Portobello

Summary

Portobello S.A. and Subsidiaries

Management Report

All amounts in thousands of reais unless otherwise stated

COMMENTS ON CONSOLIDATED PERFORMANCE DURING THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

Portobello S.A. (BOVESPA code: PTBL3), one of the largest companies in the Brazilian ceramic tile sector, listed in the traditional segment of BOVESPA from 1991 to 2008, when it was included in the New Market, presents its results of operations for the year ended December 31, 2010. The financial and operating information below is being presented on a consolidated basis, and the comparisons refer to the years of 2010 and 2009, unless otherwise stated. This information was presented in accordance with the accounting practices adopted in Brazil, including the Standards issued by the Brazilian Accounting Pronouncements Committee (CPCs) and the International Financial Reporting Standards (IFRS).

2010 HIGHLIGHTS

(comparison between 2010, 2009 and 2008, including only continuing operations, except when the net profit is presented)

- Net operating revenues grew 35%;
- Gross operating profit was 55% higher;
- Profit increased 69%;
- EBIT was 64% higher;
- EBITIDA increased 47%;
- Participation of 12% of products manufactured by third parties in net operating revenue;
- Discontinuance of operations of the subsidiary Portobello América, Inc. in the Unites States of America;
- Inclusion of new production line of enameled porcelain, and acquisition of equipment for digital decoration (Ink Jet).

Discontinuance of operations

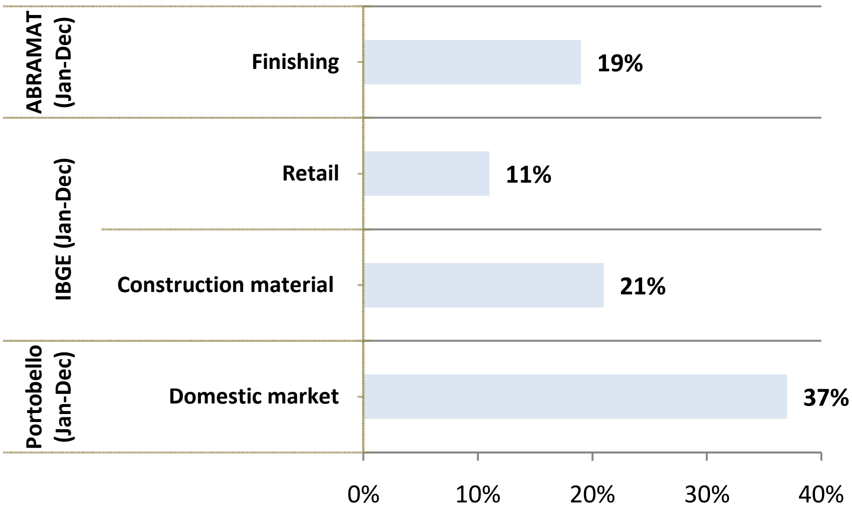
The operations of the subsidiary Portobello America, Inc. were discontinued as of December 31, 2010 and the data related to this discontinued operation is being presented in the statement of income for the year as one item, according to CPC/IFRS. The comments and comparisons herein follow this same classification.

1) Message from Management

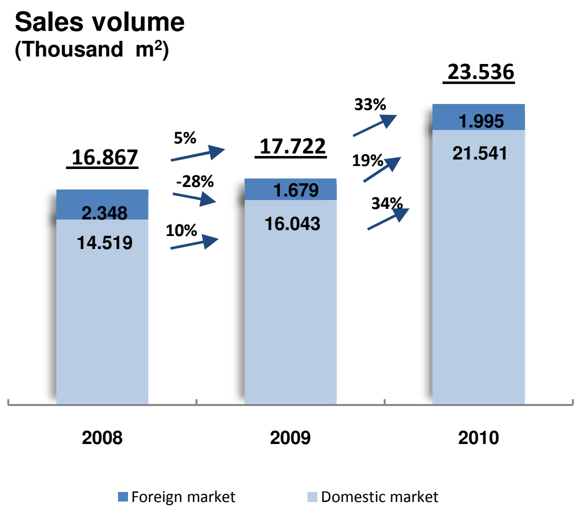
Portobello S.A. had a significant result in 2010, due to sales growth and increase in margins. The good performance of the Brazilian civil construction sector enhanced the effects of the measures adopted by management over the past years, such as: (i) increase in productivity and reduction of costs; (ii) replacement of existing equipment by others with higher productivity; (iii) launching of innovative products; (iv) reduction of the product portfolio aiming at increased productivity; (v) concentration of exports in more profitable markets; (vi) outsourcing of the production of items with lower profitability margin; and (vii) increase in the sales of franchised stores, all benefitting the Company's operating efficiency and profitability.

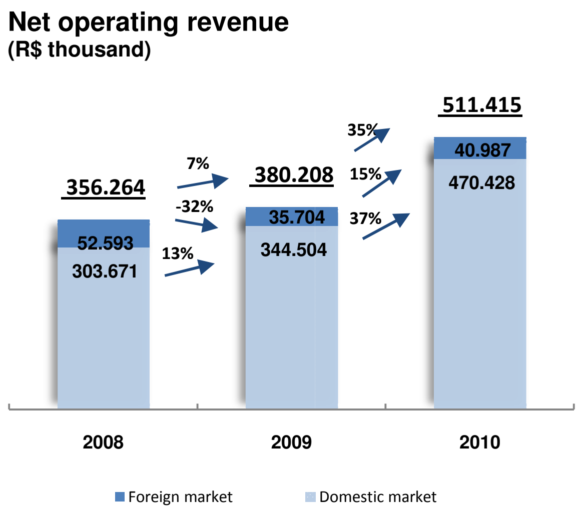
As a result, there was an increase of 35% in consolidated net revenue, reaching R$ 511 million, which is a new annual record for the Company. Due to the operating improvements adopted, there was also a gain in EBITDA margin, reaching the amount of R$ 86 million, 47% higher than the same period of 2009. The profit of R$ 32 million was 69% higher than the same period of 2009, despite the negative impact of the discontinuance of operations of Portobello América, Inc.

With the good performance of the civil construction market, the Company increased its sales and share of the domestic market, as shown by data disclosed by the Brazilian Association of the Construction Material Industry (ABRAMAT). The sales in the domestic market maintained the growth, compared with 2009, with net revenues increasing 37% and volume 34%, whereas the Brazilian civil construction market - finishing materials increased 19% according to ABRAMAT. This was due to an aggressive sales policy and introduction of a more competitive portfolio.



2) Sales performance





Sales volume increased 33% due to the Company's aggressive selling strategy based on increased production and purchase of products from third parties for resale, which represented 12% of net revenue.

Net revenue grew 35% compared to the same period of the previous year, mainly due to the increase of 37% in the domestic market, resulting from the participation of the engineering, resale and Portobello Shop channels. Accordingly, the Company prioritized the launching of innovative products (Extra Fino) and the portfolio optimization, which enabled the Company to achieve a mix with average price 1% higher than in 2009.

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

In 2010, the Company also faced challenges related to logistics; however, the flexible portfolio management model permitted the Company to meet the market demand.

All amounts in thousands of reais unless otherwise stated

3) Distribution

The Company's distribution network is based on four distinct channels (including the foreign market) with specific characteristics of products, services and commercial policy:

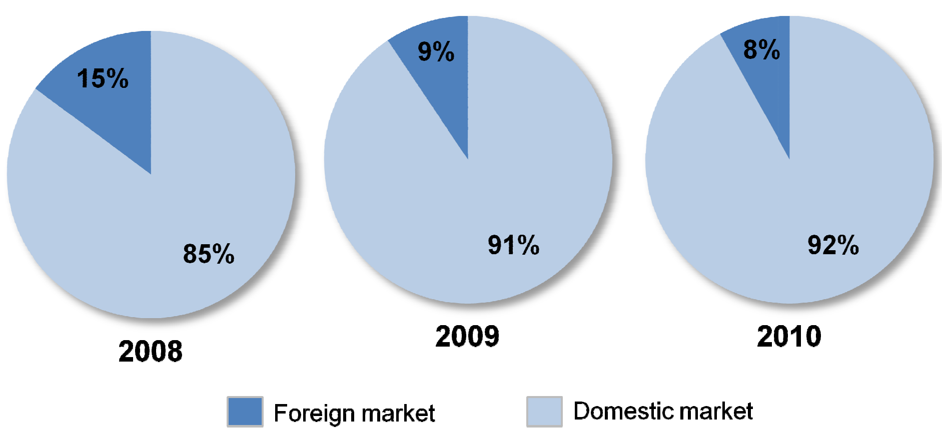
Domestic market: The three distribution channels are: (i) multi-brands resale, responsible for the customers who are resellers of construction material, distributing the Company's products in the retail market; (ii) engineering, represented by specialized teams that serve civil construction companies and real estate development companies; and (iii) franchises that serve the Company's customers in the retail market through franchised stores under the names Portobello Shop and Empório Portobello. With 105 stores located in 91 cities, this channel is the largest Brazilian network of stores specialized in ceramic tiles.

Foreign market: This is represented by sales to several countries, through the Company's own teams or independent representatives. Exports in 2010 were limited to more profitable markets and decreased in percentage of total sales, in accordance with previously determined plans. In addition, the operations in the United States of America, which had been carried out by the subsidiary Portobello America, Inc, were discontinued in December 2010. That market will be served by commercial representatives and the export department.

	2008			2009			2010		
	Volume (thousand m²)	Net revenue (R$ thousand)	% NOR	Volume (thousand m²)	Net revenue (R$ thousand)	% NOR	Volume (thousand m²)	Net revenue (R$ thousand)	% NOR*
Domestic market	14,519	303,671	85%	16,043	344,504	91%	21,541	470,428	92%
Engineering	6,088	105,472	30%	6,558	118,556	31%	8,838	162,915	32%
Resale	5,376	101,737	29%	5,804	113,033	30%	7,648	155,624	30%
Multi-brand resale	3,055	96,462	27%	3,681	112,915	30%	5,055	151,889	30%
Foreign market	2,348	52,593	15%	1,679	35,704	9%	1,995	40,987	8%
	16,867	356,264		17,722	380,208		23,536	511,415	

* NOR= Net operating revenue

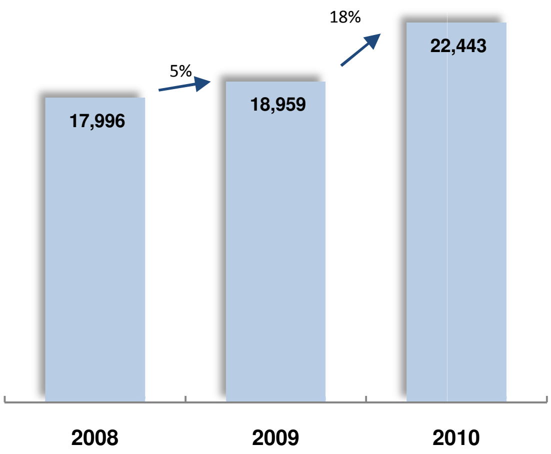
Revenue distribution



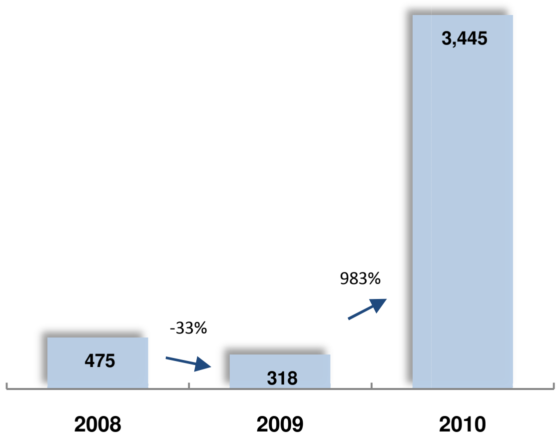
All amounts in thousands of reais unless otherwise stated

4) Operating performance

Production (thousand m²)



Products purchased from third parties for resale (thousand m²)



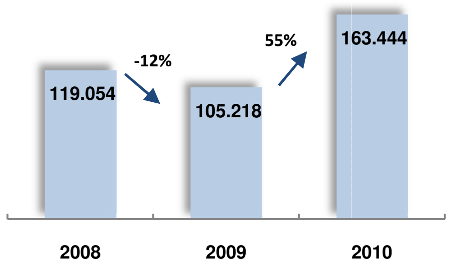
The volume produced in this period was 18% superior when compared to the same period of the previous year, mainly due to the installation of the new production line in the enameled porcelain plant during the first six-months, which represented efficiency and quality gains. Also, the Company's productivity in other units was boosted by several actions taken during 2010 for more productivity and quality. Accordingly, the Company invested in plant system management, by reorganizing production programs and maintenance and optimization of the production portfolio, resulting in a reduction of costs and increase in profitability by unit sold. Considering the volume produced, the Company acquired from third parties 3.4 million m^2 of products for resale, to complement the production line and leverage the power of the Portobello brand.

Therefore, gross profit increased 55% due to sales of products with higher profitability and the gains in quality and efficiency of the production, as well as the higher volume of sales already mentioned. Consequently, gross margin of 32% was significantly higher than the 28% obtained in the same period of 2009.

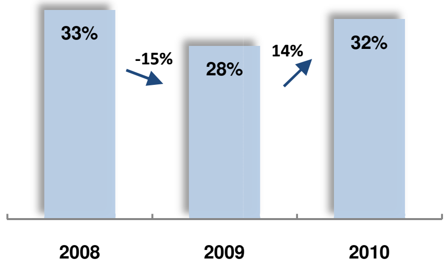
Operating performance	2008	2009	2010	Variation % 2010 x 2009
Net operating revenue	356,264	380,208	511,415	35%
Domestic market	303,671	344,504	470,428	37%
Foreign market	52,593	35,704	40,987	15%
(-) Cost of sales	(237,210)	(274,990)	(347,971)	27%
(=) Gross operating profit	119,054	105,218	163,444	55%
Gross margin %	33%	28%	32%	15%
Volume sold	16,867	17,722	23,536	33%
Average unit revenue	21,12	21,45	21,73	1%
Average unit cost	(14,06)	(15,52)	(14,78)	-5%
Gross unit profit	7,06	5,94	6,94	17%

All amounts in thousands of reais unless otherwise stated

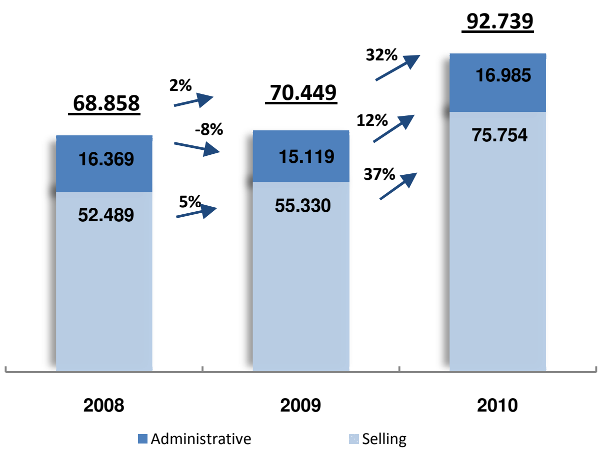
Gross operaring profit



Gross margin



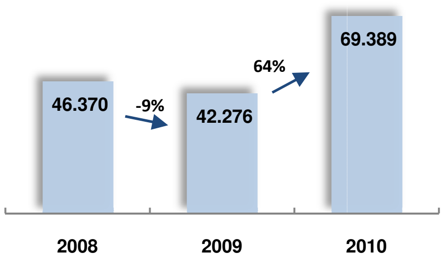
Selling and administrative expenses



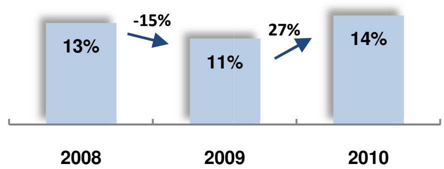
Selling expenses increased 37% in comparison with the same period of 2009 due to the increase in sales. These expenses represent 15% of net revenues in 2010, the same percentage as in 2009. The main increases were in logistics, sales team and marketing actions to support the sales growth.

Administrative expenses increased 12% in comparison with the year ended December 31, 2009 due to expenses with the improvement of the management system. As a percentage of net revenue, these expenses decreased from 4% to 3%, reflecting economies of scale.

EBIT



EBIT, % on net revenue



EBIT	2008	2009	2010	Variation % 2010 x 2009
Gross operating profit	119,054	105,218	163,444	55%
Selling expenses	(52,489)	(55,330)	(75,754)	37%
General and administrative expenses	(16,369)	(15,119)	(16,985)	12%
Other operating income (expenses)	3,275	16,229	42	-100%
Other gains (losses), net	(7,101)	(8,722)	(1,358)	-84%
(=) EBIT	46,370	42,276	69,389	64%
% of net revenues	13%	11%	14%	27%

All amounts in thousands of reais unless otherwise stated

5) Economic and financial performance

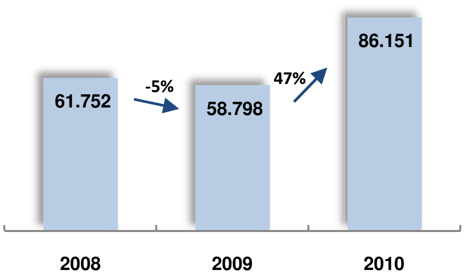
Consolidated results for the period	2008	2009	2010
Net operating revenue	**356,264**	**380,208**	**511,415**
Gross operating profit	**119,054**	**105,218**	**163,444**
Gross margin	*33%*	*28%*	*32%*
Operating expenses	(72,684)	(62,942)	(94,055)
Selling	(52,489)	(55,330)	(75,754)
General and administrative	(16,369)	(15,119)	(16,985)
Other operating income (expenses), net	3,275	16,229	42
Other gains (losses), net	(7,101)	(8,722)	(1,358)
EBIT	**46,370**	**42,276**	**69,389**
EBIT margin	*13%*	*11%*	*14%*
Net financial result	(32,101)	(10,165)	(25,991)
Operating profit	**14,269**	**32,111**	**43,398**
Income tax and social contribution	(9,859)	(7,199)	(2,669)
Continuing operations - profit for the year	**4,410**	**24,912**	**40,729**
Discontinued operations - loss for the year	**(13,755)**	**(5,745)**	**(8,425)**
Profit (loss) for the year	**(9,345)**	**19,167**	**32,304**
Profit (loss) attributable to non-controlling interests	**(7)**	**(6)**	**(9)**
Profit (loss) attributable to stockholders of the Company	**(9,352)**	**19,161**	**32,295**
Net margin	*-3%*	*5%*	*6%*
EBITDA (*)	**61,752**	**58,798**	**86,151**
EBITDA margin	*17%*	*15%*	*17%*

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

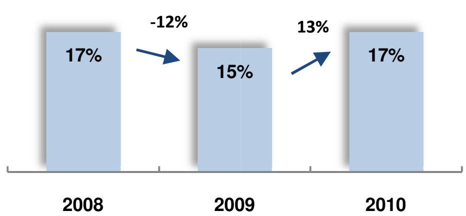
The profit increased 69% in comparison with the same period of 2009, due to higher billings, recognition of deferred income tax and social contribution on accumulated losses and temporary differences, and various actions carried out by management.

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

EBITDA



EBITDA, % on net revenue



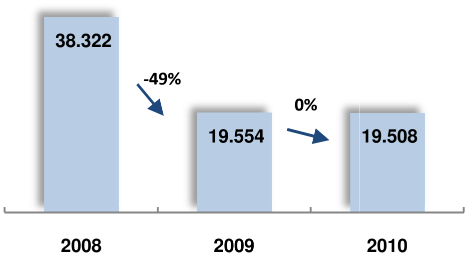
All amounts in thousands of reais unless otherwise stated

EBITDA	2008	2009	2010	Variation % 2010 x 2009
Profit (loss) attributable to stockholders of the Company	(9,352)	19,161	32,295	69%
Net financial result	32,101	10,165	25,991	156%
Depreciation, amortization and depletion	15,382	16,522	16,762	1%
Income tax and social contribution	9,859	7,199	2,669	-63%
Non-controlling interests	7	6	9	50%
Discontinued operations	13,755	5,745	8,425	47%
(=) Continuing operations EBITDA (*)	61,752	58,798	86,151	47%
% net revenue	17%	15%	17%	13%

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

7) Investments

Investments



The 2010 investment program included a new production line complementing the other two lines implemented during 2008 and 2009. At the end of 2010, the Company acquired the equipment for digital decoration (Ink Jet), which will permit greater innovation and will speed up the launching of product lines.

8) Working capital

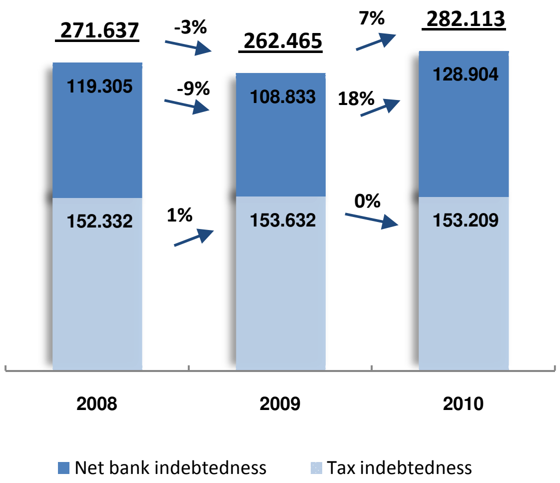
Working capital	2008	2009	2010	Variation %	Nominal variation
Trade receivables	79,865	70,989	101,491	43%	30,502
Advances to suppliers	2,365	2,121	747	-65%	(1,374)
Inventories	64,300	71,037	93,745	32%	22,708
Suppliers	(72,178)	(68,033)	(87,689)	29%	(19,656)
Advances from customers	(19,957)	(20,254)	(14,659)	-28%	5,595
Invested working capital	54,395	55,860	93,635		37,775

The need for working capital increased in comparison with the same period of the previous year mainly due to three factors: (i) in 2009, the Company obtained exceptional payment conditions from some of its major suppliers, mainly energy and enamel and dye, in order to support the Company due to the suspension of production at its manufacturing facilities in December 2008 caused by the interruption of the natural gas supply; (ii) the sales increase required more financing of customers; and (iii) the increase in own production capacity and in sales of third party products represented a growth in inventory levels to meet the demand.

All amounts in thousands of reais unless otherwise stated

9) Indebtedness

Indebtedness

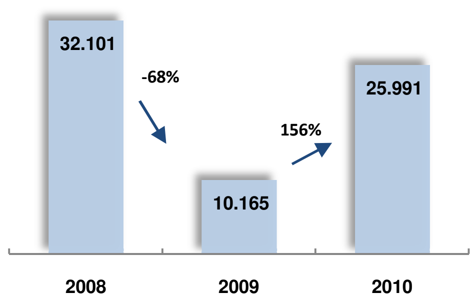


Net bank indebtedness grew 18% in relation to the same period of the previous year, due to investments in the manufacturing facilities, which were fully financed, and the increase in the need for working capital to finance the sales increase. However, the debt has a longer maturity profile and a lower cost than in the previous years.

Net bank indebtedness	2008	2009	2010
Current	98,785	92,871	97,584
Non-current	36,327	28,859	45,242
(=) Total bank indebtedness	135,112	121,730	142,826
Cash and cash equivalents and marketable securities	15,807	12,897	13,922
(=) Total net bank indebtedness	119,305	108,833	128,904

Financial leverage	2008	2009	2010
Net bank indebtedness	119,305	108,833	128,904
Tax indebtedness	152,332	153,632	153,209
EBITDA	61,752	58,798	86,151
(=) Net bank indebtedness / EBITDA	1.9	1.9	1.5
(=) Net bank and tax indebtedness / EBITDA	4.4	4.5	3.3

Finance costs



Net finance costs were higher than in 2009 due to the benefit from the reduction in charges of R$ 9,706, recorded as finance income in that year, upon the adoption of the installment programs for payment of federal taxes (Refis and MP 470). In addition, in 2009 there was a net exchange gain of R$ 12,687, in comparison with R$ 1,888 in 2010. Excluding these effects, net finance costs decreased 15%.

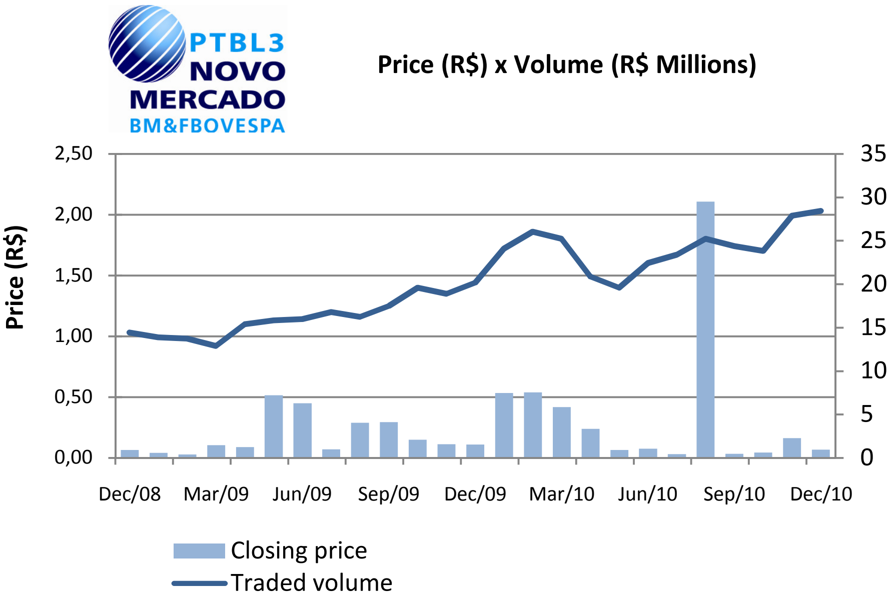
During 2010, several measures were taken to extend the maturities of the bank indebtedness, which resulted in an average cost of 12.2% p.a. on debt at the end of the year, in comparison with an average cost of 15.1% p.a. at the end of 2009.

10) Human resources

Consolidated personnel at the end of the year comprised 2,502 professionals, 2,342 of whom were own personnel, 108 outsourced, 17 interns and 35 temporary workers.

11) Share performance

The quotation of PORTOBELLO shares increased 41%, from R$ 1.44 at December 31, 2009 to R$ 2.03 at December 31, 2010. The traded volume in the year decreased from R$ 1,540 thousand to R$ 951 thousand.



12) Awards

- "The 500 Largest Companies in the South of Brazil". The Company was placed in the 28th position (31st in 2008) in the selection of the 100 Largest Companies in Santa Catarina and 148th (161st in 2008) in the largest Companies in the South;
- "Best franchise in the category Ceramic Tile” awarded by PINI (16th edition);
- "Top of Mind" published by Casa & Mercado magazine;
- "Marketing Top ADVB/SC - Association of Sales and Marketing Leaders of the State of Santa Catarina" for launching in the market the first porcelain with 4.7 millimeters manufactured in Brazil;
- "Expression of Ecology" (18h edition), awarded by the Ministry of the Environment;
- "The Most Admired Companies in Brazil in 2010" of Carta Capital magazine in which the Company ranked fifth in the category "Manufacturers of construction material" and first in the tile segment;
- "Outstanding Brand of the 21st Century", awarded by Empreendedor publishing house.

13) Outlook

- The Company expects the continuity of the strong demand for construction materials, also influenced by the exemption from Excise Tax (IPI) up to 2011, as an incentive of the government for civil construction;
- The investments planned for the manufacturing facilities and management system should permit the continuity of gains in productivity and consequent reductions in costs of production and gains in quality.
- The resale of products acquired from third parties, including imported items, will be increased;
- With a larger offer of credit facilities received by the Company over the past months, the profile and cost of financing working capital should be restructured, with impacts on the net finance costs. The Company is taking measures to reduce the need of working capital (inventories);
- Due to the strong growth of the Brazilian economy without the corresponding expansion of the road network, the Company is preparing to face increasing challenges in the logistics area.
- The probable inflationary pressures on costs of inputs should be neutralized by gains in productivity that the Company expects to obtain with the administrative measures in progress and budgeted investments.

14) Other significant information

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

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

The Company's Management comprises the following members:

Executive Board

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

Board of Directors

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

(A free translation of the original in Portuguese)

Independent Auditor's Report on the Financial Statements

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

We have audited the accompanying financial statements of Portobello S.A. (the "Parent Company"), which comprise the balance sheet as at December 31, 2010 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Portobello S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Portobello S.A.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Portobello S.A. as at December 31, 2010, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portobello S.A. and its subsidiaries as at December 31, 2010, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Portobello S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value.

Other matters
Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2010, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Florianópolis, March 18, 2011

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

Carlos Biedermann
Contador CRC 1RS029321/0-4 "S" SC

Portobello S.A. and Subsidiaries

Financial Statements

All amounts in thousands of reais unless otherwise stated

Balance Sheet (A free translation of the original in Portuguese)

Assets	Note	Parent December 31, 2010	Parent December 31, 2009	Parent January 1, 2009	Consolidated December 31, 2010	Consolidated December 31, 2009	Consolidated January 1, 2009
Current assets							
Cash and cash equivalents	8	8.719	7.014	6.446	12.802	8.618	9.017
Trade receivables	9	95.996	64.837	70.321	101.491	70.989	79.865
Marketable securities	10	1.120	4.279	6.790	1.120	4.279	6.790
Inventories	11	93.276	68.224	57.696	93.745	71.037	64.300
Advances to suppliers		1.758	2.120	2.322	747	2.121	2.365
Taxes recoverable	12	1.362	3.158	224	1.939	3.874	938
Income tax and social contribution recoverable	16	-	171	-	215	420	228
Dividends receivable	20	10.567	5.909	8.285	-	-	-
Prepaid expenses		127	112	104	193	230	214
Receivables from subsidiary	13	33.784	32.182	37.937	-	-	-
Other		1.702	1.598	1.469	2.275	1.662	1.534
		248.411	189.604	191.594	214.527	163.230	165.251
Non-current assets							
Long-term receivables							
Trade receivables	9	357	673	-	357	673	-
Receivables from subsidiary	43	3.666	2.890	3.147	-	-	-
Receivables from other related parties	13	94.667	86.763	95.229	94.667	86.763	95.229
Judicial deposits	14	8.011	2.022	1.686	8.043	2.217	1.791
Receivables from Eletrobrás	15	26.131	13.858	11.888	26.131	13.858	11.888
Taxes recoverable	12	1.455	500	461	1.455	500	461
Deferred income tax and social contribution	16	29.309	17.575	22.839	29.309	17.575	22.839
Tax assets	17	10.590	9.665	-	10.590	9.665	-
Actuarial assets	30(a)	1.764	-	-	1.764	-	-
Other	19	57	139	208	583	732	1.627
		176.007	134.085	135.458	172.899	131.983	133.835
Permanent assets							
Investments	20						
Investments in subsidiaries		480	480	480	-	-	-
Other investments		198	198	198	226	223	221
Property and equipment	21	177.459	176.146	173.948	178.226	177.172	175.403
Intangible assets	22	1.437	2.501	3.070	1.544	2.665	3.141
		179.574	179.325	177.696	179.996	180.060	178.765
		355.581	313.410	313.154	352.895	312.043	312.600
Total assets		603.992	503.014	504.748	567.422	475.273	477.851

Equity and liabilities	Note	Parent December 31, 2010	Parent December 31, 2009	Parent January 1, 2009	Consolidadted December 31, 2010	Consolidadted December 31, 2009	Consolidadted January 1, 2009
Current liabilities							
Suppliers	23	86.777	65.999	70.812	87.689	68.033	72.178
Loans and financing	24	97.584	92.854	97.194	97.584	92.871	98.785
Payment in installments of tax liabilities	25	15.739	21.434	9.303	16.552	22.179	9.761
Taxes, fees and contributions	27	2.070	1.531	9.716	2.682	1.925	10.005
Income tax and social contribution payable	16	590	-	-	1.049	30	-
Dividends payable		-	-	-	11	6	8
Provisions for contingencies	28	6.322	5.539	-	6.345	5.557	-
Debts with related parties	43	-	-	2.120	-	-	2.120
Advances from customers		14.189	18.673	18.677	14.659	20.254	19.957
Social and labor obligations		14.498	10.705	8.031	15.334	11.603	9.169
Provision for loss on investments	20	33.738	27.026	29.277	-	-	-
Other		7.120	3.859	9.930	9.370	4.410	13.941
		278.627	247.620	255.060	251.275	226.868	235.924
Non-current liabilities							
Loans and financing	24	44.434	28.127	35.583	45.242	28.859	36.327
Provisions for contingencies	28	25.493	16.999	13.391	25.499	16.999	13.436
Debt with related parties	43	8.484	7.827	7.386	-	-	149
Private pension plan	30(a)	3.469	3.420	6.359	3.469	3.420	6.359
Deferred income tax and social contribution	16	44.303	39.973	40.583	44.303	39.973	40.583
Payment in installments of tax liabilities	25	134.062	128.377	28.957	136.657	131.453	30.217
Taxes payable	26	-	-	111.957	-	-	112.354
Provision for loss on investments	20	4.256	2.720	2.335	-	-	-
Other		-	774	2.918	141	752	2.918
		264.501	228.217	249.469	255.311	221.456	242.343
Equity, capital and reserves attributed to the controlling shareholders	31						
Paid-up capital		112.957	112.957	112.957	112.957	112.957	112.957
Capital reserve		267	267	267	267	267	267
Revaluation reserve		46.872	48.729	50.472	46.872	48.729	50.472
Carrying value adjustments		429	(1.154)	(9.352)	429	(1.154)	(9.352)
Accumulated deficit		(99.661)	(133.622)	(154.125)	(99.699)	(133.851)	(154.755)
		60.864	27.177	219	60.826	26.948	(411)
Non-controlling interests		-	-	-	10	1	(5)
		60.864	27.177	219	60.836	26.949	(416)
Total equity and liabilities		603.992	503.014	504.748	567.422	475.273	477.851

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

Statement of Income
Years Ended December 31, 2010 and 2009 (A free translation of the original in Portuguese)

	Note	Parent December 31, 2010	Parent December 31, 2009	Consolidated December 31, 2010	Consolidated December 31, 2009
Continuing operations					
Revenue	32	481.288	363.677	511.415	380.208
Cost of sales		(355.081)	(283.783)	(347.971)	(274.990)
Gross profit		126.207	79.894	163.444	105.218
Operating income (expenses), net					
Selling		(61.409)	(45.108)	(75.754)	(55.330)
General and administrative		(12.480)	(11.599)	(16.985)	(15.119)
Other operating income (expenses), net	34	3.353	19.260	42	16.229
Other gains (loss), net	35	(1.358)	(8.722)	(1.358)	(8.722)
Equity in the results of investees	20	904	(423)	-	-
		(70.990)	(46.592)	(94.055)	(62.942)
Operating profit before finance income (costs)		55.217	33.302	69.389	42.276
Finance income (costs)	36				
Finance income		13.071	4.013	13.818	4.774
Finance costs		(41.096)	(26.587)	(41.697)	(27.626)
Net exchange variation		1.888	12.687	1.888	12.687
		(26.137)	(9.887)	(25.991)	(10.165)
Profit before income tax and social contribution		29.080	23.415	43.398	32.111
Income tax and social contribution	16				
Current		(4.376)	-	(10.069)	(2.873)
Deferred		7.400	(4.655)	7.400	(4.326)
		3.024	(4.655)	(2.669)	(7.199)
Profit for the year from continuing operations		32.104	18.760	40.729	24.912
Discontinued operations					
Loss for the year from discontinued operations	37	**-**	**-**	**(8.425)**	**(5.745)**
Profit for the year		**32.104**	**18.760**	**32.304**	**19.167**
Profit attributable to					
Shareholders of the Company		32.104	18.760	32.295	19.161
Non-controlling interests		-	-	9	6
Number of shares outstanding at the balance sheet date - in thousands		159.009	159.009	159.009	159.009
Basic and diluted earnings per share for the year - R$	38	0,20	0,12	0,20	0,12
From continuing operations		0,20	0,12	0,26	0,16
From discontinued operations		-	-	(0,05)	(0,04)

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

All amounts in thousands of reais unless otherwise stated

Statement of Comprehensive Income
Years Ended December 31, 2010 and 2009 (A free translation of the original in Portuguese)

	Note	Parent		Consolidated	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Profit for the year		**32.104**	**18.760**	**32.304**	**19.167**
Other comprehensive income		**3.440**	**9.941**	**3.440**	**9.941**
Realization of the revaluation reserve	31	1.857	1.743	1.857	1.743
Actuarial gain	30(a)	168	-	168	-
Exchange variation of subsidiary located abroad	20	1.415	8.198	1.415	8.198
Total comprehensive income for the year		35.544	28.701	35.744	29.108
Comprehensive income for the year attributable to					
Shareholders of the Company		35.544	28.701	35.735	29.102
Non-controlling interests		-	-	9	6

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

Statement of Cash Flows
Years Ended December 31, 2010 and 2009 (A free translation of the original in Portuguese)

	Note	Parent		Consolidated	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net cash provided by (used in) operating activities		(13.054)	(1.803)	(6.849)	10.705
Cash generated from operations	39	6.915	10.041	18.290	25.128
Interest paid		(16.985)	(11.844)	(16.985)	(11.844)
Income tax and social contribution paid		(2.984)	-	(8.154)	(2.579)
Net cash provided by (used in) investing activities		(8.910)	4.095	(12.645)	(10.546)
Purchase of property and equipment		(12.972)	(10.923)	(13.227)	(11.053)
Additions to intangible assets		(5)	(1.111)	(18)	(1.259)
Dividends received	20	5.909	8.285	-	-
Proceeds from property and equipment disposal	34	600	1.766	600	1.766
Related parties		(2.442)	6.078	-	-
Net cash provided by (used in) financing activities		23.669	(1.724)	23.649	(828)
New loans and financing		264.151	230.515	264.208	228.934
Payment of loans and financing		(240.559)	(229.762)	(240.559)	(229.762)
Related companies		77	(2.477)	-	-
Exchange variation effects on cash and cash equivalents		-	-	(29)	(270)
Increase/(decrease) in cash and cash equivalents		1.705	568	4.184	(399)
Cash and cash equivalents at beginning of year	8	7.014	6.446	8.618	9.017
Cash and cash equivalents at end of year	8	8.719	7.014	12.802	8.618

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

All amounts in thousands of reais unless otherwise stated

Statement of Changes in Equity
Years Ended December 31, 2010 and 2009

(A free translation of the original in Portuguese)

Parent	Note	Share capital	Capital reserve	Revaluation reserve	Retained earnings (accumulated deficit)	Carrying value adjustments	Total equity
At January 1, 2009		112.957	267	50.472	(154.125)	(9.352)	219
Profit for the year		-	-	-	18.760	-	18.760
Other comprehensive income							
Realization of revaluation reserve	31	-	-	(1.743)	1.743	-	-
Exchange variation of subsidiary located abroad	20	-	-	-	-	8.198	8.198
Total comprehensive income		-	-	-	20.503	8.198	28.701
At December 31, 2009		112.957	267	48.729	(133.622)	(1.154)	27.177
Profit for the year		-	-	-	32.104	-	32.104
Other comprehensive income							-
Realization of revaluation reserve	31	-	-	(1.857)	1.857	-	-
Actuarial gain	30(a)	-	-	-	-	168	168
Exchange variation of subsidiary located abroad	20	-	-	-	-	1.415	1.415
Total comprehensive income		-	-	-	33.961	1.583	35.544
At December 31, 2010		112.957	267	46.872	(99.661)	429	60.864

Portobello S.A. and Subsidiaries

Financial Statements
All amounts in thousands of reais unless otherwise stated

Statement of Changes in Equity
Years Ended December 31, 2010 and 2009

(A free translation of the original in Portuguese)

Consolidated	Note	Share capital	Capital reserve	Reavaluation reserve	Retained earnings (accumulated deficit)	Carrying value adjustments	Subtotal	Non-controlling interests	Total equity
At January 1, 2009		112.957	267	50.472	(154.755)	(9.352)	(411)	(5)	(416)
Profit for the year		-	-	-	19.161	-	19.161	6	19.167
Other comprehensive income									-
Realization of revaluation reserve	31	-	-	(1.743)	1.743	-	-		-
Exchange variation of subsidiary located abroad	20	-	-	-	-	8.198	8.198		8.198
Total comprehensive income		-	-	-	20.904	8.198	29.102	6	29.108
At December 31, 2009		112.957	267	48.729	(133.851)	(1.154)	26.948	1	26.949
Profit for the year		-	-	-	32.295	-	32.295	9	32.304
Other comprehensive income									-
Realization of revaluation reserve	31	-	-	(1.857)	1.857	-	-		-
Actuarial gain	30(a)	-	-	-	-	168	168		168
Exchange variation of subsidiary located abroad	20	-	-	-	-	1.415	1.415		1.415
Total comprehensive income		-	-	-	34.152	1.583	35.735	9	35.744
At December 31, 2010		112.957	267	46.872	(99.699)	429	60.826	10	60.836
					-				

All amounts in thousands of reais unless otherwise stated

Statement of Value Added
Years Ended December 31, 2010 and 2009 (A free translation of the original in Portuguese)

	Note	Parent December 31, 2010	Parent December 31, 2009	Consolidated December 31, 2010	Consolidated December 31, 2009
Revenues		621.755	477.143	648.896	493.459
Sales and services		599.245	475.062	634.768	490.151
Other revenues		22.479	2.591	14.678	2.658
Provision for impairment of trade receivables	9	31	(510)	(550)	650
Inputs acquired from third parties		(327.056)	(257.390)	(332.479)	(251.259)
Cost of sales and services		(243.875)	(196.631)	(226.627)	(169.608)
Materials, energy, outsourced services and other		(83.121)	(60.851)	(96.497)	(75.998)
Impairment/recovery of assets		(60)	92	(930)	92
Results from discountinued operations	37	-	-	(8.425)	(5.745)
Gross value added		294.699	219.753	316.417	242.200
Retentions		(16.405)	(15.965)	(16.762)	(16.522)
Depreciation and amortization	21 and 22	(16.405)	(15.965)	(16.762)	(16.522)
Net value added generated by the entity		278.294	203.788	299.655	225.678
Value added received through transfer		27.820	37.551	27.668	32.832
Equity in the results of investees	20	904	(423)	-	-
Finance income		26.916	32.065	27.668	32.826
Other		-	5.909	-	6
Total value added to distribute		306.114	241.339	327.323	258.510

	Parent December 31, 2010	Parent December 31, 2009	Consolidated December 31, 2010	Consolidated December 31, 2009
Distribution of value added	306.114	241.339	327.323	258.510
Personnel	81.474	71.034	88.874	79.761
Direct remuneration	69.665	62.500	76.048	70.558
Benefits	6.943	5.017	7.600	5.426
FGTS	4.866	3.517	5.226	3.777
Taxes, fees and contributions	132.738	94.833	143.885	100.184
Federal	65.078	44.530	76.074	49.099
State	67.485	50.260	67.594	51.027
Municipal	175	43	217	58
Remuneration of third-party capital	59.798	56.712	62.260	59.398
Interest	54.992	52.647	55.708	53.959
Rentals	4.806	4.065	6.552	5.439
Remuneration of equity	32.104	18.760	32.304	19.167
Earnings reinvested	32.104	18.760	32.295	19.161
Non-controlling interest in earnings reinvested	-	-	9	6

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

1 General Information

Portobello S.A., also herein referred to as "Company" or "Parent company", is a listed corporation whose shares are traded on the São Paulo Futures, Commodities and Stock Exchange (BM&FBOVESPA S.A.) New Market segment, under the code PTBL3. The Company is controlled by Cesar Gomes Júnior and Eleonora Ramos Gomes, holding 29.09% of its capital. The remaining 70.91% of the shares is widely held.

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

The Company also holds investments in the following subsidiaries, together with the Company referred to as "**the Group**": (i) Portobello América, which was established to sell Portobello products in the North American market, and, at December 31, 2010, is classified as a discontinued operation, as described in Note 37 to the financial statements; (ii) Mineração Portobello, which supplies about 50% of the raw materials used in the production of ceramic tiles; (iii) PBTech, which was incorporated with the objective of providing civil construction companies a differentiated service, with sales of products and services; and (iv) Portobello Shop, which manages Portobello Shop and Empório Portobell franchised stores specialized in ceramic tiles, being the only franchised ceramic tile chain in Brazil, with 105 stores.

The issue of these financial statements was authorized by its Board of Directors on March 17, 2011.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation in 2006 of land, buildings and improvements, adopted as the deemed cost on the transition date to IFRS/CPCs (see Note 31b), and financial assets and liabilities measured at fair value through profit or loss.

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

a) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

All amounts in thousands of reais unless otherwise stated

The consolidated financial statements have also been prepared and are being presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and they are the first financial statements presented by the Company in accordance with CPCs and IFRS. The main differences between the accounting practices earlier adopted in Brazil (former BR GAAP) and CPCs/IFRS, including the reconciliation of equity, are described in Note 0.

b) Parent company financial statements

The financial statements of the parent company have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and are disclosed together with the consolidated financial statements.

2.2 Consolidation

2.2.1 Consolidated financial statements

a) Subsidiaries

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

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

	Voting capital percentage		
	December 31, 2010	December 31, 2009	January 1, 2009
Portobello América, Inc.	100.00	100.00	100.00
PBTech Com. Serv. Revest. Cer. Ltda.	99.94	99.94	99.94
Portobello Shop S.A.	99.90	99.90	99.90
Mineração Portobello Ltda.	99.76	99.76	99.76

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

The reconciliation between the equity and the profit for the years of the Company and consolidated is as follows:

	Equity			Profit	
	December 31, 2010	December 31, 2009	January 1, 2009	2010	2009
Parent company	60,864	27,177	219	32,104	18,760
Unrealized inventory profit	(38)	(229)	(630)	(38)	(229)
Reversal of unrealized profit	-	-	-	229	630
Consolidated excluding non-controlling interests	60,826	26,948	(411)	32,295	19,161

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

b) Transactions and non-controlling interests

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

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

2.2.2 Parent company financial statements

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

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

2.3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board that makes the Group’s strategic decisions.

2.4 Foreign currency translation

a) Presentation currency and functional currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Brazilian reais, which is the Company’s functional currency, and also the Group's presentation currency.

b) Transactions and balances

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

c) Subsidiaries

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

2.5 Cash and cash equivalents

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

2.6 Financial assets

2.6.1 Classification

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

a) Loans and receivables

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

b) Financial assets held to maturity

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

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

These are financial assets held for active and frequent trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in the category are included in current assets. Gains or losses arising from the changes in fair value of financial assets measured at fair value through profit or loss are recorded in the statement of income in “Finance income (costs)” in the period in which they occur. At December 31, 2010, the Company and its subsidiaries do not have financial instruments classified in this category.

d) Available-for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date. At December 31, 2010, the Company and its subsidiaries do not have financial instruments classified in this category.

2.6.2 Recognition and measurement

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

2.6.3 Offsetting financial instruments

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

2.7 Derivative financial instruments and hedging activities

The Group does not have derivative financial instruments and hedging activities.

2.8 Impairment of financial assets

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

The criteria that the Group uses to determine whether there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor;

ii) a breach of contract, such as a default or delinquency in interest or principal payments;

iii) it becomes probable that the debtor will enter bankruptcy or other financial reorganization;

iv) the disappearance of an active market for that financial asset because of financial difficulties; or

v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

2.9 Trade receivables

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

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

2.10 Inventories

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

2.11 Judicial deposits

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

2.12 Receivables from Eletrobrás

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

2.13 Investments

Investments in subsidiaries are recorded based on the equity accounting method and the equity in the results of subsidiaries is recognized in the statement of income as operating income or expenses.

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

Provision for losses on investments is recorded when there are losses on investments in subsidiaries that exceed their carrying amount. The Company classifies the provision in non-current liabilities, under "Provision for losses on investments", with a corresponding entry in the statement of income, as "Equity in the results of investees".

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

2.14 Property, plant and equipment

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

All amounts in thousands of reais unless otherwise stated

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

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

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

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

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

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

2.15 Intangible assets

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

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

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

The Group tests an intangible asset with an indefinite useful life for impairment, by comparing its recoverable amount with the corresponding carrying amount, on an annual basis or whenever there is an indication that the intangible asset may be losing its economic substance, as determined by CPC 01 - Impairment of Assets. The book amounts at December 31, 2010 are judged to approximate the fair values.

2.16 Leases

Leases of property, plant and equipment in which the Group substantially assumes all ownership risks and benefits are classified as financial leases under "Loans and financing". These financial leases are recorded as a financed purchase, recognizing at the beginning of the lease, a property, plant and equipment item and a financing liability (lease) at fair value and subsequently at the amortized cost.

Property, plant and equipment acquired in finance leases are depreciated at the rates disclosed in Note 21.

A lease in which the Group assumes only part of the ownership risks and benefits is classified as an operating lease. Operating lease payments are charged to results of operations on the straight-line basis over the term of the lease.

2.17 Impairment of non-financial assets

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

At December 31, 2010, the Company tested and analyzed non-financial assets for impairment and concluded that there are no indicators that these assets cannot be totally recoverable.

2.18 Suppliers

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

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

2.19 Loans and financing

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

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Provisions for contingencies, contingent assets and liabilities

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

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

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

2.21 Current and deferred income tax and social contribution

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

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

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

2.22 Employee benefits

a) Private pension plan

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as other comprehensive income in equity, under "Carrying value adjustments".

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

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

b) Profit-sharing plan

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

2.23 Share capital

The Company's capital is exclusively represented by common shares and is classified in equity, as disclosed in Note 31.

2.24 Share issue costs

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

2.25 Dividend distribution

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

2.26 Revenue recognition

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

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

a) Sales of goods – wholesale

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

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

b) Royalty income

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

c) Interest income

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

2.27 Result from discontinued operations

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

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

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

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

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

- Revised IAS 24, "Related party disclosures", issued in November 2009, which supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

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

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

All amounts in thousands of reais unless otherwise stated

- ‘Prepayments of a minimum funding requirement’ (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

  This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

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

b) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company’s operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after January 1, 2011 or later periods but are not relevant for the Group’s operations.

Below is a list of standards/interpretations that have been issued and are effective for periods after January 1, 2010.

Topic	Key requirements	Effective date
Amendment to IAS 32, ‘Financial instruments: Presentation – Classification of rights issues’	The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.	February 1, 2010
IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’	Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially.	July 1, 2010
Amendment to IFRS 1, ‘First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters’	Provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7.	July 1, 2010
IAS 24, ‘Related party disclosures’ (revised in 2009)	Amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.	January 1, 2011

All amounts in thousands of reais unless otherwise stated

Topic	Key requirements	Effective date
Amendment to IFRIC 14, "IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction"	Removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. Results in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense.	January 1, 2011
IFRS 9, 'Financial instruments'	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012.	January 1, 2013

Improvements to IFRSs 2010

The amendments are generally applicable for annual periods beginning after January 1, 2011 unless otherwise stated. Although permitted by IASB, early adoption is not available in Brazil.

Standard	Key requirements	Applications
IFRS 1, 'First-time adoption of International Financial Reporting Standards'	**(a) Accounting policy changes in the year of adoption** Clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, 'Interim financial reporting', it should explain those changes and update the reconciliations between previous GAAP and IFRS.	Applied prospectively.
	(b) Revaluation basis as deemed cost Allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRSs, but during the period covered by its first IFRS financial statements, any subsequent adjustment to	Entities that adopted IFRSs in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective, provided the measurement date is within the period covered by the first IFRS financial statements.

Standard	Key requirements	Applications
	that event-driven fair value is recognized in equity. This event may be, for example, a privatization or an acquisition.	Applied prospectively.
	(c) Use of deemed cost for operations subject to rate regulation (for example, public service concessionaires) Entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition.	
IFRS 3, ‘Business combinations’	**(a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.** Clarifies that the amendments to IFRS 7, ‘Financial instruments: Disclosures’, IAS 32, ‘Financial instruments: Presentation’, and IAS 39, ‘Financial instruments: Recognition and measurement", that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).	Applicable to annual periods beginning on or after July 1, 2010. Applied retrospectively.
	(b) Measurement of non-controlling interests The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree’s net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.	Applicable to annual periods beginning on or after July 1, 2010. Applied prospectively from the date the entity applies IFRS 3.
	(c) Un-replaced and voluntarily replaced share-based payment awards The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination,	Applicable to annual periods beginning on or after July 1, 2010. Applied prospectively.

All amounts in thousands of reais unless otherwise stated

Standard	Key requirements	Applications
	including un-replaced and voluntarily replaced share-based payment awards.	
IFRS 7, 'Financial instruments'	Emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.	January 1, 2011 Applied retrospectively.
IAS 1, 'Presentation of financial statements'	Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.	January 1, 2011 Applied retrospectively.
IAS 27, 'Consolidated and separate financial statements'	Clarifies that the consequential amendments from IAS 27 made to IAS 21, "The effect of changes in foreign exchange rates", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27(R) is applied earlier.	Applicable to annual periods beginning on or after July 1, 2010. Applied retrospectively.
IAS 34, 'Interim financial reporting'	Provides guidance to illustrate how to apply the disclosure principles in IAS 34 and adds disclosure requirements about: • The circumstances likely to affect fair values of financial instruments and their classification; • Transfers of financial instruments between different levels of the fair value hierarchy; • Changes in classification of financial assets; and • Changes in contingent liabilities and assets.	January 1, 2011 Applied retrospectively.
IFRIC 13, 'Customer loyalty programs'	The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programs.	January 1, 2011

3 Critical Accounting Estimates and Judgments

3.1 Critical accounting estimates and judgments

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

a) Review of useful life and impairment of assets

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

b) Provisions for contingencies

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

c) Provisions for inventory losses

The provision for inventory losses is recorded when, based on management's review, the items have been discontinued, in cases of low turnover and when the cost of inventory items exceeds their realizable value.

d) Deferred income tax and social contribution

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

e) Private pension plan

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

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

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

f) Discontinued operation

The Board of Directors meeting held in August 2010 resolved to discontinue the operations of the subsidiary Portobello América Inc., for which provisions were recognized based on past expectations of the liquidation value, recording the estimated fair value of the loss on business discontinuation.

3.2 Critical judgments in applying the entity’s accounting policies

a) Receivables from Eletrobrás

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

b) Credits from related parties with guarantees

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

c) Payment in installments of MP 470

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

4 Financial risk management

4.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

All amounts in thousands of reais unless otherwise stated

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

	In reais					
	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Trade receivables	10,201	10,693	20,398	10,201	11,325	28,661
Receivables from subsidiaries	33,784	32,182	37,937	-	-	-
Advances to suppliers	336	768	621	336	768	621
Marketable securities	-	3,650	6,790	-	3,650	6,790
Investments in subsidiaries	(33,738)	(27,026)	(29,277)	-	-	-
Suppliers	(5,502)	(2,687)	(5,909)	(5,502)	(3,820)	(6,961)
Loans and financing	(27,698)	(31,167)	(75,700)	(27,698)	(31,184)	(77,291)
Net liability exposure	(22,617)	(13,587)	(45,140)	(22,663)	(19,261)	(48,180)

		In foreign currency					
		Parent			Consolidated		
		December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Trade receivables	Euro	214	301	354	214	301	354
Trade receivables	US Dollar	4,869	5,238	8,237	4,869	6,824	11,773
Receivables from subsidiaries	US Dollar	20,276	18,454	16,233	-	-	-
Advances to suppliers	Euro	132	82	14	132	82	14
Advances to suppliers	US Dollar	23	325	345	23	325	345
Marketable securities	US Dollar	-	2,096	2,905	-	2,096	2,905
Investments in subsidiaries	US Dollar	(20,248)	(15,521)	(12,528)	-	-	-
Suppliers	Euro	(686)	(708)	(829)	(686)	(708)	(829)
Suppliers	US Dollar	(2,385)	(400)	(1,380)	(2,385)	(1,051)	(1,831)
Loans and financing	Euro	(686)	(1,835)	-	(686)	(1,835)	-
Loans and financing	US Dollar	(14,624)	(14,235)	(32,392)	(14,624)	(14,245)	(33,073)

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

ii) Cash flow and fair value interest rate risk

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

The Group continuously monitors market interest rates in order to assess the need to contract new instruments to hedge against the volatility risk of these rates.

b) Credit risk

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

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

c) Liquidity risk

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

All amounts in thousands of reais unless otherwise stated

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

At December 31, 2010, the Group had negative working capital of R$ 36,784 (R$ 63,638 at December 31, 2009). Management plans to reverse this situation through:

- Restructuring of the debt, aiming at extending the indebtedness profile, obtaining a grace period for the payments and the reduction of the financial cost of borrowing.

- Implementation of measures to strengthen the operating and financial areas in order to improve the profit margins, such as: reduction of costs, replacement of existing equipment by others with higher productivity and the launching of innovative products.

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

	Parent				Consolidated			
	Less than one year	Between one and two years	Between two and five years	Over five years	Less than one year	Between one and two years	Between two and five years	Over five years
At December 31, 2010								
Loans and financing	97,448	15,431	21,054	5,641	97,448	16,214	21,074	5,646
Finance lease liabilities	136	38	-	-	136	38	-	-
Suppliers	86,733	-	-	-	87,645	-	-	-
Payment in installments of tax obligations	15,739	15,739	38,433	79,890	16,552	16,551	39,652	80,454
Total	200,056	31,208	59,487	85,531	201,781	32,803	60,726	86,100

	Parent				Consolidated			
	Less than one year	Between one and two years	Between two and five years	Over five years	Less than one year	Between one and two years	Between two and five years	Over five years
At December 31, 2009								
Loans and financing	92,649	10,738	16,712	-	92,666	10,744	17,438	-
Finance lease liabilities	205	144	-	-	205	144	-	-
Suppliers	65,999	-	-	-	68,033	-	-	-
Payment in installments of tax obligations	21,434	13,690	39,152	75,535	22,179	14,432	40,943	76,078
Total	180,287	24,572	55,864	75,535	183,083	25,320	58,381	76,078

	Parent				Consolidated			
	Less than one year	Between one and two years	Between two and five years	Over five years	Less than one year	Between one and two years	Between two and five years	Over five years
At January 1, 2009								
Loans and financing	97,085	20,959	14,529	-	98,676	21,703	14,529	-
Finance lease liabilities	109	95	-	-	109	95	-	-
Suppliers	70,812	-	-	-	72,178	-	-	-
Payment in installments of tax obligations	9,303	6,675	14,885	7,397	9,761	6,983	15,811	7,423
Total	177,309	27,729	29,414	7,397	180,724	28,781	30,340	7,423

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

i) Sensitivity analysis of changes in interest rates

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

At December 31, 2010, management defined for the probable scenario a CDI rate of 11.75% (annual rate of the reference period) and TJLP of 6.00%. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

All amounts in thousands of reais unless otherwise stated

	Consolidated in reais								
	December 31, 2010	Risk	Probable		Possible (25%)		Remote (50%)	
Operation			%	R$	%	R$	%	R$
Loans - Working capital	68,258	CDI increase	11.75%	(8,020)	14.69%	(10,025)	17.63%	(12,030)
Loans - BNDES*	4,023	TJLP increase	6.00%	(241)	7.50%	(302)	9.00%	(362)
Total	72,281			(8,262)		(10,327)		(12,393)

	Consolidated in reais							
	December 31, 2010	Risk	Probable		Possible (25%)		Remote (50%)	
Operation			%	R$	%	R$	%	R$
Investments - Cash and cash equivalents	3,013	CDI decrease	11.75%	362	8.81%	271	5.88%	181
Investments - Marketable securities	1,120	CDI decrease	11.75%	129	8.81%	97	5.88%	64
Total	4,133			491		368		245

* BNDES - National Bank for Economic and Social Development

ii) Sensitivity analysis of changes in foreign exchange rates

At December 31, 2010, the Company had assets and liabilities denominated in foreign currency and, for sensitivity analysis purposes, adopted as the probable scenario the future market rate in effect during the period of preparation of these financial statements. The probable rates was stressed by 25% and 50%, for the possible and remote scenarios, respectively.

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

	Consolidated in reais						
	December 31, 2010	Probable		Possible (25%)		Remote (50%)	
		US Dollar rate	Gain (Loss)	US Dollar rate	Gain (Loss)	US Dollar rate	Gain (Loss)
Trade receivables	10,201	1.6662	-	2.0828	2,550	2.4993	5,101
Advances to suppliers	336	1.6662	-	2.0828	84	2.4993	168
Suppliers	(5,502)	1.6662	-	2.0828	(1,376)	2.4993	(2,751)
Loans and financing	(27,698)	1.6662	-	2.0828	(6,925)	2.4993	(13,849)
Net liability exposure	(22,663)	1.6662	-	2.0828	(5,667)	2.4993	(11,331)

All amounts in thousands of reais unless otherwise stated

4.2 Capital risk management

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

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

The gearing ratios at the balance sheet dates were as follows:

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Loans and financing	142,018	120,981	132,777	142,826	121,730	135,112
Payment in installments of tax obligations	149,801	149,811	38,260	153,209	153,632	39,978
Less: Cash and cash equivalents	(8,719)	(7,014)	(6,446)	(12,802)	(8,618)	(9,017)
Receivables from other related parties	(94,667)	(86,763)	(95,229)	(94,667)	(86,763)	(95,229)
Marketable securities	(1,120)	(4,279)	(6,790)	(1,120)	(4,279)	(6,790)
Net debt	187,313	172,736	62,572	187,446	175,702	64,054
Total equity	60,864	27,177	219	60,836	26,949	(416)
Total capital	248,177	199,913	62,791	248,282	202,651	63,638
Gearing ratio (%)	75	86	100	75	87	101

The Company has available and unused credit facilities totaling R$ 24,000 at December 31, 2010.

4.3 Fair value estimation

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

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

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

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

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

All amounts in thousands of reais unless otherwise stated

	Parent					
	Carrying amount			Fair value		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Assets						
Receivables						
Financial investments	3,013	-	-	3,013	-	-
Total	3,013	-	-	3,013	-	-
Liabilities						
Other financial liabilities						
Loans and financing	142,018	120,981	132,777	142,018	120,981	132,777
Total	142,018	120,981	132,777	142,018	120,981	132,777

	Consolidated					
	Carrying amount			Fair value		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Assets						
Receivables						
Financial Investments	6,026	-	-	6,026	-	-
Total	6,026	-	-	6,026	-	-
Liabilities						
Other financial liabilities						
Loans and financing	142,826	121,730	135,112	142,826	121,730	135,112
Total	142,826	121,730	135,112	142,826	121,730	135,112

All amounts in thousands of reais unless otherwise stated

5 Financial Instruments by Category

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

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Assets, as per balance sheet						
Receivables						
Cash and cash equivalents	8,719	7,014	6,446	12,802	8,618	9,017
Trade receivables	96,353	65,510	70,321	101,848	71,662	79,865
Total	105,072	72,524	76,767	114,650	80,280	88,882
Held to maturity						
Marketable securities	1,120	4,279	6,790	1,120	4,279	6,790
Total	1,120	4,279	6,790	1,120	4,279	6,790
Liabilities, as per balance sheet						
Other financial liabilities						
Suppliers	86,777	65,999	70,812	87,689	68,033	72,178
Loans and financing	141,844	120,632	132,573	142,652	121,381	134,908
Finance lease liabilities	174	349	204	174	349	204
Payment in installments of tax obligations	149,801	149,811	38,260	153,209	153,632	39,978
Total	378,596	336,791	241,849	383,724	343,395	247,268

6 Credit Quality of Financial Assets

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

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Trade receivables						
Counterparties without external credit rating						
Group 1	10,780	6,954	4,438	11,466	7,607	5,109
Group 2	81,148	55,251	60,177	86,310	60,433	69,278
Group 3	7,018	5,713	7,604	7,464	6,248	8,754
Total	98,946	67,918	72,219	105,240	74,288	83,141
Cash at bank and short-term bank deposits (not including cash on hand)						
AAA (bra)	2,136	2,624	834	2,263	2,661	869
AA+ (bra)	5,887	2,572	3,982	9,186	2,727	5,701
A+ (bra)	-	463	373	-	463	373
AA- (bra)	458	601	455	461	603	456
BBB (bra)	-	244	-	-	244	-
Other	238	501	793	892	1,911	1,606
Total	8,719	7,005	6,437	12,802	8,609	9,005
Loans to related parties						
Group 3	745	604	820	-	-	-
Total	745	604	820	-	-	-

All amounts in thousands of reais unless otherwise stated

The customer risk internal classification is described below:

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

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

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

7 Derivative Financial Instruments

The Group does not have derivative financial instruments.

8 Cash and Cash Equivalents

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Cash	5,706	7,014	6,446	6,776	8,618	9,017
Financial investments	3,013	-	-	6,026	-	-
Total	8,719	7,014	6,446	12,802	8,618	9,017

Financial investments designated as cash equivalents relate to investment funds, which yielded 102.17% of CDI in 2010 and can be redeemed at any time.

All amounts in thousands of reais unless otherwise stated

9 Trade Receivables

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Receivables from third parties:						
Customers - domestic market	87,603	57,087	51,701	93,897	62,825	54,360
Customers - foreign market	10,201	10,693	20,398	10,201	11,325	28,661
	97,804	67,780	72,099	104,098	74,150	83,021
Receivables from related parties:						
Entities related to management	1,142	138	120	1,142	138	120
	1,142	138	120	1,142	138	120
Impairment of trade receivables:						
Provision for impairment of trade receivables	(2,377)	(2,408)	(1,898)	(3,176)	(2,626)	(3,276)
Present value adjustment	(216)	-	-	(216)	-	-
	(2,593)	(2,408)	(1,898)	(3,392)	(2,626)	(3,276)
Total	96,353	65,510	70,321	101,848	71,662	79,865
Current	95,996	64,837	70,321	101,491	70,989	79,865
Non-current	357	673	-	357	673	-

The Company's obligations for discounted trade notes and advances on export contracts for 2010, 2009 and 2008, were reclassified to current liabilities, under loans and financing.

Sales receivable from subsidiaries are stated in long-term receivables, under "Receivables from subsidiaries."

The aging of trade receivables is as follows:

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Not yet due - non-current	444	673	-	444	673	-
Not yet due - current	89,700	59,567	63,718	93,846	65,681	70,969
Overdue up to 30 days	3,177	2,548	3,635	3,657	2,411	4,347
Overdue from 31 to 60 days	1,009	283	966	1,262	346	1,384
Overdue from 61 to 90 days	519	251	606	725	251	929
Overdue from 91 to 180 days	1,093	450	346	2,204	869	2,570
Overdue from 181 to 360 days	736	1,420	429	736	1,276	433
Overdue for more than 360 days	2,268	2,726	2,519	2,366	2,781	2,509
Total	98,946	67,918	72,219	105,240	74,288	83,141

	Parent								
	December 31, 2010			December 31, 2009			January 1, 2009		
	Trade notes falling due	Overdue not impaired	Overdue impaired	Trade notes falling due	Overdue not impaired	Overdue impaired	Trade notes falling due	Overdue not impaired	Overdue impaired
Not yet due - non-current	444	-	-	673	-	-	-	-	-
Not yet due - current	89,700	-	-	59,567	-	-	63,718	-	-
Overdue up to 30 days	-	3,177	-	-	2,548	-	-	3,635	-
Overdue from 31 to 60 days	-	1,009	-	-	283	-	-	966	-
Overdue from 61 to 90 days	-	507	12	-	251	-	-	606	-
Overdue from 91 to 180 days	-	1,077	16	-	450	-	-	346	-
Overdue from 181 to 360 days	-	655	81	-	1,420	-	-	429	-
Overdue for more than 360 days	-	-	2,268	-	318	2,408	-	621	1,898
Total	90,144	6,425	2,377	60,240	5,270	2,408	63,718	6,603	1,898

All amounts in thousands of reais unless otherwise stated

	Consolidated								
	December 31, 2010			December 31, 2009			January 1, 2009		
	Trade notes falling due	Overdue not impaired	Overdue impaired	Trade notes falling due	Overdue not impaired	Overdue impaired	Trade notes falling due	Overdue not impaired	Overdue impaired
Not yet due - non-current	444	-	-	673	-	-	-	-	-
Not yet due - current	93,846	-	-	65,681	-	-	70,969	-	-
Overdue up to 30 days	-	3,657	-	-	2,411	-	-	4,347	-
Overdue from 31 to 60 days	-	1,262	-	-	346	-	-	1,384	-
Overdue from 61 to 90 days	-	603	122	-	251	-	-	929	-
Overdue from 91 to 180 days	-	1,597	607	-	651	218	-	1,184	1,386
Overdue from 181 to 360 days	-	655	81	-	1,276	-	-	431	2
Overdue for more than 360 days	-	-	2,366	-	373	2,408	-	621	1,888
Total	94,290	7,774	3,176	66,354	5,308	2,626	70,969	8,896	3,276

The fair value of trade receivables at December 31, 2010 is R$ 96,353 (R$ 65,510 at December 31, 2009). Impaired trade receivables amounting to R$ 2,377 (R$ 2,408 at December 31, 2009) are covered by the provision for impairment of trade receivables. The present value adjustment, deducted from trade notes receivable, is R$ 216.

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

The changes in the provision for impairment of trade receivables are the following:

	Parent		Consolidated	
	2010	2009	2010	2009
At January 1	2,408	1,898	2,626	3,276
Provision for (reversal of) impairment of trade receivables (a)	399	601	980	(559)
Receivables written off during the year as uncollectible	(430)	(91)	(430)	(91)
At December 31	2,377	2,408	3,176	2,626

(a) Change in provision in 2010 is stated at the net amount of the additions and reversals.

The provision is recorded in the statement of income as other selling expenses.

The Company's receivables are pledged in guarantee of certain loans and financing, as described in Note 24, calculated as a percentage of the remaining debt balance. At December 31, 2010, trade receivables pledged in guarantee were R$ 53,345 (R$ 59,315 at December 31, 2009).

10 Marketable Securities

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

	Parent and consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009
Financial investments	1,120	629	-
Restricted bank account	-	3,650	6,790
Total	1,120	4,279	6,790

All amounts in thousands of reais unless otherwise stated

The financial assets in the parent company and the consolidated at December 31, 2010, classified as held to maturity, comprise financial investments pledged in guarantee of loans of R$ 1,120 (R$ 629 at December 31, 2009), which together with R$ 3,650 in restricted bank accounts totaled R$ 4,279), remunerated at 98% of CDI variation maturing on September 12, 2011.

11 Inventories

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Finished products	82,945	61,101	46,492	84,444	64,262	54,697
Work in process	7,216	6,967	7,379	7,216	6,967	7,379
Raw and consumption materials	8,489	8,270	6,927	8,489	8,270	6,927
Provision for losses on inventories	(10,441)	(8,114)	(3,102)	(11,471)	(8,462)	(4,703)
Imports in transit	5,067	-	-	5,067	-	-
Total	93,276	68,224	57,696	93,745	71,037	64,300

12 Taxes Recoverable

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Current						
ICMS	236	64	3	273	101	99
IPI (a)	930	706	-	930	706	-
IRRF/CSRF	84	144	161	458	514	530
PIS/COFINS	-	2,138	-	2	2,297	202
Other	112	106	60	276	256	107
Total	1,362	3,158	224	1,939	3,874	938
Non-current						
Credits from municipal taxes	-	207	207	-	207	207
ICMS on property, plant and equipment (b)	1,455	293	254	1,455	293	254
Total	1,455	500	461	1,455	500	461

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

a) The reduction in the percentages of IPI rates levied on the products manufactured and sold by Portobello S.A., originally prescribed by Decree 7032 of December 14, 2009, was extended for the second time, in accordance with Decree 7,394 of December 15, 2010, and will be maintained up to December 31, 2011. This measure generates credits which are used monthly to offset federal taxes payable. According to the same Decree, from January 1, 2012 the rate will be 5%.

b) At December 31, 2010, the Company recorded ICMS credits on property, plant and equipment acquired in the period from January 2006 to December 2010 in the amount of R$ 2,632, R$ 1,177 of which refer to extemporaneous credits, were used to offset taxes payable at December 31, 2010, as established in article 22 of ICMS Regulation of the State of Santa Catarina (RICMS/SC), resulting in a remaining balance of R$ 1,455 of ICMS on property, plant and equipment.

The amount of R$ 2,632 was recorded as a corresponding entry to the account "Machinery and equipment" totaling R$ 2,234 (Note 21b) and the account “Other operating expenses" totaling R$ 398, which refers to ICMS credits on the amount already depreciated (Note 34).

13 Receivables from Other Related Parties

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

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

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

Upon adoption of the installment program established by Law 11941/09, the Company and Refinadora entered into an agreement confirming these credits as guarantees and the full capacity of settling the tax debt installments. At December 31, 2010, these credits, which also arise from lawsuit 87.00.00967-9, represent R$ 94,667 (R$ 86,763 at December 31, 2009) and are monetarily restated by the Special System for Settlement and Custody (SELIC) rate, as prescribed by the agreement.

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

Refinadora Catarinense S.A. was subsidiary in the past and currently has the same stockholders, although they are non-controlling, and remains financially responsible for the payment of the obligation.

14 Judicial Deposits

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

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

All amounts in thousands of reais unless otherwise stated

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Civil	6	7	7	6	161	77
Labor	5,989	563	350	6,021	604	385
Tax	2,016	1,452	1,329	2,016	1,452	1,329
Total	8,011	2,022	1,686	8,043	2,217	1,791

15 Receivables from Eletrobrás

With the objective of obtaining reimbursement of a compulsory loan paid through invoices for electrical energy from1977 to 1993, based on Law 4156/62, the Company filed a legal action against Centrais Elétricas Brasileiras S.A. - Eletrobrás.

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

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

The Federal Court accounting department reviewed the calculation and presented new amounts, determining the net amount of R$ 24,749. In September 2010, the Company recognized the difference between the amounts previously calculated and the current calculation made by the Federal Court accounting department totaling R$ 9,136, recorded under "Other operating income". At December 31, 2010, the balance of the asset was R$ 26,131 (R$ 13,858 at December 31, 2009).

16 Income Tax and Social Contribution

a) Income tax and social contribution recoverable

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

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Income tax	-	125	-	144	294	154
Social contribution	-	46	-	71	126	74
Total	-	171	-	215	420	228

All amounts in thousands of reais unless otherwise stated

b) Deferred income tax and social contribution

Deferred taxes are calculated on income tax and social contribution losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The current tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to utilize temporary differences and/or tax losses, considering projections of future results based on internal assumptions and future economic scenarios, which may, therefore, suffer changes.

The deferred tax calculation bases are as follows:

	Parent and consolidated			Deferred income tax and social contribution		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
	Calculation basis			Deferred taxes		
Tax losses	26,331	41,442	141,665	8,953	14,090	48,166
Temporary differences - assets	59,872	47,222	51,530	20,356	16,055	17,520
Portobello pension plan	1,734	3,281	3,629	590	1,116	1,234
Customers' present value adjustment	216	-	-	73	-	-
Provision for market value adjustment	9,013	7,320	4,208	3,064	2,489	1,431
Provision for contingencies	16,376	14,188	10,200	5,568	4,824	3,468
Provision for PIS with ICMS reduction	2,752	1,489	-	936	506	-
Provision for COFINS with ICMS reduction	12,687	6,860	-	4,314	2,332	-
Provision for impairment of trade receivables	2,377	2,408	1,898	808	819	645
Provision for profit sharing	2,783	-	1,300	946	-	442
Provision for financial investment	-	6,185	6,185	-	2,103	2,103
Provision for contingencies of IPI premium-credit - Simab S.A.	5,577	-	16,728	1,896	-	5,688
Other temporary differences - assets	6,357	5,491	7,382	2,161	1,867	2,510
Temporary differences - liabilities	(130,303)	(104,070)	(73,994)	(44,303)	(35,384)	(25,158)
Revaluation reserve	(55,904)	(57,760)	(59,494)	(19,007)	(19,638)	(20,228)
Provision for contingency - Eletrobrás	(26,131)	(9,701)	(8,320)	(8,885)	(3,298)	(2,829)
Contingent assets - IPI premium-credit - phase II	(10,590)	(6,766)	-	(3,601)	(2,300)	-
Present value adjustment - Prodec *	(2,270)	(533)	-	(772)	(181)	-
Suppliers' present value adjustment	(44)	-	-	(15)	-	-
Depreciation adjustment (for useful lives of assets)	(14,053)	(8,283)	-	(4,778)	(2,816)	-
Exchange rate adjustment	(21,311)	(21,027)	(6,180)	(7,246)	(7,149)	(2,101)
Recoverable amount adjustment	-	(50,472)	(171,388)	-	(17,160)	(58,272)
Total	(44,100)	(65,878)	(52,187)	(14,994)	(22,399)	(17,744)

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

The deferred tax amounts are as follows:

	Parent and consolidated	
	Calculation basis	Deferred taxes
Deferred tax asset to be recovered:		
Within12 months	48,999	16,660
After 12 months	37,204	12,649
	86,203	29,309
Deferred tax liability to be paid:		
Within 12 months	(21,311)	(7,246)
After 12 months	(108,992)	(37,057)
	(130,303)	(44,303)
Total	(44,100)	(14,994)

All amounts in thousands of reais unless otherwise stated

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

Maturity	Parent and consolidated
2011	3,982
2012	4,971
Total	8,953

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

Net changes in the deferred tax liability are as follows:

	Parent		Consolidated	
	2010	2009	2010	2009
At January 1	(22,399)	(17,744)	(22,399)	(17,744)
Tax losses	(5,138)	(34,076)	(5,138)	(34,076)
Temporary difference - assets	4,301	(1,464)	4,301	(1,464)
Temporary difference - liabilities	(9,550)	(10,816)	(9,550)	(10,816)
Revaluation reserve	631	590	631	590
Recoverable amount adjustment	17,161	41,111	17,161	41,111
At December 31	(14,994)	(22,399)	(14,994)	(22,399)

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

	Parent		Consolidated	
	2010	2009	2010	2009
	Charged (credited) to profit/loss	Charged (credited) to profit/loss	Charged (credited) to profit/loss	Charged (credited) to profit/loss
Deferred tax asset				
Tax losses	8,187	(2,153)	8,187	(2,153)
Provision for contingencies	744	1,356	744	1,356
PIS calculation basis reduced as a result of ICMS elimination effects	429	506	429	506
COFINS calculation basis reduced as a result of ICMS elimination effects	1,981	2,332	1,981	2,332
Portobello pension plan	(526)	(118)	(526)	(118)
Provision for market value adjustment	575	1,058	575	1,058
Present value adjustment	73	-	73	-
Provision for impairment of trade receivables	(11)	173	(11)	173
Provision for financial investments	(2,103)	-	(2,103)	-
Provision for profit sharing	946	(442)	946	(442)
Provision for contingency of IPI premium-credit after 1990 - Simab S.A.	1,896	(5,687)	1,896	(5,687)
Other temporary differences	294	(643)	294	(643)
Total	12,485	(3,618)	12,485	(3,618)
Deferred tax liability				
Present value adjustment	(591)	(181)	(591)	(181)
Suppliers' present value adjustment	(15)	-	(15)	-
Depreciation adjustment (for useful lives of assets)	(1,962)	(2,816)	(1,962)	(2,816)
Provision for contingencies - Eletrobrás	(5,586)	(470)	(5,586)	(470)
Contingent assets - IPI premium-credit - phase II	(1,300)	(2,300)	(1,300)	(2,300)
Realization of revaluation reserve	631	590	631	590
Cash basis exchange rate variations	(97)	(5,048)	(97)	(5,048)
(-) Valuation allowance	3,835	9,188	3,835	9,188
Total	(5,085)	(1,037)	(5,085)	(1,037)
	7,400	(4,655)	7,400	(4,655)

All amounts in thousands of reais unless otherwise stated

c) Income tax and social contribution payable

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

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Income tax	415	-	-	732	22	-
Social contribution	175	-	-	317	8	-
Total	590	-	-	1,049	30	-

d) Income tax and social contribution benefit/expenses

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

	Parent		Consolidated	
	2010	2009	2010	2009
Current tax				
Current tax on profit for the year	(4,376)	-	(10,069)	(2,873)
Total deferred tax	(4,376)	-	(10,069)	(2,873)
Deferred tax				
Temporary differences	7,400	(4,655)	7,400	(4,326)
Total of deferred tax	7,400	(4,655)	7,400	(4,326)
Income tax and social contribution benefit (expense)	3,024	(4,655)	(2,669)	(7,199)

	Parent		Consolidated	
	2010	2009	2010	2009
Profit before taxation	29,080	23,415	43,398	32,111
Tax calculated based on local tax rates	(9,887)	(7,961)	(14,755)	(10,918)
Equity in results of investees	307	(144)	-	-
Non-deductible expenses for tax purposes	(1,603)	(5,307)	(1,673)	(5,436)
Depreciation of revalued assets	(537)	(593)	(537)	(593)
Tax credits on tax losses and temporary differences	7,344	14,005	6,896	14,074
Deferred income tax and social contribution	7,400	(4,655)	7,400	(4,326)
Tax benefit (expense)	3,024	(4,655)	(2,669)	(7,199)

17 Tax Asset

The Company filed a lawsuit requesting the recognition of the IPI Premium credit for different calculation periods. In lawsuit 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, the Company obtained a favorable final court decision, which is at the sentence liquidation phase, with the related amounts already determined by the Federal Court accounting department. Accordingly, in November 2009, the Company recognized the undisputed amount equivalent to R$ 10,590, restated through December 31, 2010 (R$ 9,665 at December 31, 2009).

All amounts in thousands of reais unless otherwise stated

18 Contingent Assets

Contingent assets refer to lawsuits 1998.34.00.029022-4 and 1984.00.020114-0 and also are related to the recognition of tax benefits of the "IPI premium credit", as described in Note 17. These lawsuits are in the execution phase. However, as the amounts owed by the Federal Government have not yet been calculated by the federal justice department, they cannot be recorded as assets. The Company's legal consultants estimate credits of R$ 54,605 and R$ 1,848, respectively, net of provisions (see Note 25).

Regarding lawsuit 1998.34.00.029022-4, the Company is waiting for a final judgement for settlement of the decision, which should be made up to December 31, 2011, and in relation to lawsuit 1984.00.020114-0, the Company will offset the amounts against the IPI due, as soon as the IPI rate is increased, according to Decree 7,394 of December 15, 2010.

19 Other Long-term Receivables

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Escrow deposits	-	-	-	526	593	611
Receivables - Simab S.A. (a)	4,535	4,535	4,535	4,535	4,535	4,535
(-) Provision for loss	(4,535)	(4,535)	(4,535)	(4,535)	(4,535)	(4,535)
Other	57	139	208	57	139	1,016
Total	57	139	208	583	732	1,627

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

20 Investments

a) Investments in subsidiaries

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

	2010		2009	
	Investments	Provision for loss on investments	Investments	Provision for loss on investments
At January 1	480	(29,746)	480	(31,612)
Share of profit/(losses)	10,567	(9,663)	5,909	(6,332)
Exchange variations	-	1,415	-	8,198
Proposed dividends	(10,567)	-	(5,909)	-
At December 31	480	(37,994)	480	(29,746)
Current	-	33,738	-	27,026
Non-current	480	4,256	480	2,720

All amounts in thousands of reais unless otherwise stated

The provision for loss on investments with net capital deficiency, totaling R$ 9,663 (R$ 6,332 at December 31, 2009) and the equity in the results of Portobello Shop S.A., of R$ 10,567 (R$ 5,909 at December 31, 2009), were recorded in the statement of income as equity in the results of subsidiaries, with a net effect of R$ 904 (loss of R$ 423 at December 31, 2009).

During the period ended December 31, 2010, the Company recorded gains of R$ 1,415 (R$ 8,198 at December 31, 2009) arising from the translation of the foreign currency financial statements of its subsidiary Portobello America, Inc., from the U.S. dollar to the real. Gains are recorded as "Carrying value adjustments", in equity.

The subsidiaries are closely-held companies, in which the parent company has participations in assets, liabilities and profit for the year as follows:

	Country of incorporation	Ownership percentage	Asset	Liabilities	Revenue	Profit (loss)
At January 1, 2009						
Portobello América Inc.	United States	100.00%	15,457	44,734		
PBTech Ltda.	Brazil	99.94%	2,000	4,035		
Portobello Shop S/A	Brazil	99.90%	12,483	12,003		
Mineração Portobello Ltda.	Brazil	99.76%	620	920		
At December 31, 2009						
Portobello América Inc.	United States	100.00%	7,257	34,283	22,230	(5,947)
PBTech Ltda.	Brazil	99.94%	1,646	3,988	-	(307)
Portobello Shop S/A	Brazil	99.90%	11,451	10,971	29,678	5,909
Mineração Portobello Ltda.	Brazil	99.76%	658	1,036	1,853	(78)
At December 31, 2010						
Portobello América Inc.	United States	100.00%	2,000	35,738	14,521	(8,125)
PBTech Ltda.	Brazil	99.94%	1,952	5,262	3,865	(968)
Portobello Shop S/A	Brazil	99.90%	17,024	16,544	40,652	10,567
Mineração Portobello Ltda.	Brazil	99.76%	471	1,417	2,260	(570)

b) Other investments

At December 31, 2010, the Company has a balance of R$ 198 (R$ 198 at December 31, 2009), relating to its interest of 11.72% in Infragás - Infraestrutura de Gás para a Região Sul S.A., which has the specific purpose of enabling the implementation of infrastructure for the supply of natural gas, the main input of the Company, to the states in the south region of Brazil.

All amounts in thousands of reais unless otherwise stated

21 Property, Plant and Equipment

a) Composition

		Parent					Consolidated		
		December 31, 2010			December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
	Annual average depreciation rate	Cost	Accumulated depreciation	Net	Net	Net	Net	Net	Net
Land		11,111	-	11,111	11,432	13,072	11,488	11,809	13,439
Buildings, constructions and improvements	3%	89,800	(10,285)	79,515	81,641	84,063	79,680	81,915	84,429
Machinery and equipment	10%	266,558	(188,116)	78,442	77,958	71,221	78,442	78,163	71,606
Furniture and fittings	10%	7,712	(6,901)	811	992	1,206	1,015	1,159	1,470
Computers	20%	11,941	(11,097)	844	596	658	865	599	666
Other	20%	197	(152)	45	69	509	45	69	574
Construction in progess (a)		6,691	-	6,691	3,458	3,219	6,691	3,458	3,219
Total		394,010	(216,551)	177,459	176,146	173,948	178,226	177,172	175,403

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

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

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

b) Changes in property, plant and equipment

	2010	Parent					2009
	Net	Additions	Transfers	Depreciation	Disposals	Adjustments *	Net
Land	11,111	-	-	-	(321)	-	11,432
Buildings, constructions and improvements	79,515	-	515	(2,578)	(63)	-	81,641
Machinery and equipment	78,442	639	14,240	(12,204)	43	(2,234)	77,958
Furniture and fittings	811	75	-	(256)	-	-	992
Computers	844	526	-	(278)	-	-	596
Other	45	-	(4)	(20)	-	-	69
Construction in progess	6,691	17,995	(14,751)	-	(11)	-	3,458
Total	177,459	19,235	-	(15,336)	(352)	(2,234)	176,146

	2009	Parent					2008
	Net	Additions	Transfers	Depreciation	Disposals	Adjustments *	Net
Land	11,432	-	-	-	(1,640)	-	13,072
Buildings, constructions and improvements	81,641	-	175	(2,577)	(20)	-	84,063
Machinery and equipment	77,958	331	17,398	(10,992)	-	-	71,221
Furniture and fittings	992	49	-	(263)	-	-	1,206
Computers	596	369	-	(431)	-	-	658
Other	69	46	(445)	(26)	(15)	-	509
Construction in progess	3,458	17,367	(17,128)	-	-	-	3,219
Total	176,146	18,162	-	(14,289)	(1,675)	-	173,948

	2010	Consolidated					2009
	Net	Additions	Transfers	Depreciation	Disposals	Adjustments *	Net
Land	11,488	-	-	-	(321)	-	11,809
Buildings, constructions and improvements	79,680	33	515	(2,685)	(98)	-	81,915
Machinery and equipment	78,442	760	14,240	(12,318)	(169)	(2,234)	78,163
Furniture and fittings	1,015	155	-	(334)	35	-	1,159
Computers	865	547	-	(281)	-	-	599
Other	45	-	(4)	(20)	-	-	69
Construction in progess	6,691	17,995	(14,751)	-	(11)	-	3,458
Total	178,226	19,490	-	(15,638)	(564)	(2,234)	177,172

All amounts in thousands of reais unless otherwise stated

	2009	Consolidated					2008
	Net	Additions	Transfers	Depreciation	Disposals	Adjustments *	Net
Land	11,809	10	-	-	(1,640)	-	13,439
Buildings, constructions and improvements	81,915	109	175	(2,756)	(42)	-	84,429
Machinery and equipment	78,163	385	17,398	(11,208)	(18)	-	71,606
Furniture and fittings	1,159	60	-	(365)	(6)	-	1,470
Computers	599	369	-	(436)	-	-	666
Other	69	46	(496)	(26)	(29)	-	574
Construction in progess	3,458	17,367	(17,128)	-	-	-	3,219
Total	177,172	18,346	(51)	(14,791)	(1,735)	-	175,403

* The adjustment of R$ 2,234 in "Machinery and equipment" refers to ICMS credits on property, plant and equipment purchased in the period from January 2006 to December 2010. See Note 12(b)).

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

	Parent		Consolidated	
	2010	2009	2010	2009
Cost of sales	14,229	13,042	14,229	13,042
Selling expenses	762	881	1,064	1,382
Administrative expenses	345	366	345	367
Total	15,336	14,289	15,638	14,791

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

	December 31, 2010			December 31, 2009			January 1, 2009		
	Cost	Accumulated depreciation	Net balance	Cost	Accumulated depreciation	Net balance	Cost	Accumulated depreciation	Net balance
Computers	332	(108)	224	739	(386)	353	473	(265)	208
Other	46	(13)	33	46	(4)	42	-	-	-
Total	378	(121)	257	785	(390)	395	473	(265)	208

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

22 Intangible Assets

a) Composition

		Parent					Consolidated		
		December 31, 2010			December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
	Annual average amortization rate	Cost	Accumulated amortization	Net	Net	Net	Net	Net	Net
Trademarks and patents		150	-	150	150	154	152	152	154
Software	20%	12,153	(11,716)	437	1,351	2,916	448	1,403	2,987
Right to explore mineral resources	20%	1,000	(150)	850	1,000	-	864	1,030	-
Goodwill		-	-	-	-	-	80	80	-
Total		13,303	(11,866)	1,437	2,501	3,070	1,544	2,665	3,141

All amounts in thousands of reais unless otherwise stated

b) Changes in intangible assets

	2010	Parent				2009
	Net	Additions	Transfers	Amortization	Disposals	Net
Trademarks and patents	150	-	-	-	-	150
Software	437	5	-	(919)	-	1,351
Right to explore mineral resources	850	-	-	(150)	-	1,000
Total	1,437	5	-	(1,069)	-	2,501

	2009	Parent				2008
	Net	Additions	Transfers	Amortization	Disposals	Net
Trademarks and patents	150	-	-	-	(4)	154
Software	1,351	111	-	(1,676)	-	2,916
Right to explore mineral resources	1,000	1,000	-	-	-	-
Total	2,501	1,111	-	(1,676)	(4)	3,070

	2010	Consolidated				2009
	Net	Additions	Transfers	Amortization	Disposals	Net
Trademarks and patents	152	-	-	-	-	152
Software	448	18	-	(958)	(15)	1,403
Right to explore mineral resources	864	-	-	(166)	-	1,030
Goodwill	80	-	-	-	-	80
Total	1,544	18	-	(1,124)	(15)	2,665

	2009	Consolidated				2008
	Net	Additions	Transfers	Amortization	Disposals	Net
Trademarks and patents	152	-	2	-	(4)	154
Software	1,403	128	-	(1,712)	-	2,987
Right to explore mineral resources	1,030	1,000	49	(19)	-	-
Goodwill	80	80	-	-	-	-
Total	2,665	1,208	51	(1,731)	(4)	3,141

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

	Parent		Consolidated	
	2010	2009	2010	2009
Cost of sales	419	513	436	532
Selling expenses	3	7	41	43
Administrative expenses	647	1,156	647	1,156
Total	1,069	1,676	1,124	1,731

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

	2011	2012	2013	2014	2015
Software	200	141	73	26	8
Right to explore mineral resources	214	200	200	200	50
Total	414	341	273	226	58

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

All amounts in thousands of reais unless otherwise stated

23 Suppliers

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Suppliers						
Domestic market	81,319	63,312	64,903	82,231	64,213	65,217
Foreign market	5,502	2,687	5,909	5,502	3,820	6,961
Present value adjustment	(44)	-	-	(44)	-	-
Total	86,777	65,999	70,812	87,689	68,033	72,178

24 Loans and Financing

	Maturity	2010 Charges	Parent			Consolidated		
			December 31, 2010	December 31, 2009	January 1, 2009	Decemebr 31, 2010	December 31, 2009	January 1, 2009
Current liabilities								
Foreign currency								
Suppliers credit		VC+6.26% p.a. (average)	6,655	5,963	2,646	6,655	5,963	2,646
Advance on export contracts		VC+7.00% p.a. (average)	1,791	1,779	3,834	1,791	1,779	3,834
Prepayment (a)		VC+6.46% p.a. (average)	4,627	7,590	34,695	4,627	7,590	34,695
IFC - International Finance Corporation		-	-	-	3,798	-	-	3,798
Working capital in the USA		-	-	-		-	17	1,591
Total foreign currency		VC + 6.43% p.a.	13,073	15,332	44,973	13,073	15,349	46,564
Local currency								
Exim Pre-shipment TJ 462 (b)		13.21% p.a.	1,523	-	-	1,523	-	-
Exim Pre-shipment PSI (c)		7.00% p.a.	24,671	-	-	24,671	-	-
FINEP (e)		9.00% p.a.	29	-	-	29	-	-
Finance lease		23.52% p.a.	136	205	109	136	205	109
Working capital in Brazil		16.82% p.a. (average)	58,152	74,874	46,471	58,152	74,874	46,471
Discounted trade notes and advances on export contracts		-	-	2,443	5,641	-	2,443	5,641
Total local currency		13.90% p.a.	84,511	77,522	52,221	84,511	77,522	52,221
Total current liabilities			97,584	92,854	97,194	97,584	92,871	98,785
Non-current liabilities								
Foreign currncy								
Suppliers credit	Mar2014	VC+5.76% p.a.(average)	12,935	15,835	20,503	12,935	15,835	20,503
Prepayment (a)	Mar/2012	VC+6.39% p.a.(average)	1,690	-	10,224	1,690	-	10,224
Total foreign currency		VC + 5.83% p.a.	14,625	15,835	30,727	14,625	15,835	30,727
Local currency								
Exim Pre-shipment TJ 462 (b)	Mar/2013	13.21% p.a.	2,500	-	-	2,500	-	-
PRODEC (d)	Jun/2014	4.00% p.a. + UFIR	4,725	1,202	-	4,725	1,202	-
FINEP (e)	Sep/2018	9.00% p.a.	13,248	-	-	13,248	-	-
Finance lease	Apr/2012	24.96 % p.a.	38	144	95	38	144	95
Working capital in Brazil	Dec/2012	14.71% p.a. (average)	9,298	10,946	4,761	10,106	11,678	5,505
Total local currency		9.91% p.a.	29,809	12,292	4,856	30,617	13,024	5,600
Total non-current liabilities			44,434	28,127	35,583	45,242	28,859	36,327
Total			142,018	120,981	132,777	142,826	121,730	135,112

Exim Pre-shipment - Type of financing with BNDES funds that is used as advance for manufacture of export products.
FINEP - Fund for Financing of Studies and Projects
FINAME/POC - Fund for Financing the Acquisition of Industrial Machinery and Equipment / Joint Operations Program
VC - Exchange variation
TJLP - Long-term Interest Rate
LIBOR - London Interbank Offered Rate
UFIR - Reference Tax Unit

a) Prepayment - In March and August 2010, the Company signed export prepayment agreements totaling US$ 2,780 and US$ 2,000 million, respectively. The first agreement is payable over 2 years and collateralized by receivables of Portobello Shop S.A., while the second is payable over 18 months and also collateralized by receivables of Portobello S.A. There are no restrictive covenants for these loans.

All amounts in thousands of reais unless otherwise stated

b) Exim Pre-shipment TJ 462 - In April 2010, the Company signed a “BNDES – Exim Pre-shipment TJ-462” agreement of R$ 4,000 subject to TJLP plus 6.80% p.a. The amount is payable over 3 years, with a 1-year grace period and divided into 24 monthly and consecutive installments. There are no restrictive covenants for this loan which is collateralized by receivables of Portobello S.A., in the amount of 50% of the balance due in conformity with the contract.

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

d) Program of Development for Companies of Santa Catarina State (PRODEC) - In July 2009, the Company was granted a State of Santa Catarina Special Tax Financing Regime. The balance was adjusted to present value based on the official SELIC rate (10.67% p.a. at December 31, 2010). The conditions are as follows:

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

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

Loans and financing at December 31, 2010 do not have restrictive covenants.

The other loans are mainly guaranteed by mortgages on properties, pledges of equipment and receivables of the parent company (Note 9) and subsidiary (Note 43), reciprocity with financial investments (Note 10), sureties of the controlling stockholders and subsidiary and finished product inventories in the amount of R$ 2,706.

The long-term loans fall due as follows:

	Parent			Consolidated		
Maturity	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
2010	-	-	21,054	-	-	21,798
2011	-	11,091	10,334	-	11,091	10,334
2012	16,301	8,945	2,358	17,109	9,677	2,358
2013	13,485	7,384	1,837	13,485	7,384	1,837
2014	6,192	707	-	6,192	707	-
2015	2,511	-	-	2,511	-	-
2016	2,511	-	-	2,511	-	-
2017	1,962	-	-	1,962	-	-
2018	1,472	-	-	1,472	-	-
Total	44,434	28,127	35,583	45,242	28,859	36,327

All amounts in thousands of reais unless otherwise stated

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

	Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009
Six months or less	32,033	39,450	39,108
From six to twelve months	22,993	34,865	28,628
From one to five years	39,835	41,663	59,194
More than five years	5,117	732	744
Total	99,978	116,710	127,674

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

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Reais	114,320	89,814	57,077	115,128	90,546	57,821
Euros	1,540	4,601	4,538	1,540	4,601	4,538
U.S. Dollars	26,158	26,566	71,162	26,158	26,583	72,753
Total	142,018	120,981	132,777	142,826	121,730	135,112

The fair value of outstanding borrowings approximates their carrying amount, as the impact of discounting to present value is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 11.52% (15.76% at December 31, 2009).

Finance lease payables are as follows:

	Parent and consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009
Gross finance lease liabilities – minimum lease payments			
Less than one year	150	285	165
More than one and less than five years	39	155	140
Total	189	440	305
Future finance charges on finance leases	(15)	(91)	(101)
Present value of finance lease liabilities	174	349	204
The present value of finance lease liabilities is as follows:			
Less than one year	136	205	109
More than one and less than five years	38	144	95
Total	174	349	204

All amounts in thousands of reais unless otherwise stated

25 Tax Liabilities Payable in Installments

	Tax liabilities	Request for installment payment		December 31, 2010	December 31, 2009	January 1, 2009
		Date	No. of installments not yet due			
Portobello S.A.	INSS	Jul/07	-	-	-	5,126
	INSS	Dec/09	47	10,809	12,381	-
	IPI	Sep/06	-	-	-	25,787
	IPI	Dec/09	47	7,419	8,510	-
	CPMF	Mar/07	-	-	-	39
	PIS	Mar/09	38	413	501	377
	COFINS	Mar/09	38	1,903	2,306	1,735
	IRPJ	Mar/09	38	3,022	3,662	3,790
	CSLL	Mar/09	38	1,124	1,362	1,406
	Law 11941/09 (a)	Nov/09	166	125,111	113,430	-
	MP 470 (b)	Nov/09	-	-	7,659	-
Total Parent				149,801	149,811	38,260
Current				15,739	21,434	9,303
Non-current				134,062	128,377	28,957
PBTech Ltda.	INSS	Sep/06	-	-	-	75
	Law 11941/09 (a)	Nov/09	166	309	287	-
Portobello Shop S.A.	INSS	Sep/06	-	-	-	101
	INSS	Nov/09	46	889	1,021	-
	PIS	Mar/09	5	1	4	-
	COFINS	Mar/09	38	143	173	18
	IRPJ	Mar/09	38	1,095	1,327	1,118
	CSLL	Mar/09	38	397	482	406
	Law 11941/09 (a)	Nov/09	166	574	527	-
Total Subsidiaries				3,408	3,821	1,718
Total Consolidated				153,209	153,632	39,978
Current				16,552	22,179	9,761
Non-current				136,657	131,453	30,217

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

INSS - National Institute of Social Security
CPMF - Tax on Bank Account Outflows
IRPJ - Corporate Income Tax
CSLL - Social Contribution on Net Income

All amounts in thousands of reais unless otherwise stated

The installments fall due as follows:

	Parent			Consolidated		
Maturity	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
2009	-	-	9,303	-	-	9,761
2010	-	21,434	6,675	-	22,179	6,983
2011	15,739	13,690	6,194	16,552	14,432	6,503
2012	15,739	13,690	4,585	16,551	14,431	4,893
2013	15,739	13,690	4,106	16,551	14,431	4,415
2014	13,650	11,772	2,768	13,994	12,081	2,794
2015	9,044	7,562	2,645	9,108	7,616	2,645
2016	9,044	7,562	1,984	9,108	7,616	1,984
2017	9,044	7,562	-	9,108	7,616	-
2018	9,044	7,562	-	9,108	7,616	-
2019	9,044	7,562	-	9,108	7,616	-
2020	9,044	7,562	-	9,108	7,616	-
2021	9,044	7,562	-	9,108	7,616	-
2022	9,044	7,562	-	9,108	7,616	-
2023	9,044	7,562	-	9,108	7,616	-
2024	7,538	7,477	-	7,589	7,534	-
Total	149,801	149,811	38,260	153,209	153,632	39,978

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

In November 2009, the Company applied for REFIS, established by Law 11941/09, and is currently consolidating its debt with the National Treasury and paying the minimum installment of R$ 393.

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

Under the REFIS Program, the payment of installments cannot be more than three months late and the Company must discontinue any lawsuit and waive any alleged right on which the referred lawsuits are based, under penalty of immediate cancellation of the installment payment and the consequent loss of the related benefits. The termination of lawsuits filed against the tax assessments does not affect the proceedings in course in the judicial sphere, mentioned in Note 17.

b) MP 470 and MP 472 (converted into Law 12249/10)

In November 2009, the Company applied for the installment program established by Provisional Measure 470 (regarding the improper use of IPI premium credits), with SRF and PGFN. As a result of this application, in addition to paying in installments, there was a reduction in the charges and the Company was allowed to use tax credits arising from tax losses up to 2008 to settle the debts.

All amounts in thousands of reais unless otherwise stated

In June 2010, when this Provisional Measure was converted into Law 12249/10, the use of tax credits arising from tax losses existing at December 31, 2009 was authorized. The Company used this benefit and recorded in the second quarter R$ 3,252 (see Note 34), thus considering the installment payment program as concluded.

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

26 Taxes Payable

Company management, based on final and unappealable decisions and/or judicial authorization, supported by legal opinions, offset federal taxes on its operations with IPI premium credits acquired from third parties related to the years from 2001 to 2003.

	Parent							
	December 31, 2010	December 31, 2009	(-) Inclusion REFIS	(-) Benefits MP 470	(-) Benefits Law 11941	(+) Additions	(+) Monetary restatements	January 1, 2009
Taxes payable on credits acquired from related parties	-	-	85,653	-	22,815	9,353	3,886	95,229
Taxes payable on credits acquired from third parties	-	-	7,546	10,408	-	594	632	16,728
	-	-	93,199	10,408	22,815	9,947	4,518	111,957

	Consolidated							
	December 31, 2010	December 31, 2009	(-) Inclusion REFIS	(-) Benefits MP 470	(-) Benefits Law 11941	(+) Additions	(+) Monetary restatements	January 1, 2009
Taxes payable on credits acquired from related parties	-	-	85,994	-	22,889	9,353	3,904	95,626
Taxes payable on credits acquired from third parties	-	-	7,546	10,408	-	594	632	16,728
	-	-	93,540	10,408	22,889	9,947	4,536	112,354

These debts were included in the REFIS Program in November 2009, with a reduction in penalties and interest, which were recorded in the statement of income, under “Other operating expenses”.

All amounts in thousands of reais unless otherwise stated

27 Taxes and Contributions

	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
IRRF	860	600	2,088	1,065	774	2,252
ICMS	537	899	2,119	539	899	2,119
IPI	-	-	5,380	-	-	5,380
PIS	105	-	-	156	16	-
COFINS	485	-	9	720	71	9
Other	83	32	120	202	165	245
Total	2,070	1,531	9,716	2,682	1,925	10,005

28 Provisions for Contingencies

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

The analysis of the provisions is as follows:

Provisions	Parent			Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Civil	3,193	1,803	2,370	3,222	1,821	2,370
Labor	11,442	10,779	6,349	11,442	10,779	6,394
Tax	17,180	9,956	4,672	17,180	9,956	4,672
Total	31,815	22,538	13,391	31,844	22,556	13,436
Current	6,322	5,539	-	6,345	5,557	-
Non-current	25,493	16,999	13,391	25,499	16,999	13,436

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

Changes in the provisions are as follows:

	Parent			Total
	Civil	Labor	Tax	
At January 1, 2010	1,803	10,779	9,956	22,538
Charged (credited) to the statement of income:				
Additional provisions	1,587	3,421	6,173	11,181
Unused amounts	(112)	(744)	-	(856)
Unwinding of discount	-	114	1,051	1,165
Used during year	(85)	(2,128)	-	(2,213)
At December 31, 2010	3,193	11,442	17,180	31,815

All amounts in thousands of reais unless otherwise stated

	Consolidated			Total
	Civil	Labor	Tax	
At January 1, 2010	1,821	10,779	9,956	22,556
Charged (credited) to the statement of income:				
Additional provisions	1,602	3,421	6,173	11,196
Unused amounts	(112)	(744)	-	(856)
Unwinding of discount	-	114	1,051	1,165
Used during year	(89)	(2,128)	-	(2,217)
At December 31, 2010	3,222	11,442	17,180	31,844

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 142 civil lawsuits (113 civil lawsuits at December 31, 2009) in common courts and special civil courts. Most of the lawsuits have been brought by customers and claim compensation for alleged pain and suffering and tangible damages. When applicable, judicial deposits were made (Note 14).

Civil contingent liabilities are described in Note 29.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 91 labor claims (130 claims at December 31, 2009) brought by former employees and third parties. The claims refer to the payment of termination amounts, premiums, overtime, salary equalization, monetary adjustment of the Government Severance Indemnity Fund for Employees (FGTS), compensation for pain and suffering and tangible damage from occupational accidents/disease. The provisions are reviewed by management based on the opinion of the legal advisors. Some lawsuits are backed by judicial deposits (Note 14).

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

These contingent liabilities are disclosed in Note 29.

Tax

The Company filed lawsuits (injunction) against the INSS, which required the payment of the social contribution set forth in article 22, item IV of Law 8212/91, with the wording provided by Law 9879/99.

The Company alleges that in the course of its activities it contracts cooperatives of several labor areas to provide specialized services, which makes it subject to the payment of the contribution. The payment of the contribution is not constitutional, since it does not respect the principles of legality, equality and protection to the cooperatives. A preliminary injunction was requested to declare the right of not paying the social contribution, as well as offsetting the amounts that had been unduly paid.

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

All amounts in thousands of reais unless otherwise stated

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

The provisions for tax contingencies relating to the exclusion of ICMS from the calculation basis of PIS and COFINS at December 31, 2010 amounted to R$ 15,439 (R$ 8,350 at December 31, 2009).

29 Contingent Liabilities

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

	Parent		Consolidated	
	2010	2009	2010	2009
Civil	650	542	674	542
Labor	5,226	3,713	5,226	3,713
Total	5,876	4,255	5,900	4,255

30 Employee Benefits

a) Private pension plan

Since November 1, 1997, the Company sponsors the Portobello Prev benefit Plans, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which includes 41 participants. The plan has the characteristics of a defined contribution plan; however, it provides a minimum retirement benefit for length of service or age.

At December 31, 2010, 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$ 3,469 (R$ 3,420 at December 31, 2009) and is provided in long-term liabilities. The Company will pay the related special reserve amount when each participant in these conditions becomes eligible.

The actuarial valuation, updated to December 31, 2010, indicates an actuarial surplus of R$ 1,764 (deficit of R$ 139 at December 31, 2009), which is recorded in non-current assets, under "Actuarial assets", with the following balances recorded in the balance sheet:

	Parent		
	December 31, 2010	December 31, 2009	January 1, 2009
Present value of benefit obligations	37,506	31,043	27,527
Fair value of plan assets	(39,270)	(30,904)	(24,797)
Net actuarial liabilities (assets) at the end of the year	(1,764)	139	2,730

All amounts in thousands of reais unless otherwise stated

The movement in the defined benefit obligation over the years is as follows:

	Parent	
	2010	2009
At January 1	31,043	27,527
Gross current service cost (with interest)	766	766
Interest on actuarial liability	3,634	3,222
Benefits paid in the year	(547)	(472)
Liabilities - (gain) or loss	2,610	-
At December 31	37,506	31,043

The variation in the fair value of plan assets of the periods presented is as follows:

	Parent	
	2010	2009
At January 1	30,904	24,797
Benefits paid in the year	(547)	(472)
Participant contributions made in the year	841	1,189
Sponsor contributions made in the year	1,451	2,093
Expected earnings from plan assets in the year	3,843	3,297
Assets - gain or (loss)	2,778	-
At December 31	39,270	30,904

The amounts recognized in the statement of income are as follows:

	Parent	
	2010	2009
Current service cost (with interest)	766	766
Interest on actuarial liabilities	3,634	3,221
Expected earnings from plan assets	(3,843)	(3,297)
Participants contributions in the year	(841)	(1,189)
Total actuarial benefit net	(284)	(499)

The Company recognized at December 31, 2010 a benefit of R$ 284 (R$ 499 at December 31, 2009), under “Other operating income”, relating to the plan assets.

At December 31, 2010, the Company recorded the actuarial gain of R$ 168 as other comprehensive income, in equity, under “Carrying value adjustments”.

The principal actuarial assumptions used were as follows:

	Parent		
Economic and financial assumptions	December 31, 2010	December 31, 2009	January 1, 2009
Annual interest rate	11.04% p.a. nominal (inflation+5.75% p.a. real)	11.83% p.a. nominal (inflation+6.5% p.a. real)	11.83% p.a. nominal (inflation+6.5% p.a. real)
Long-term earnings from assets	11,04%	11,83%	11,83%
Long-term inflation	5,00%	5,00%	5,00%
Future salary increases	8.15% p.a. (inflation+3 p.a. real)	8.15% p.a. (inflation+3 p.a. real)	8.15% p.a. (inflation+3 p.a. real)
Future plan benefits increases	0,00% a.a.	0.00% a.a.	0,00% a.a.
Capacity factor of the actual value over time (salaries)	1,00	1,00	1,00
Capacity factor of the actual value over time (benefits)	1,00	1,00	1,00

All amounts in thousands of reais unless otherwise stated

	Parent		
Biometrical and demographic assumptions	December 31, 2010	December 31, 2009	January 1, 2009
Turnover	As below (1)	As below (1)	As below (1)
General mortality table	AT-2000	AT-1983	AT-1983
Disability mortality table	IAPB-57	IAPB-57	IAPB-57
Disability table	Álvaro Vindas	Álvaro Vindas	Álvaro Vindas
Retirement	Probability of retirement (2)	Probability of retirement (2)	Probability of retirement (2)
Family composition before retirement			
Probability of married person	90% of participants	90% of participants	90% of participants
Age difference for active participants	Man 4 years older than the woman	Man 4 years older than the woman	Man 4 years older than the woman
Number of dependent children	2 children	2 children	2 children
Children's age	(Participant's age-20)/2	(Participant's age-20)/2	(Participant's age-20)/2
Family composition after retirement	Group actual composition	Group actual composition	Group actual composition

(1) Turnover varies in accordance with the lenght of time in service (TS) and salary range: 0-10 SM: 0.45 / (TS+1); 10-20 SM: 0.30 / (TS+1); more than 20 SM: 0.15 / (TS+1), in which SM corresponds to the current minimum wage (R$ 510.00 at 12/31/2010 and R$ 465.00 at 12/31/2009)

(2) Probability of retirement: 50% in the date of the first eligibility to Anticipated Retirement, 10% per year up to the date of the first eligibility to Normal Retirement and 100% on the date of the first eligibility to Normal Retirement.

b) Employee benefit expense

	Parent		Consolidated	
	2010	2009	2010	2009
Salary	58,684	41,958	63,399	45,991
Benefits				
Private pension plan	641	555	889	788
FGTS	4,753	3,429	5,113	3,689
Other	6,170	4,643	6,374	4,819
Total	70,248	50,585	75,775	55,287

31 Equity

a) Share capital

(full amounts, not rounding figures)

On November 27, 2007, the Extraordinary General Meeting, in conformity with article 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, effective on January 10, 2008.

From that date, the Company has a subscribed and paid-up capital of R$ 112,957,487 comprising 159,008,924 book-entry common shares with no par value.

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

The Company is authorized to increase capital by up to 1,000,000,000 (one billion) new book-entry 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.

All amounts in thousands of reais unless otherwise stated

At December 31, 2010, there were 109,139,766 shares outstanding in the market, corresponding to 68.64% of total shares issued (103,651,370 at December 31, 2009, corresponding to 65.19% of the total). Shares outstanding in the market comprise all securities available for trading in the market, excluding those held by the controlling stockholders and members of the Board of Directors and the Executive Board.

b) Revaluation reserve

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

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

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

Considering the surplus credited to the revaluation reserve approved by the Extraordinary General Meeting on December 29, 2006, the balance of the revaluation of the Company's assets, net of deferred taxes, amounted to R$ 46,872 at December 31, 2010 (R$ 48,729 at December 31, 2009), the depreciation expense on the revaluation, net of deferred IRPJ and CSLL liabilities, for the year ended December 31, 2010 was R$ 1,857 (R$ 1,743 in 2009), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 19,007 (R$ 19,639 at December 31, 2009).

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

c) Legal and statutory reserves

The Company's by-laws determine that 5% of annual profit will be transferred to the legal reserve, with the balance limited to 20% of capital. In accordance with corporate legislation, the Company has not appropriated any amounts from the net income for the year, since it was used to reduce the balance of accumulated deficit.

d) Accumulated deficit

	Parent	Consolidated
At January 1, 2009	(154,125)	(154,755)
Realization of revaluation reserve	1,743	1,743
Profit for the year (without non-controlling interests)	18,760	19,161
At December 31, 2009	(133,622)	(133,851)
Realization of revaluation reserve	1,857	1,857
Profit for the year (without non-controlling interest)	32,104	32,295
At December 31, 2010	(99,661)	(99,699)

All amounts in thousands of reais unless otherwise stated

32 Revenue

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

	Parent		Consolidated	
	2010	2009	2010	2009
Gross sales revenue	614,284	465,087	648,582	484,727
Deductions from gross revenue	(132,996)	(101,410)	(137,167)	(104,519)
Net sale revenue	481,288	363,677	511,415	380,208
Domestic market	443,960	316,974	470,428	344,504
Foreign market	37,328	46,703	40,987	35,704

33 Expenses by Nature

Cost of sales and selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

	Parent		Consolidated	
	2010	2009	2010	2009
Changes in finished product and work in process inventories	(14,771)	(8,174)	(14,771)	(8,174)
Production costs	197,909	178,192	196,198	178,192
Costs of goods resold	57,597	17,635	58,185	17,709
Employee benefits	70,248	50,585	75,775	55,287
Third-party labor and services	15,824	19,742	19,034	20,011
Transportation of goods sold	2,888	3,067	2,888	3,067
Marketing and publicity	4,652	3,590	6,949	3,779
Other selling expenses	28,298	21,066	30,182	21,160
Amortization and depreciation	16,050	15,394	16,407	15,951
Other expenses	50,275	39,393	49,863	38,457
Total	428,970	340,490	440,710	345,439

All amounts in thousands of reais unless otherwise stated

34 Other Operating Income and Expenses, Net

a) Changes in 2010 and 2009

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

	Parent		Consolidated	
	2010	2009	2010	2009
Other operating income				
Tax credits(a)	-	6,703	-	6,703
Related party service revenue	3,251	2,451	-	-
Third-party service revenues	452	433	452	433
Sale of property, plant and equipment	600	1,766	600	1,766
Eletrobrás compulsory loan supplement (Note 15)	9,136	-	9,136	-
Payment in installments (REFIS) (b)	-	54,207	-	54,591
Tax assets (c)	-	7,365	-	7,365
Payment in kind agreement with related parties (d)	-	1,156	-	1,156
Use of tax credits for MP 470 (Note 25 (b))	3,252	-	3,252	-
ICMS credit on property, plant and equipment	398	-	398	-
Actuarial assets	1,185	2,591	1,185	2,591
Other	204	997	222	755
Total	18,478	77,669	15,245	75,360
Other operating expenses				
Provision for contingencies (Note 28)	(4,242)	(5,742)	(4,258)	(5,674)
Taxes on other revenues	(361)	(306)	(361)	(306)
Indemnity payable on third-party agreement	(121)	(1,076)	(757)	(1,076)
Municipal taxes and fees (e)	(207)	-	(207)	-
Cost of property, plant and equipment sold	(321)	(1,680)	(321)	(1,680)
Transfer of debts from MP 470 to Law 11941 (Note 25(a))	(5,577)	-	(5,577)	-
Payment in installments (REFIS) (b)	-	(49,428)	-	(49,428)
Provision for inventory adjustment	(925)	-	-	-
Profit sharing	(2,783)	-	(3,155)	-
Other expenses	(588)	(177)	(567)	(967)
Total	(15,125)	(58,409)	(15,203)	(59,131)
Total net	3,353	19,260	42	16,229

(a) During 2009, PIS and COFINS credits were recognized on acquisition of spare parts and maintenance of machinery and equipment in the period from January 2006 to June 2009, based on a review of these taxes supported by a report of independent legal advisors.

(b) Relative to the Tax Recovery Program, established by Law 11941/09 and Provisional Measure 470/09 (Note 24).

(c) In 2009 tax assets were initially recognized (Note 17 (a))

(d) The contract refers to tax credits of Refinadora Catarinense S/A offered as payment in kind.

(e) Request for reimbursement of municipal taxes rejected in the second quarter of 2010.

35 Other Gains/(Losses) – Net

	Parent		Consolidated	
	2010	2009	2010	2009
Foreign exchange variation, net				
Trade receivables	(1,562)	(9,647)	(1,562)	(9,647)
Suppliers	202	902	202	902
Commissions	2	23	2	23
Total	(1,358)	(8,722)	(1,358)	(8,722)

All amounts in thousands of reais unless otherwise stated

36 Finance Income (Costs)

Parent company and consolidated finance income (costs) for the years ended December 31, 2010 and 2009 are as follows:

	Parent		Consolidated	
	2010	2009	2010	2009
Finance income				
Interest	565	711	1,278	1,465
Interest on tax credits	169	991	169	991
Discounts received	121	338	155	345
Restatement of Eletrobrás compulsory loan (Note 15)	3,137	1,973	3,137	1,973
Restatement of tax assets (Note 17(a))	929	-	929	-
Restatement of receivables from related parties (Note 13(a))	7,886	-	7,886	-
Restatement of labor and tax judicial deposits	220	-	220	-
Present value adjustment (Note 23)	44	-	44	-
Total	13,071	4,013	13,818	4,774
Finance costs				
Interest	(21,553)	(22,015)	(21,779)	(22,410)
Loans with related parties	(580)	(653)	(580)	(653)
Finance lease liabilities	(86)	(83)	(86)	(83)
Financial charges on taxes	(13,586)	1,206	(13,877)	588
Discount of provision for contingencies (Note 28)	(1,051)	(630)	(1,051)	(630)
Commissions and service fees	(2,084)	(1,212)	(2,111)	(1,231)
Discounts/bank expenses	(574)	(631)	(574)	(631)
Discounts granted	(497)	(413)	(550)	(417)
Tax on Financial Transactions (IOF)	(869)	(2,156)	(870)	(2,156)
Present value adjustment (Note 9)	(216)	-	(216)	-
Other	-	-	(3)	(3)
Total	(41,096)	(26,587)	(41,697)	(27,626)
Net foreign exchange variation				
Financial investments	202	(2,424)	202	(2,424)
Loans and financing	1,686	15,111	1,686	15,111
Total	1,888	12,687	1,888	12,687
Total, net	(26,137)	(9,887)	(25,991)	(10,165)

(a) This refers to assignment of tax credits of Refinadora Catarinense S/A offered as payment in kind. In 2009, the effect of this restatement in profit or loss was zero, due to the use of the same restatement index for assets and liabilities.

37 Result from Discontinued Operations

On August 17, 2010, the Board of Directors approved the discontinuation of the operations of the subsidiary Portobello América, taking into account that the demand in the North American market will be stable over the coming years. The sale of assets is in progress and the main assets and liabilities of this unit, as well as the result from discontinued operations for the years ended December 31, 2010 and 2009, are summarized as follows:

Assets	2010	Liabilities and equity	2010
Current assets	2,000	Current liabiilities	36,038
Cash and banks	632	Suppliers	299
Customers	1,158	Social and labor obligations	58
Inventories	160	Other	1,897
Other	50	Debts with related parties	33,784
		Equity	(34,038)
Total assets	2,000	Total liabilities and equity	2,000

No groups were classified as held for sale at December 31, 2010, December 31, 2009 and January 1, 2009

All amounts in thousands of reais unless otherwise stated

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

Result from discontinued operations	2010	2009
Net revenue	14,469	21,771
Cost of products (services)	(13,535)	(14,975)
Gross profit	934	6,796
Selling, general and administrative expenses	(7,829)	(12,385)
Finance income (costs)	(79)	(288)
Other operating expenses	(1,448)	114
Loss before income tax and social contribution	(8,422)	(5,763)
Deferred income tax and social contribution	(3)	18
Net result from descontinued operations	(8,425)	(5,745)

38 Earnings per Share

a) Basic

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

	Parent		Consolidated	
	2010	2009	2010	2009
Profit attributable to the Company's stockholders	32,104	18,760	32,295	19,161
Weighted average number of common shares - thousands	159,009	159,009	159,009	159,009
Basic earnings per share - R$	0.20	0.12	0.20	0.12
Result from continuing operations	32,104	18,760	40,720	24,906
Result from discontinued operations	-	-	(8,425)	(5,745)
Weighted average number of common shares - thousands	159,009	159,009	159,009	159,009
Earnings (loss) per share of continuing operations - R$	0.20	0.12	0.26	0.16
Earnings (loss) per share of discontinued operations - R$	-	-	(0.05)	(0.04)

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

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

b) Diluted

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

All amounts in thousands of reais unless otherwise stated

39 Cash Provided by Operating Activities

	Note	Parent		Consolidated	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Profit (loss) for the year before taxation		29,080	23,415	43,398	32,111
Adjustments		38,873	15,374	42,468	29,045
Depreciation and amortization	21 and 22	16,405	15,965	16,762	16,522
Equity in the results of investees	20	(904)	423	-	-
Unrealized foreign exchange variation		108	(5,741)	2,091	8,599
Provision for inventory losses	11	2,326	5,012	3,008	3,760
Provision for impairment of trade receivables	9	31	(510)	(550)	650
Provision for contingences	28	8,226	8,517	8,237	8,490
Provisions for labor liabilities		2,135	460	2,105	536
Other provisions		(3,177)	(1,500)	(3,175)	(1,503)
Residual cost of property, plant and equipment and intangible assets disposals	21 and 22	352	1,680	579	1,739
Other operating income and expenses, net	34	(5,737)	(17,477)	(5,364)	(17,862)
Eletrobrás compulsory loan supplement		(9,136)	-	(9,136)	-
Payment in installments REFIS (income)		-	(54,207)	-	(54,591)
Payment in installments REFIS (expense)		-	49,428	-	49,428
Tax assets	17	-	(7,365)	-	(7,365)
Payment in kind agreement with related parties		-	(1,156)	-	(1,156)
Transfer of debts from MP 470 to Law 11941	25	2,325	-	2,325	-
ICMS on property, plant and equipment		(398)	-	(398)	-
Actuarial assets		(1,185)	(2,591)	(1,185)	(2,591)
Municipal taxes and fess		207	-	207	-
Profit sharing		2,783	-	3,155	-
Revenue from sales of property, plant and equipment		(600)	(1,766)	(600)	(1,766)
Other		267	180	268	179
Monetary restatements		676	1,646	988	1,802
Eletrobrás compulsory loan	15	(3,137)	(1,973)	(3,137)	(1,973)
Tax assets	17	(929)	-	(929)	-
Receivables from related parties	13	(7,886)	-	(7,886)	-
Judicial deposits	14	(220)	-	(220)	-
Suppliers present value adjustment	23	(44)	-	(44)	-
Discount of provisions for contingencies	28	1,051	630	1,051	630
Present value adjustment of trade receivables	9	216	-	216	-
Other		(1,737)	(533)	(1,737)	(533)
Financial charges on taxes payable in installments		13,362	3,522	13,674	3,678
Financial charges on taxes		-	(9,709)	-	(9,709)
Provision for interest on loans		18,432	16,608	17,787	16,021
Changes in assets and liabilities		(61,038)	(28,748)	(67,576)	(36,028)
Trade receivables	9	(33,100)	(6,283)	(31,982)	(4,191)
Advances from customers		(4,484)	(4)	(5,594)	298
Marketable securities	10	3,159	2,511	3,159	2,511
Inventory	11	(27,378)	(15,541)	(25,761)	(10,971)
Other assets		4,907	(3,242)	9,786	(342)
Judicial deposits	14	(5,770)	(336)	(5,607)	(425)
Deferred tax credits	16	-	51,636	-	51,636
Non-current assets		6,480	22,173	6,542	23,005
Accounts payable		20,868	(2,750)	19,694	(2,277)
Advances to suppliers		362	203	1,374	244
Payment in installments	25	(15,697)	72,998	(16,421)	75,328
Tax liabilities		(2,070)	(135,440)	(7,116)	(138,574)
Labor liabilities		1,659	2,213	1,621	1,882
Other payables		(2,575)	(4,854)	(9,703)	(14,201)
Other non-current payables		(7,399)	(12,032)	(7,568)	(19,951)
Cash provided by operating activities		6,915	10,041	18,290	25,128

The main non-cash items in the years ended December 31, 2010 and 2009 were the actuarial restatement of the pension plan and the foreign exchange variation in foreign subsidiary.

All amounts in thousands of reais unless otherwise stated

40 Segment Information

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

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

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

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

The segment information provided to the Executive Board on the reportable segments for the year ended December 31, 2010 is as follows:

	December 31, 2010		
Continued operations	Brazil	Other countries	Total
Revenue	470,428	40,987	511,415
Cost of sales	(313,994)	(33,977)	(347,971)
Gross operating profit	156,434	7,010	163,444
Operating income (expenses), net			
Selling, general and administrative expenses	(88,564)	(4,175)	(92,739)
Other operating income (expenses), net	39	3	42
Other gains (losses), net	(1,249)	(109)	(1,358)
	(89,774)	(4,281)	(94,055)
Operating profit before finance income (costs)	66,660	2,729	69,389
% on revenue	14%	7%	14%

	December 31, 2009		
Continued operations	Brazil	Other countries	Total
Revenue	344,504	35,704	380,208
Cost of sales	(244,081)	(30,909)	(274,990)
Gross operating profit	100,423	4,795	105,218
Operating income (expenses), net			
Selling, general and administrative expenses	(60,693)	(9,756)	(70,449)
Other operating income (expenses), net	14,705	1,524	16,229
Other gains (losses), net	(7,903)	(819)	(8,722)
	(53,891)	(9,051)	(62,942)
Operating profit before finance income (costs)	46,532	(4,256)	42,276
% on revenue	14%	-12%	11%

All amounts in thousands of reais unless otherwise stated

Information on main customers:

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

	Consolidated	
	2010	2009
Construction material retailers	155,624	113,033
Civil construction and real estate development companies	162,915	118,556
Franchised stores (Portobello Shop)	151,889	112,915
Total	470,428	344,504

41 Commitments

a) Capital commitments

Costs contracted but not yet incurred referring to property, plant and equipment at December 31, 2010 amount to R$ 483. At December 31, 2009 and 2008, there were no commitments for acquisition of assets.

b) Operating lease commitments

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

	Consolidated		
	December 31, 2010	December 31, 2009	January 1, 2009
Up to one year	472	319	254
More than one year and less than five years	277	166	80
Total	749	485	334

42 Insurance

At December 31, 2010, the insurance cover against fire, robbery, collision and sundry risks for property, plant and equipment and inventories as well as for loss of profits is considered sufficient by management to cover any losses.

	Parent and consolidated
Cover	2010
Fire/lightning/explosion of any type	84,000
Electrical damages	3,600
Riots	1,000
Windstorm/smoke with vehicle impact	25,000
Civil liability - operations	2,500
Civil liability - employer	2,500
Loss of profits - windstorm	16,000
Loss of profits - Basic	27,282

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

All amounts in thousands of reais unless otherwise stated

43 Related Party Transactions

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

		Parent		
		Assets (Liabilities)		
	Nature	December 31, 2010	December 31, 2009	January 1, 2009
Transactions with subsidiaries				
Portobello América, Inc.	Receivables from subsidiaries - Trade receivables	33,784	32,182	37,937
Portobello Shop S.A.	Dividends receivable	10,567	5,909	8,285
	Due to subsidiary	(8,484)	(7,827)	(7,237)
PBTech Com. Serv. Cer. Ltda.	Receivables from subsidiaries - Trade receivables	2,921	2,285	2,327
	Receivables from subsidiaries - Loan	745	605	820
Mineração Portobello Ltda.	Advances to suppliers	1,020	741	518
Transactions with related parties				
Refinadora Catarinense S.A.	Receivables	94,667	86,763	95,229
	Due to related parties	-	-	(2,269)
Solução Cerâmica Com. Ltda.	Trade receivables	538	138	120
	Advances from customers	(627)	(314)	(401)
Flooring Revest. Cer. Ltda.	Trade receivables	604	-	-
	Advances from customers	(60)	-	-
		135,675	120,482	135,329

		Parent	
		Income (Expense)	
	Nature	2010	2009
Transactions with subsidiaries			
Portobello América, Inc.	Sales of products	7,441	10,968
Portobello Shop S.A.	Service rendering	6,098	5,453
	Cost of services	(2,858)	(2,839)
PBTech Com. Serv. Cer. Ltda.	Sales of products	2,271	-
Mineração Portobello Ltda.	Purchase of products	(1,711)	(958)
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Sales of products	10,368	7,845
Flooring Revest. Cer. Ltda.	Sales of products	627	-
FHM Consult., Adm. e Part. Ltda.	Corporate advisory	(325)	-
		21,911	20,469

All amounts in thousands of reais unless otherwise stated

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

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

Receivables from the subsidiary Portobello Shop were pledged in guarantee of loans totaling R$ 4,756 at December 31, 2010. The subsidiary is also guarantor of the Company in some financing transactions.

Related-party transactions

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

		Assets (Liabilities)		
	Nature	December 31, 2010	December 31, 2009	January 1, 2009
Transactions with subsidiaries				
PBTech Com. Serv. Cer. Ltda.	Trade receivables	11	-	-
Transactions with related parties				
Solução Cerâmica Com. Ltda.	Trade receivables	160	207	162
Flooring Revest. Cer. Ltda.	Trade receivables	323	-	-
		494	207	162

		Income (Expense)	
	Nature	2010	2009
Transactions with subsidiaries			
PBTech Com. Serv. Cer. Ltda.	Royalties	558	-
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Royalties	2,735	1,902
Flooring Revest. Cer. Ltda.	Royalties	167	-
		3,460	1,902

Key management compensation

The compensation of key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Committee and management for the years ended December 31, 2010 and 2009 is as follows:

	Parent		Consolidated	
	2010	2009	2010	2009
Fixed remuneration				
Salaries	5,024	3,735	6,062	4,506
Fees	1,809	1,574	2,982	2,605
Variable remuneration	903	959	1,071	1,193
Short-term direct and indirect benefits				
Pension plan	488	586	719	897
Other	726	596	917	771
	8,950	7,450	11,751	9,972

The Annual General Meeting held on April 19, 2010 approved for that year the global compensation of the Board of Directors at the maximum amount of R$ 4,320 (R$ 4,320 approved on April 24, 2009) and also determined the monthly compensation of each member of the Statutory Audit Committee in 10% of the directors' compensation.

44 First-time Adoption of IFRS and CPCs

44.1 Transition basis

44.1.1 Adoption of CPCs 37 and 43 and IFRS 1

The consolidated financial statements for the year ended December 31, 2010 are the first annual consolidated statements prepared in conformity with CPCs and IFRSs. The Company adopted CPCs 37 and 43 and IFRS 1 for the preparation of these consolidated financial statements.

The parent company financial statements for the year ended December 31, 2010 are the first annual statements prepared in conformity with CPCs. The Company applied CPCs 37 and 43 in preparing these financial statements.

The transition date is January 1, 2009. Management prepared the opening balance sheets according to CPCs and IFRSs on that date.

In preparing these financial statements, the Company applied the material compulsory exceptions and certain voluntary exemptions to full retrospective application.

44.1.2 Exemptions to full retrospective application - elected by the Company

The Company opted to apply the following exceptions to retrospective application:

a) Exemption for business combinations

The Company applied the exemption for business combinations described in IFRS 1 and CPC 37 and, as a result, did not restate the business combinations concluded before the January 1, 2009 transition date.

b) Exemption for fair value as deemed cost

The Company elected to measure certain items of property, plant and equipment at fair value as at January 1, 2009.

c) Exemption for cumulative translation differences

The Company elected to set at zero the cumulative translation differences for years prior to the transition date of January 1, 2009. This exemption was applied to all subsidiaries.

44.1.3 Exceptions to retrospective application followed by the Company

The company applied the following compulsory exceptions to retrospective application.

a) Exemption for estimates

Estimates used in the preparation of these financial statements as at January 1, 2009 and December 31, 2009 are consistent with the estimates as at the same dates made in conformity with the accounting practices previously adopted in Brazil (former BR GAAP).

The other compulsory exceptions have not been applied as there were no significant differences with former BR GAAP:

- Derecognition of financial assets and financial liabilities; and
- Non-controlling interests.

44.2 Reconciliation between former BR GAAP and IFRS/CPCs

We explain below the material adjustments to the balance sheets and the statement of income and afterwards we quantify the impacts of the transition.

44.2.1 Discounted trade notes and advances on export contracts

In accordance with former BR GAAP, discounted trade notes and advances on export contracts are recognized as a reduction of trade receivables. In accordance with IAS 39, when financial assets are discounted but the risk is not transferred, the amount of these assets must be recorded in liabilities, not as a reduction in assets. Accordingly, the Company reclassified discounted trade notes of R$ 5,641 at January 1, 2009 and R$ 2,443 at December 31, 2009 to loans and financing.

44.2.2 Private pension plan

The Company elected to apply the IFRS 1 employee benefits exemption. Accordingly, cumulative net actuarial losses totaling R$ 2,730, recognized against pension obligations under former BR GAAP, were recognized in accumulated deficit as at January 1, 2009. The same adjustment was made at December 31, 2009, totaling R$ 139.

44.2.3 Deferred income tax and social contribution

The Company reclassified deferred income tax and social contribution assets in 2009 to non-current, in accordance with CPC 26 (p.56), which states that "when the entity presents its current and non-current assets and liabilities separately, deferred tax assets (liabilities) must not be classified as current assets (liabilities)."

Changes in deferred income tax and social contribution refer to adoption of ICPC 10, which requires the recording of a provision for taxes on revaluation of land. The adjustment necessary for the transition to CPC/IFRS, recognized against the revaluation reserve, in equity, at January 1, 2009, was R$ 2,517.

44.2.4 Accumulated deficit

Except for the reclassification items, all the adjustments above were recognized against opening accumulated deficit as at January 1, 2009.

The reconciliations below show the quantification of the impact of the transition to CPCs and IFRS as at the following dates:

- Equity as at January 1, 2009 - transition date (Note 44.2.5.1).
- Equity as at December 31, 2009 (Note 44.2.5.2).

All amounts in thousands of reais unless otherwise stated

44.2.5 Reconciliation between Former BR GAAP and IFRS/CPCs

44.2.5.1 Reconciliation of equity as at January 1, 2009

	Parent					
Assets	According to the previous accounting criteria	Discounted trade notes and advances on export contracts	Deferred IRPJ/CSLL	Private pension plan	Deferred IRPJ/CSLL on revaluation	According to CPC/IFRS
Current assets						
Trade receivables	64,680	5,641	-	-	-	70,321
Deferred income tax and social contribution	22,839	-	(22,839)	-	-	-
Non-current assets						
Long-term receivables						
Deferred income tax and social contribution	-	-	22,839	-	-	22,839
Liabilities						
Current liabilities						
Loans and financing	91,553	5,641	-	-	-	97,194
Non-current liabilities						
Deferred income tax and social contribution	38,066	-	-	-	2,517	40,583
Private pension plan	3,629	-	-	2,730	-	6,359
Equity, capital and reserves attributable to controlling stockholders						
Revaluation reserve	52,989	-	-	-	(2,517)	50,472
Accumulated deficit	(151,395)	-	-	(2,730)	-	(154,125)

	Consolidated					
Assets	According to the previous accounting criteria	Discounted trade notes and advances on export contracts	Deferred IRPJ/CSLL	Private pension plan	Deferred IRPJ/CSLL on revaluation	According to CPC/IFRS
Current assets						
Trade receivables	74,224	5,641	-	-	-	79,865
Deferred income tax and social contribution	22,839	-	(22,839)	-	-	-
Non-current assets						
Long-term receivables						
Deferred income tax and social contribution	-	-	22,839	-	-	22,839
Liabilities						
Current liabilities						
Loans and financing	93,144	5,641	-	-	-	98,785
Non-current liabilities						
Deferred income tax and social contribution	38,066	-	-	-	2,517	40,583
Private pension plan	3,629	-	-	2,730	-	6,359
Equity, capital and reserves attributable to controlling stockholders						
Revaluation reserve	52,989	-	-	-	(2,517)	50,472
Accumulated deficit	(152,025)	-	-	(2,730)	-	(154,755)

All amounts in thousands of reais unless otherwise stated

44.2.5.2 Reconciliation of equity as at December 31, 2009

	Parent					
Assets	According to the previous accounting criteria	Discounted trade notes and advances on export contracts	Deferred IRPJ/CSLL	Private pension plan	Deferred IRPJ/CSLL on revaluation	According to CPC/IFRS
Current assets						
Trade receivables	62,394	2,443	-	-	-	64,837
Deferred income tax and social contribution	17,575	-	(17,575)	-	-	-
Non-current assets						
Long-term receivables						
Deferred income tax and social contribution	-	-	17,575	-	-	17,575
Liabilities						
Current liabilities						
Loans and financing	90,411	2,443	-	-	-	92,854
Non-current liabilities						
Deferred income tax and social contribution	37,456	-	-	-	2,517	39,973
Private pension plan	3,281	-	-	139	-	3,420
Equity, capital and reserves attributable to controlling stockholders						
Revaluation reserve	51,246	-	-	-	(2,517)	48,729
Accumulated deficit	(133,483)	-	-	(139)	-	(133,622)

	Consolidated					
Assets	According to the previous accounting criteria	Discounted trade notes and advances on export contracts	Deferred IRPJ/CSLL	Private pension plan	Deferred IRPJ/CSLL on revaluation	According to CPC/IFRS
Current assets						
Trade receivables	68,546	2,443	-	-	-	70,989
Deferred income tax and social contribution	17,575	-	(17,575)	-	-	-
Non-current assets						
Long-term receivables						
Deferred income tax and social contribution	-	-	17,575	-	-	17,575
Liabilities						
Current liabilities						
Loans and financing	90,428	2,443	-	-	-	92,871
Non-current liabilities						
Deferred income tax and social contribution	37,456	-	-	-	2,517	39,973
Private pension plan	3,281	-	-	139	-	3,420
Equity, capital and reserves attributable to controlling stockholders						
Revaluation reserve	51,246	-	-	-	(2,517)	48,729
Accumulated deficit	(133,712)	-	-	(139)	-	(133,851)

All amounts in thousands of reais unless otherwise stated

44.2.5.3 Reconciliation of profit/loss at December 31, 2009

	Parent					
	According to the previous accounting criteria	Discounted trade notes and advances on export contracts	Deferred IRPJ/CSLL	Private pension plan	Deferred IRPJ/CSLL on revaluation	According to CPC/IFRS
Other operating income (expenses), net	16,669			2,591		19,260
Profit for the year	16,169			2,591		18,760
Profit attributable to						
Stockholders of the Company	16,169					18,760
Non-controlling interests	-					-

	Consolidated					
	According to the previous accounting criteria	Discounted trade notes and advances on export contracts	Deferred IRPJ/CSLL	Private pension plan	Deferred IRPJ/CSLL on revaluation	According to CPC/IFRS
Other operating income (expenses), net	13,638			2,591		16,229
Profit for the year	16,576			2,591		19,167
Profit attributable to						
Stockholders of the Company	16,570					19,161
Non-controlling interests	6					6

45 Effects on Profit/Loss and Equity Arising from the Full Adoption of 2010 standards

In accordance with CVM Deliberation 656 of January 25, 2011, which amended CVM 603 of 2009, since the Company has not restated its Quarterly Information for the quarters of 2010, the effects on profit/loss and equity arising from the full adoption of 2010 standards were included in a separate Note in these annual statements for each quarter of 2010 and 2009.

	Parent					
	September 30, 2010	September 30, 2009	June 30, 2010	June 30, 2009	March 31, 2010	March 31, 2009
Results for the quarter according to the previous accounting criteria	28,968	4,537	11,748	3,417	4,749	1,349
Private pension plan	139	-	139	-	-	-
According to CPC/IFRS	29,107	4,537	11,887	3,417	4,749	1,349

	Consolidated					
	September 30, 2010	September 30, 2009	June 30, 2010	June 30, 2009	March 31, 2010	March 31, 2009
Results for the quarter according to the previous accounting criteria	29,011	4,886	11,788	3,582	4,775	1,263
Private pension plan	139	-	139	-	-	-
According to CPC/IFRS	29,150	4,886	11,927	3,582	4,775	1,263

All amounts in thousands of reais unless otherwise stated

	Parent					
	September 30, 2010	June 30, 2010	March 31, 2010	September 30, 2009	June 30, 2009	March 31, 2009
Equity according to the previous accounting criteria	59,632	40,655	33,970	17,661	14,081	7,056
Private pension plan	-	-	(139)	(2,730)	(2,730)	(2,730)
Deferred IRPJ/CSLL on revaluation	(2,517)	(2,517)	(2,517)	(2,517)	(2,517)	(2,517)
Equity according to CPC/IFRS	57,115	38,138	31,314	12,414	8,834	1,809

	Consolidated					
	September 30, 2010	June 30, 2010	March 31, 2010	September 30, 2009	June 30, 2009	March 31, 2009
Equity according to the previous accounting criteria	59,440	40,466	33,771	17,380	13,619	6,345
Private pension plan	-	-	(139)	(2,730)	(2,730)	(2,730)
Deferred IRPJ/CSLL on revaluation	(2,517)	(2,517)	(2,517)	(2,517)	(2,517)	(2,517)
Equity according to CPC/IFRS	56,923	37,949	31,115	12,133	8,372	1,098