (Refinadora) must reimburse the assignee (Portobello) for any financial losses resulting from the tax offset made by Portobello.

Despite this opinion on the possibility of the tax payment, the Superior Court of Justice has issued a recent decision on the IPI premium credit (REsp 652.379-RS and EREsp 738.689-PR) ruling that the tax benefit ended on October 4, 1990, according to paragraph 1 of article 41 of the Act of Transitory Constitutional Provisions (ADCT). Thus, considering that the credits transferred from Refinadora Catarinense are subsequent to that date, the Company decided to record a provision of R$ 95,229, monetarily restated up to December 31, 2008. Moreover, the

Company requested the refund of the taxes assessed from Refinadora Catarinense, in order to claim the guarantee (see Note 19).

It is important to note that the payment of taxes arising from lawsuit 11516.000745/2006-89, as well as that arising from judicial follow-up process 10983.72003/2006-02, has been suspended by the Federal Regional Court of the 1st region on March 28, 2007.

The tax assessed via Administrative process 11516.002.480/2006-53 was demanded in a tax foreclosure under penalty of suspension of the respective tax credit, at the time the guarantee is registered.

(b) Taxes payable on credits acquired from third parties

In October 2000 and February 2001, the Company entered into three agreements for assignment of tax credits (IPI premium credit) with SIMAB S.A. totaling R$ 6,847. These credits were offset against federal taxes in 2000 and 2001. Since these credits arose after 1990, considering the 2007 decision, the Company recorded a provision for the credits acquired from SIMAB in the adjusted amount of R$ 16,728 at December 31, 2008. In accordance with the agreements of assignment of tax credits entered into with SIMAB, the assignor remains financially liable for the transaction, up to the maximum amount received of R$ 4,535 (nominal value less discount of the credits assigned), until the lawsuits related to these credits are rendered final and unappealable. Accordingly, at September 30, 2007 the Company recorded a long-term receivable of R$ 4,535 and, should an unfavorable decision in these lawsuits relating to the IPI premium credit be rendered to SIMAB S.A., management will seek indemnity as agreed at the time of transfer of the credits. In accordance with accounting practices adopted in Brazil, management decided to record a provision in the same amount as the asset (see Note 9).

The Company and its legal counsel will continue to implement the necessary actions to defend the Company's interests regarding these tax credits, at the administrative and court levels, in order to ensure the regularity and legality of the tax offset procedures, either by means of approval of the administrative tax authority or court decision.

18 Provisions for Contingencies

The Company and its subsidiaries are parties to tax, civil and labor lawsuits and in administrative tax proceedings. Management, based on the opinion of its legal counsel, believes that the provisions for contingencies are sufficient to cover probable losses in connection with such contingencies.

(All amounts in thousands of reais, unless otherwise indicated)

The analysis of the provisions for contingencies is as follows:

	Parent company					
	Judicial deposits	**Provisions**	**2008**	**Judicial deposits**	**Provisions**	**2007**
Civil		2,370	2,370		1,279	1,279
Labor	(350)	6,349	5,999	(319)	1,487	1,168
Tax	(1,076)	1,481	405	(963)	1,365	402
(a) Tax		3,191	3,191			
	(1,426)	13,391	11,965	(1,282)	4,131	2,849

	Consolidated					
	Judicial deposits	**Provisions**	**2008**	**Judicial deposits**	**Provisions**	**2007**
Civil		2,370	2,370		1,279	1,279
Labor	(350)	6,394	6,044	(319)	1,533	1,214
Tax	(1,076)	1,481	405	(963)	1,365	402
(a) Tax		3,191	3,191			
	(1,426)	13,436	12,010	(1,282)	4,177	2,895

(a) On April 16, 2008, the Company obtained an injunction granted by the Federal Judge of the 9th Judiciary Section of the Federal District, Dr. Antonio Corrêa, through Writ of Mandamus 2008.34.00.011286-4, to exclude the Value-added Tax on Sales and Services (ICMS) from the calculation basis of the PIS and COFINS federal contributions. As from this injunction, the Company calculates and pays PIS and COFINS without considering the ICMS in its calculation basis. At the same time, it has recorded a provision for the difference with no impact on the results of operations. At December 31, 2008, the amount provided is R$ 3,191.

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

The civil and labor claims are individually evaluated by the Company's legal counsel who classify them in accordance with the expectation of outcome as: probable loss, possible loss or remote loss. The amounts classified as probable loss are fully provided and the amounts classified as possible loss are disclosed in the notes to the financial statements.

(All amounts in thousands of reais, unless otherwise indicated)

The changes in the provisions and deposits for contingencies are as follows:

	Parent company						
	Provisions				Deposits		
	Civil	**Labor**	**Tax**	**Tax (a)**	**Labor**	**Tax**	**Total**
At 12.31.2007	1,279	1,487	1,365		(319)	(963)	2,849
Deposits					(57)	(113)	(170)
Provisions	1,403	8,934	116	3,191			13,644
Reversals	(312)	(4,072)			26		(4,358)
12.31.2008	2,370	6,349	1,481	3,191	(350)	(1,076)	11,965

	Civil	**Labor**	**Tax**	**Tax (a)**	**Total**
Probable	2,370	6,349	1,481	3,191	13,391
Possible	5,888	13,816	1,371		21,075
	8,258	20,165	2,852	3,191	34,466

	Consolidated						
	Provisions				Deposits		
	Civil	**Labor**	**Tax**	**Tax (a)**	**Labor**	**Tax**	**Total**
12.31.2007	1,279	1,533	1,365		(319)	(963)	2,895
Deposits					(57)	(113)	(170)
Provisions	1,403	8,933	116	3,191			13,643
Reversals	(312)	(4,072)			26		(4,358)
12.31.2008	2,370	6,394	1,481	3,191	(350)	(1,076)	12,010

	Civil	**Labor**	**Tax**	**Tax (a)**	**Total**
Probable	2,370	6,394	1,481	3,191	13,436
Possible	5,888	13,816	1,371		21,075
	8,258	20,210	2,852	3,191	34,511

Possible loss - no provisions have been recorded for contingencies for which the likelihood of loss was assessed by the Company's legal counsel as possible. These contingencies involve, tax, civil and labor lawsuits, as summarized below:

Taxes

Administrative Process 10909.000.666/2002-68, with an adjusted balance at December 31, 2008 of R$ 803, relates to a tax assessment to prevent the prescription of the procedure by the Company to offset taxes with credits acknowledged by Injunction 01.51.01.006335-5 (IPI premium credit). The administrative decision considered "*the tax assessment valid, however, the tax payment will remain suspended until a final decision is issued regarding suspension of the payment*".

Administrative Process 10909.001.618/2002-97, with an adjusted balance at December 31, 2008 of R$ 568, relates to a tax assessment notice to prevent the prescription of the procedure by the Company to offset taxes with credits acquired from third parties (SIMAB S.A. and Refinadora Catarinense S.A.). The administrative decision considered the tax assessment valid and authorized the tax authorities "*to proceed with the collection of amounts due in the event they conclude that the causes justifying the tax credit suspension have expired*".

Labor claims and social security contributions

The Company and its subsidiary Portobello Shop S.A. are defendants in 120 labor claims brought by employees, former employees and third parties. The claims refer to the payment of termination amounts, premiums, overtime, salary equalization, monetary adjustment of FGTS, compensation for pain and suffering and property damage from occupational accidents/disease. The amount at risk is estimated at R$ 12,444.

A tax assessment relating to social security contributions on employee remuneration due by the Company, contributions for financing benefits from labor disability, and contributions to third parties (INCRA and SEBRAE), plus late payment interest and fine. The updated amount at risk at December 31, 2008 is estimated at R$ 1,372.

Civil lawsuits

The Company and its subsidiaries are defendants in 108 civil lawsuits in common courts and special civil courts. Most of the lawsuits have been brought by customers and are for compensation for alleged pain and suffering and property damage. The amount at risk is R$ 5,888.

(All amounts in thousands of reais, unless otherwise indicated)

19 Related Party Transactions

The transactions of purchase and sale of products, raw materials and contracting of services, as well as financial transactions of loans, fund raising between group companies and remuneration of key management personnel, are as follows.

	Dividends receivable		Accounts receivable		Loans to subsidiaries		Trade accounts receivable		Advance to suppliers	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Subsidiaries										
Mineração Portobello Ltda.									518	676
PBTech Ltda.					820	783	2,327	1,940		
Portobello América Inc.							37,937	21,128		
Portobello Shop S/A	8,285	922								
Subtotal subsidiaries	8,285	922			820	783	40,264	23,068	518	676
Related companies										
Refinadora Catarinense S/A			95,229	90,304						
Solução Cer.Com. Ltda.							120	97		
Subtotal related companies			95,229	90,304						
Balance parent company	8,285	922	95,229	90,304	820	783	40,384	23,165	518	676

	Advances from customers		Loans from subsidiaries		Sales of products		Revenues from services rendered		Cost of services rendered		Purchase of products	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Subsidiaries												
Mineração Portobello Ltda.											(525)	(106)
PBTech Ltda.					551	2,76	24					
Portobello América Inc.					27,359	24,727						
Portobello Shop S/A			7,237	4,831			5,21	4,302	(3,289)	(2,592)		
Subtotal subsidiaries			7,237	4,831	27,91	27,487	5,234	4,302	(3,289)	(2,592)	(525)	(106)
Related companies												
Refinadora Catarinense S.A.			2,269	6,751								
Solução Cer.Com. Ltda.	401	318										
Subtotal related companies	401	318	2,269	6,751	27,91	27,487	5,234	4,302	(3,289)	(2,592)	(525)	(106)
Balance Parent company	401	318	9,506	11,582	27,91	27,487	5,234	4,302	(3,289)	(2,592)	(525)	(106)

(All amounts in thousands of reais, unless otherwise indicated)

	Advances from customers		Loans from subsidiaries		Sales of products		Revenues from services rendered		Cost of services rendered		Purchase of products	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Current			2,12	2,226								
Non-current			7,386	9,356								
Balance consolidated			2,269	6,751								
Current			2,12	2,226								
Non-current			149	4,525								

The definition of sales prices of the parent company products to the subsidiaries is 5% less than that practiced with third parties, as there are no expenses with agent commissions.

Intercompany loans earn interest at 100% of the CDI (Interbank Deposit Certificate) interest rate, and fall due on December 31, 2009.

Remuneration of Key Management Personnel

	2008	2007
Salaries and charges	5,250	4,291
Directors' fees and charges	2,047	1,779
Private pension plans	358	341
Others	178	152
	7,833	6,563

Refinadora Catarinense

From 2001 to 2003, the Company acquired from the related party Refinadora Catarinense S.A. ("Refinadora"), tax credits against the National Treasury. These Refinadora credits are derived from an injunction against the National Treasury, seeking refund of the IPI premium credits for the period from July 24, 1991 to July 23, 2001. In the period from January 2001 to January 2003, the Company utilized these credits, totaling R$ 42,102, to pay federal taxes incurred and owed by the Company, expressly supported by the judicial decision in the injunction. According to the terms of the agreement between the parties, if such credits are not validated by the Federal Treasury, Refinadora must reimburse the Company for the amount it will disburse to pay definitively the federal taxes that were previously offset against the credits.

In 2007, Company management and its legal counsel assessed the possible final outcome of the lawsuit concerning the tax credits acquired from Refinadora and, based on a recent decision by the Superior Court of Justice ("STJ") in a similar case, concluded that it was necessary to record a liability in the amount of the federal taxes that were preliminary paid, supported by a judicial decision, using the tax credits acquired from Refinadora. Accordingly, in the second quarter of 2007, the Company recorded a liability of R$ 88,080 (as described in Note 17, the Company received, as part of an inspection process, tax assessment notices for payment of these taxes and, through its legal counsel, is presently defending itself at the administrative level). Since there is a guarantee from the related party Refinadora in the event the Company loses the suit, the same amount was recorded as a long-term receivable from Refinadora. The amount to be reimbursed by Refinadora is collateralized by a bank letter of guarantee signed by Refinadora and its stockholders, with the following characteristics:

Guarantor: Banco Itaú BBA S.A.

In Favor of: Portobello S.A.

Term: 90 days, as from October 3, 2007, renewable automatically for a further four equal consecutive periods of 90 days (the total period is from October 3, 2007 to December 28, 2008). If, during this period, after all available administrative means having been exhausted, an installment payment arrangement is made to pay the debt, the guarantor agrees to make the subsequent payments up to the limit of the letter of guarantee. This letter of guarantee may be replaced at any time with a tangible guarantee in favor of the Company.

Amount: R$ 90,618, monetarily updated based on the SELIC interest rate in the period from the date of issue to that of payment.

Regardless, the Company's management continues discussing with Refinadora the existence of other assets that can be considered collateral for the realization of this tax credit.

In this respect, Portobello S.A. was informed by Refinadora Catarinense S.A. that Process 87.00.00967-9, which was with the Federal Justice in the Federal District, had been quantified by the Accounting Department of the TRF of the 1st Region, and the official accountant had calculated the amount of R$ 416,447 (July 2008) as due by the Government as a result of the discussion of the reimbursement of the tax benefit named ‘IPI premium credit' for the calculation period prior to April 10, 1990, whose final an unappealable decision has already been judged - merit and liquidation phases.

Accordingly, due to the certainty of the credit calculation, which is shortly to be formalized through the issue of securities to cover the debt, and also that the amount due by the Government, determined in court, is significantly higher than the guarantee provided by means of the Guarantee Letter, the companies - Portobello and Refinadora -signed an agreement of Credit Assignments in the amount of R$ 100,000 to replace the guarantee, and the credits assigned will be able to satisfy the tax credits.

Additionally, the Company filed a writ of prevention to offer as collateral part of the credits assigned; the Federal Treasury, in turn, agreed with the assets provided as collateral in order to, in the future, the tax foreclosure be guaranteed though a pledge.

In view of these circumstances, the collateral granted by Refinadora was replaced, so that the Guarantee Letter was renewed and the guarantee is now represented by credits assigned by Refinadora, with the agreement of the Federal Treasury. Accordingly, the Company's management decided to maintain the amount receivable from Refinadora.

20 Private Pension Plan

The Plano de Benefícios Portobello Prev (the Portobello Prev Benefit Plan), managed by BB Previdência - Fundo de Pensão Banco do Brasil, was started in 1997 and now includes 1,645 employees. The plan has the characteristics of a defined contribution plan, however, it offers a minimum retirement benefit for length of service or age. The actuarial valuation of this portion of the plan, considered as a defined benefit, updated to December 31, 2008, shows a surplus of R$ 766 (R$ 753 in December de 2007), which is not recorded in the books of account.

At December 31, 2008, the balance of the special contributions relating to past service, to be deposited in the individual accounts of the participants who meet the conditions established by the regulations of the plan, amounts to R$ 3,629 (R$ 3,604 at December 2007) and is provided in long-term liabilities. The Company will pay the related special reserve amount when each participant in these conditions becomes eligible.

All the plan's benefits will be granted to the participants who are eligible in accordance with the Regulations of the Plan. The costing of each plan will be determined by an independent actuary once a year, or whenever there are significant changes in the plan's costs.

During the year ended December 31, 2008, expenses with contributions to the pension plan amounted to R$ 1,254 (R$ 1,109 in 2007), recorded under the caption General and administrative expenses.

21 Stockholders' Equity

(a) Capital

On November 27, 2007, the Extraordinary General Meeting of stockholders, in conformity with art. 136 of Law 6404/76, approved the conversion of all the preferred shares into common shares at the ratio of one common share for each preferred share. This occurred on January 10, 2008, when the Company's subscribed and paid-up capital totaled R$ 112,957 (R$ 112,957 at December 2007), comprising 159,008,924 common shares with no par value.

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

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

(b) Revaluation reserve

This reserve was recorded in 1990, 1991 and 2006 based on independent appraisal reports and is transferred to retained earnings/accumulated deficit in the same proportion as the depreciation or disposal of the revalued assets (see Note 11).

(c) Legal and statutory reserves

The Company's by-laws determine that 5% of net income will be transferred to the legal reserve, limited to 20% of capital.

(d) Dividends

Stockholders are entitled to a mandatory minimum dividend equivalent to 25% of net income of each year, adjusted as determined by article 202 of Law 6404/76.

(All amounts in thousands of reais, unless otherwise indicated)

22 Other Operating Income and Expenses, Net

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Other operating income				
Tax credits				504
Related party service revenues	1,921	1,710		
Reimbursement of municipal taxes and fees	60		60	
Eletrobrás compulsory loan (Note 8)	15,030		15,030	
Other income	53	1,035	667	348
Total other operating income	17,064	2,745	15,757	852
Other operating expenses				
Expense - Provision for taxes payable (Note 17)		(90,304)		(90,304)
Income - Reimbursement (Note 19)		90,304		90,304
Taxes payable (Note 17)		(15,937)		(16,308)
Reversal/(provision) for contingencies	(7,331)	569	(7,355)	569
Tax assessment notice - INSS		(2,506)		(2,506)
Federal taxes on bonuses		(8,118)		(8,118)
Taxes on other revenues	(170)		(170)	
Idleness costs	(1,943)	(1,717)	(1,943)	(1,717)
Profit sharing	(1,300)		(1,420)	
Other expenses	(393)	(471)	(855)	(473)
Total other operating expenses	(11,137)	(28,180)	(11,743)	(28,553)
Exchange loss on investments		(281)		(281)
Amortization of goodwill		(35)		
Total net	5,927	(25,751)	4,014	(27,982)

(All amounts in thousands of reais, unless otherwise indicated)

23 Operating Leases

The minimum future payments of non-cancellable operating leases, in total and for each one of the following periods, is as follows:

	2008	2007
Up to one year	165	152
More than one year and up to five years	140	305
	305	457

24 Financial Income and Expenses

	Parent company		Consolidated	
	2008	2007	2008	2007
Financial income				
Interest	701	1,327	1,440	1,704
Discounts received	578	673	586	679
Other	22	579	22	580
	1,301	2,579	2,048	2,963
Financial expenses				
Interest	(21,208)	(18,806)	(22,432)	(19,023)
Commissions and service fees	(879)	(1,065)	(879)	(1,065)
Financial charges on taxes	(5,222)	(4,479)	(5,435)	(6,334)
Discounts/bank expenses	(1,715)	(2,401)	(1,740)	(2,462)
Discounts granted	(1,854)	(2,369)	(1,866)	(2,496)
CPMF (Tax on Bank Account Outflows)	(36)	(2,011)	(36)	(2,141)
IOF (Tax on Financial Transactions)	(1,219)	(650)	(1,219)	(650)
Other	(45)		(55)	(2)
	(32,178)	(31,781)	(33,662)	(34,173)
Foreign exchange variations				
Exchange gains	41,488	19,610	41,488	19,610
Exchange losses	(50,101)	(6,854)	(50,101)	(6,854)
	(8,613)	12,756	(8,613)	12,756
Financial expenses, net	(39,490)	(16,446)	(40,227)	(18,454)

(All amounts in thousands of reais, unless otherwise indicated)

25 Insurance Cover

At December 31, 2008, the insurance cover against fire, robbery, collision and sundry risks for property, plant and equipment, inventories and loss of profits is considered sufficient by management to cover any losses.

	Parent company and Consolidated
Cover	**2008**
Fire/Lightning/Explosion of any type	100,000
Electrical damages	1,000
Riots	1,000
Windstorm/Smoke with Vehicle Impact	3,000
Civil liability - Operations	2,500
Civil liability - Employer	2,500
Loss of Profits - Windstorm with Impact	12,000
Loss of Profits - Basic	12,000

26 Directors' Fees

Fees for the Board of Directors totaled R$ 1,643 in 2008 (R$ 1,467 in December 2007). The Annual General Meeting of stockholders held on April 28, 2008 approved a maximum overall directors' remuneration of R$ 4,320 for the current year.

27 Financial Instruments

(a) Identification and valuation of financial instruments

The Company operates with several financial instruments, especially cash and cash equivalents, marketable securities, trade accounts receivable, accounts payable to suppliers and loans and financing.

The financial investments in investment funds and in quotas of investment funds are valued at market. The Bank Deposit Certificates are priced on the curve, but due to their characteristics of term and liquidity, the book values approximate fair values.

Loans and financing are initially recognized on the receipt of funds at fair value, net of costs.

Subsequently, they are presented at amortized cost, i.e., plus charges and interest proportional to the incurred period.

The investments are limited to investments in subsidiaries, recorded on the equity method of accounting.

(b) Management of financial risks

The Company regularly monitors its exposure to these risks which are controlled and managed by Treasury area.

The market risks are protected when it is considered necessary to support the corporate strategy or when it is necessary to maintain the level of financial flexibility. No derivative financial instruments are used.

(c) Credit risk

The Company maintains strict control on credits granted to its customers and adjusts these limits whenever significant changes in the risk levels are detected.

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

(d) Liquidity risk

This is the Company's risk of not having sufficient liquid funds to meet its financial commitments, due to the mismatch of terms or volumes of estimated receipts and payments.

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

(e) Market risk

Interest rate risk

This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates that lead to an increase in the financial expenses on loans and financing obtained in the market. In addition, the Company continuously monitors market interest rates in order to assess the need to contract new instruments to hedge against the volatility risk of these rates.

(All amounts in thousands of reais, unless otherwise indicated)

Foreign exchange rate risk

The amount of debt in foreign currency is equivalent to approximately nine months of export revenues based on the average for 2008. Since almost all loans and financing in foreign currency are long term, the exchange gains over the payment period are close to the debt service cost, and therefore are a natural hedge in the cash flows.

Exchange exposure risk:

	Consolidated in reais		Consolidated in reais	
	2008	**2007**	**2008**	**2007**
Accounts receivable	20,398	17,373	28,661	26,698
Marketable securities	6,790	4,339	6,790	4,339
Investments in subsidiaries	(25,172)	(4,107)	(25,172)	(4,107)
Suppliers	(5,909)	(2,945)	(6,961)	(3,021)
Loans and financing	(75,700)	(83,368)	(77,291)	(91,650)
Net exposure	(79,593)	(68,708)	(73,973)	(67,741)

		Consolidated in foreign currency		Consolidated in foreign currency	
	Currency	**2008**	**2007**	**2008**	**2007**
Accounts receivable	Euro	354	611	354	611
Accounts receivable	US Dollar	8,237	8,909	11,773	14,173
Marketable securities	US Dollar	2,905	2,450	2,905	2,450
Investments in subsidiaries	US Dollar	(10,771)	(2,319)	(10,771)	(2,319)
Suppliers	Euro	(829)	(792)	(829)	(792)
Suppliers	US Dollar	(1,380)	(497)	(1,831)	(540)
Loans and financing	US Dollar	(32,392)	(47,066)	(33,073)	(51,742)

(e) Derivatives

The Company did not contract any derivative financial instruments such as term contracts, swaps, options, futures, swaptions, swaps with regret option, flexible options, derivatives included in other products, structured transactions with derivatives, exotic derivatives and any other transactions with derivatives, regardless of the manner in which they are contracted.

* * *