(A free translation of the original in Portuguese)

Portobello S.A.

Quarterly Information (ITR) and Review Report of Independent Accountants

June 30, 2010 (Restated)

(A free translation of the original in Portuguese)

Review Report of Independent Accountants

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

1 We have reviewed the accounting information included in the Quarterly Information (ITR) (parent company and consolidated) of Portobello S.A. (the "Company") and subsidiaries for the quarter ended June 30, 2010, comprising the balance sheet and the statements of income, comprehensive income, changes in equity and cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.

2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.

3 Based on our limited review, we are not aware of any material modifications that should be made to the quarterly information of the parent company referred to above in order that it be stated in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), applicable to the preparation of the Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).

4 Based on our limited review, we are not aware of any material modifications that should be made to the consolidated quarterly information referred to above in order that it be stated in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB) applicable to the preparation of Quarterly Information, in accordance with the standards issued by the Brazilian Securities Commission (CVM).

5 We have also reviewed the parent company and consolidated interim statements of value added for the quarter ended June 30, 2010, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, we are not aware of any fact that leads us to believe that they are not properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

6 As mentioned in Note 2.1, the Brazilian Securities Commission (CVM), through CVM Resolution 603/09, permitted companies to present their Quarterly Information during 2010 based on the accounting standards effective until December 31, 2009, provided that this Quarterly Information was subsequently restated, including comparative figures, to comply with the new standards. Accordingly, this Quarterly Information (ITR) differs from that originally disclosed by the Company.

Florianópolis, May 13, 2011

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

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

(A free translation of the original in Portuguese)
FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY INFORMATION (ITR)
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES
Voluntary Restatement

Unaudited

Corporate Legislation
June 30, 2010

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91
4 - State Registration Number – NIRE		
42300030201		

01.02 - HEAD OFFICE

1 - ADDRESS		2 - SUBURB OR DISTRICT
BR 101 KM 163		Centro
3 - POSTAL CODE	**4 – MUNICIPALITY**	**5 - STATE**
88200-000	Tijucas	SC

6 - AREA CODE	7 – TELEPHONE	8 - TELEPHONE	9 - TELEPHONE	10 - TELEX
048	3279-2201	-	-	
11 - AREA CODE	**12 – FAX**	**13 -FAX**	**14 -FAX**	
048	3279-2223	-	-	
15 - E-MAIL				
dri@portobello.com.br				

01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)

1 – NAME		
Mario Augusto de Freitas Baptista		
2 – ADDRESS		**3 - SUBURB OR DISTRICT**
BR 101 KM 163		Centro
4 - POSTAL CODE	**5 – MUNICIPALITY**	**6 - STATE**
88200-000	Tijucas	SC

7 - AREA CODE	8 – TELEPHONE	9 - TELEPHONE	10 - TELEPHONE	11 - TELEX
048	3279-2201	-	-	
12 - AREA CODE	**13 – FAX**	**14 - FAX**	**15 - FAX**	
048	3279-2223	-	-	
16 - E-MAIL				
dri@portobello.com.br				

01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1-BEGINNING	**2-END**	**3-QUARTER**	**4-BEGINNING**	**5-END**	**6-QUARTER**	**7-BEGINNING**	**8-END**
1/1/2010	12/31/2010	2	4/1/2010	6/30/2010	1	10/1/2009	12/31/2009

9 - INDEPENDENT ACCOUNTANT	10 - CVM CODE
PricewaterhouseCoopers Auditores Independentes	00287-9
11 - PARTNER RESPONSIBLE	**12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE**
Carlos Alexandre Peres	116.814.068-45

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

01.05- CAPITAL COMPOSITION

Number of shares (Thousands)	Current quarter 6/30/2010	Prior quarter 3/31/2009	Same quarter in prior year 6/30/2009
Paid-up capital			
1 – Common	159,009	159,009	159,009
2 – Preferred	0	0	0
3 – Total	159,009	159,009	159,009
Treasury stock			
4 – Common	0	0	0
5 – Preferred	0	0	0
6 – Total	0	0	0

01.06- CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Other
2 – SITUATION Operating
3 - NATURE OF OWNERSHIP Local Private
4 -ACTIVITY CODE 1110 - Civil Construction, Construction Materials and Decoration
5 - MAIN ACTIVITY Manufacture and sale of ceramic tiles
6 - TYPE OF CONSOLIDATION Full
7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT Without exceptions

01.07- COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 – CNPJ	3 – NAME

01.08- DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - DATE APPROVED	4 - AMOUNT	5 - DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE

01.01 IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF ALTERATION	3 - CAPITAL (IN THOUSANDS OF REAIS)	4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS)	5 -NATURE OF ALTERATION	7 - NUMBER OF SHARES ISSUED (THOUSANDS)	8 - SHARE PRICE ON ISSUE DATE (IN REAIS)

01.10 - INVESTOR RELATIONS OFFICER

1 – DATE	2 – SIGNATURE
5/13/2011	

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

02.01 - Balance Sheets - Assets (R$ thousand)

1 - Code	2 – Description	3 - 6/30/2010	4 - 3/31/2009
1	Total assets	532,783	503,014
1.01	Current assets	201,948	189,604
1.01.01	Cash and cash equivalents	5,364	7,014
1.01.02	Receivables	80,508	69,116
1.01.02.01	Trade receivables	78,826	64,837
1.01.02.02	Sundry receivables	1,682	4,279
1.01.02.02.01	Marketable securities	1,682	4,279
1.01.03	Inventories	74,078	68,224
1.01.04	Other	41,998	45,250
1.01.04.01	Advances to suppliers	2,639	2,120
1.01.04.02	Taxes recoverable	1,043	3,158
1.01.04.03	Income tax and social contribution recoverable	1,604	171
1.01.04.04	Dividends receivable	0	5,909
1.01.04.05	Prepaid expenses	376	112
1.01.04.06	Receivables from subsidiaries	34,937	32,182
1.01.04.07	Other	1,399	1,598
1.02	Non-current assets	330,835	313,410
1.02.01	Long-term receivables	144,316	134,085
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Receivables from related parties	93,272	89,653
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	2,923	2,890
1.02.01.02.03	Other related parties	90,349	86,763
1.02.01.03	Other	51,044	44,432
1.02.01.03.01	Customers	579	673
1.02.01.03.02	Judicial deposits	2,400	2,022
1.02.01.03.03	Receivables from Eletrobrás	15,205	13,858
1.02.01.03.04	Taxes recoverable	293	500
1.02.01.03.05	Deferred income tax and social contribution	22,435	17,575
1.02.01.03.06	Tax assets	10,075	9,665
1.02.01.03.07	Other	57	139
1.02.02	Permanent assets	186,519	179,325
1.02.02.01	Investments	4,628	678
1.02.02.01.01	In associated and similar companies	0	0
1.02.02.01.02	In associated and similar companies - goodwill	0	0
1.02.02.01.03	In subsidiaries	4,430	480
1.02.02.01.04	In subsidiaries - goodwill	0	0
1.02.02.01.05	Other investments	198	198
1.02.02.02	Property, plant and equipment	180,227	176,146
1.02.02.03	Intangible assets	1,664	2,501
1.02.02.04	Deferred charges	0	0

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

02.02 - Balance Sheets - Liabilities and Equity (R$ thousand)

1 - Code	2 - Description	3 - 6/30/2010	4 - 3/31/2009
2	Total liabilities and equity	532,783	503,014
2.01	Current liabilities	254,509	247,620
2.01.01	Loans and financing	102,852	92,854
2.01.02	Debentures	0	0
2.01.03	Trade payables	64,311	65,999
2.01.04	Taxes and contributions	18,477	22,965
2.01.04.01	Tax liabilities payable in installments	14,469	21,434
2.01.04.02	Taxes and contributions	2,409	1,531
2.01.04.03	Income tax and social contribution payable	1,599	0
2.01.05	Dividends payable	0	0
2.01.06	Provisions	4,822	5,539
2.01.07	Debts with related parties	0	0
2.01.08	Other	64,047	60,263
2.01.08.01	Advances from customers	15,629	18,673
2.01.08.02	Labor and social security charges	15,388	10,705
2.01.08.03	Provision for loss of investments	28,969	27,026
2.01.08.04	Other	4,061	3,859
2.02	Non-current liabilities	240,136	228,217
2.02.01	Long-term liabilities	240,136	228,217
2.02.01.01	Loans and financing	35,456	28,127
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	20,056	16,999
2.02.01.04	Debts with related parties	5,541	7,827
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	179,083	175,264
2.02.01.06.01	Deferred income tax and social contribution	44,682	39,973
2.02.01.06.02	Pension plan	3,249	3,420
2.02.01.06.03	Tax liabilities payable in installments	128,133	128,377
2.02.01.06.04	Provision for loss of investments	2,960	2,720
2.02.01.06.05	Other	59	774
2.03	Deferred income	0	0
2.05	Equity	38,138	27,177
2.05.01	Paid-up capital	112,957	112,957
2.05.02	Capital reserves	267	267
2.05.03	Revaluation reserves	47,938	48,729
2.05.03.01	Own assets	47,938	48,729
2.05.03.02	Subsidiary/associated and similar companies	0	0
2.05.04	Revenue reserves	0	0
2.05.04.01	Legal	0	0
2.05.04.02	Statutory	0	0
2.05.04.03	For contingencies	0	0
2.05.04.04	Unrealized profits	0	0
2.05.04.05	Profit retention	0	0
2.05.04.06	Special for undistributed dividends	0	0
2.05.04.07	Other revenue reserves	0	0
2.05.05	Carrying value adjustments	(2,080)	(1,154)
2.05.05.01	Adjustments to marketable securities	0	0
2.05.05.02	Cumulative translation adjustments	(2,080)	(1,154)
2.05.05.03	Business combination adjustments	0	0
2.05.06	Retained earnings (accumulated deficit)	(120,944)	(133,622)
2.05.07	Advances for future capital increase	0	0

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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

03.01 - Statements of Income (R$ thousand, unless otherwise indicated)

1 – Code	2 – Description	3 - 4/1/2010 to 6/30/2010	4 - 1/1/2010 to 6/30/2010	5 - 4/1/2009 to 6/30/2009	6 - 1/1/2009 to 6/30/2009
3.01	Gross sales and/or services revenue	145,900	273,126	114,605	227,992
3.02	Deductions from gross revenue	(31,239)	(57,790)	(24,616)	(52,572)
3.03	Net sales and/or services revenue	114,661	215,336	89,989	175,420
3.04	Cost of sales and/or services	(86,767)	(162,898)	(73,036)	(138,293)
3.05	Gross profit	27,894	52,438	16,953	37,127
3.06	Operating expenses/income	(19,447)	(39,097)	(15,763)	(33,658)
3.06.01	Selling	(14,484)	(26,538)	(10,908)	(21,706)
3.06.02	General and administrative	(3,139)	(6,169)	(3,001)	(5,661)
3.06.03	Finance result	(7,404)	(14,628)	(355)	(7,929)
3.06.03.01	Finance income	3,080	5,683	8,867	11,127
3.06.03.01.01	Finance income	3,035	5,783	990	2,446
3.06.03.01.02	Foreign exchange variations, net	45	(100)	7,877	8,681
3.06.03.02	Finance expenses	(10,484)	(20,311)	(9,222)	(19,056)
3.06.04	Other operating income	4,978	6,698	3,729	8,352
3.06.04.01	Other operating income	4,227	5,175	3,729	8,352
3.06.04.02	Other gains (losses), net	751	1,523	0	0
3.06.05	Other operating expenses	(667)	(1,153)	(5,125)	(5,983)
3.06.05.01	Other operating expenses	(667)	(1,153)	(468)	(830)
3.06.05.02	Other gains (losses), net	0	0	(4,657)	(5,153)
3.06.06	Equity in the earnings of subsidiaries	1,269	2,693	(103)	(731)
3.07	Operating profit	8,447	13,341	1,190	3,469
3.08	Non-operating profit	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Profit before taxation/profit sharing	8,447	13,341	1,190	3,469
3.10	Provision for income tax and social contribution on net income	(933)	(1,599)	909	0
3.11	Deferred income tax	(376)	145	(31)	(52)
3.12	Statutory profit sharing and contributions	0	0	0	0
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	0	0	0	0
3.15	Profit for the period	7,138	11,887	2,068	3,417
	Number of shares (thousand), excluding treasury stock	159,009	159,009	159,009	159,009
	Earnings per share - R$	0.04489	0.07476	0.01301	0.02149
	Loss per share - R$				

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1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

04.01 - Statements of Cash Flows - Indirect Method (R$ thousand)

1 – Code	2 – Description	3 - 4/1/2010 to 6/30/2010	4 - 1/1/2010 to 6/30/2010	5 - 4/1/2009 to 6/30/2009	6 - 1/1/2009 to 6/30/2009
4.01	Net cash provided by (used in)operating activities	(4,212)	(10,261)	(4,420)	10,689
4.01.01	Cash provided by (used in) operating activities	1,055	(1,633)	(978)	16,623
4.01.02	Changes in assets and liabilities	0	0	0	0
4.01.03	Other	(5,267)	(8,628)	(3,442)	(5,934)
4.01.03.01	Interest paid	(4,329)	(7,690)	(3,442)	(5,934)
4.01.03.02	Income tax and social contribution paid	(938)	(938)	0	0
4.02	Net cash provided by (used in) investing activities	(4,096)	(5,142)	6,957	5,022
4.02.01	Purchases of property, plant and equipment	(1,626)	(8,233)	(6,917)	(8,720)
4.02.02	Purchases of intangible assets	(4)	(4)	(7)	(57)
4.02.03	Dividends received	0	5,910	8,285	8,285
4.02.04	Proceeds from permanent asset disposal	0	0	0	145
4.02.05	Payments to related parties	(2,466)	(2,815)	5,596	5,369
4.03	Net cash provided by (used in) financing activities	5,047	13,753	(2,113)	(18,485)
4.03.01	New loans and financing	81,952	148,625	50,538	86,821
4.03.02	Payments of loans and financing	(79,280)	(132,324)	(46,777)	(100,486)
4.03.03	New loans/payments to related companies	2,375	(2,548)	(5,874)	(4,820)
4.04	Foreign exchange variations on cash and cash equivalents	0	0	0	0
4.05	Increase (decrease) in cash and cash equivalents	(3,261)	(1,650)	424	(2,774)
4.05.01	Opening balance of cash and cash equivalents	8,625	7,014	3,248	6,446
4.05.02	Closing balance of cash and cash equivalents	5,364	5,364	3,672	3,672

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

05.01 - Statements of Changes in Equity from 4/1/2010 to 6/30/2010 (R$ thousand)

1 - Code	2 - Description	3 – Share capital	4 - Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated deficit	8 – Carrying value adjustments	9 - Total equity
5.01	Opening balance	112,957	267	48,333	0	(128,477)	(1,766)	31,314
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	112,957	267	48,333	0	(128,477)	(1,766)	31,314
5.04	Profit for the period	0	0	0	0	7,138	0	7,138
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	(395)	0	395	0	0
5.07	Carrying value adjustment	0	0	0	0	0	(314)	(314)
5.07.01	Adjustments to marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustments	0	0	0	0	0	(314)	(314)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Share capital increase/reduction	0	0	0	0	0	0	0
5.09	Appropriation/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other equity transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	0	0	0	0
5.13	Closing balance	112,957	267	47,938	0	(120,944)	(2,080)	38,138

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

05.02 - Statements of Changes in Equity from 1/1/2010 to 6/30/2010 (R$ thousand)

1 - Code	2 – Description	3 – Share capital	4 - Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated deficit	8 – Carrying value adjustments	9 - Total equity
5.01	Opening balance	112,957	267	48,729	0	(133,622)	(1,154)	27,177
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	112,957	267	48,729	0	(133,622)	(1,154)	27,177
5.04	Profit for the period	0	0	0	0	11,887	0	11,887
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	(791)	0	791	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(926)	(926)
5.07.01	Adjustments to marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustment	0	0	0	0	0	(926)	(926)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Share capital increase/reduction	0	0	0	0	0	0	0
5.09	Appropriation/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other equity transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	0	0	0	0
5.13	Closing balance	112,957	267	47,938	0	(120,944)	(2,080)	38,138

01.01 - IDENTIFICATION		
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08.01 - Consolidated Balance Sheets - Assets (R$ thousand)

1 – Code	2 - Description	3 - 6/30/2010	4 - 3/31/2009
1	Total assets	505,667	475,273
1.01	Current assets	180,215	163,230
1.01.01	Cash and cash equivalents	5,895	8,618
1.01.02	Receivables	88,351	75,268
1.01.02.01	Trade receivables	86,669	70,989
1.01.02.02	Sundry receivables	1,682	4,279
1.01.02.02.01	Marketable securities	1,682	4,279
1.01.03	Inventories	76,418	71,037
1.01.04	Other	9,551	8,307
1.01.04.01	Advances to suppliers	1,799	2,121
1.01.04.02	Taxes recoverable	1,727	3,874
1.01.04.03	Income tax and social contribution recoverable	3,506	420
1.01.04.04	Prepaid expenses	695	230
1.01.04.05	Other	1,824	1,662
1.02	Non-current assets	325,452	312,043
1.02.01	Long- term receivables	142,227	131,983
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Receivables from related parties	90,349	86,763
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other related parties	90,349	86,763
1.02.01.03	Other	51,878	45,220
1.02.01.03.01	Customers	579	673
1.02.01.03.02	Judicial deposits	2,638	2,217
1.02.01.03.03	Receivables from Eletrobrás	15,205	13,858
1.02.01.03.04	Taxes recoverable	293	500
1.02.01.03.05	Deferred income tax and social contribution	22,435	17,575
1.02.01.03.06	Tax assets	10,075	9,665
1.02.01.03.07	Other	653	732
1.02.02	Permanent assets	183,225	180,060
1.02.02.01	Investments	215	223
1.02.02.01.01	In associated and similar companies	0	0
1.02.02.01.02	In subsidiaries	0	0
1.02.02.01.03	Other investments	215	223
1.02.02.02	Property, plant and equipment	181,204	177,172
1.02.02.03	Intangible assets	1,806	2,665
1.02.02.04	Deferred charges	0	0

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

08.02 - Consolidated Balance Sheets - Liabilities and Equity (R$ thousand)

1 - Code	2 - Description	3 - 6/30/2010	4 - 3/31/2009
2	Total liabilities and equity	505,667	475,273
2.01	Current liabilities	232,487	226,868
2.01.01	Loans and financing	102,857	92,871
2.01.02	Debentures	0	0
2.01.03	Trade payables	65,429	68,033
2.01.04	Taxes and contributions	21,899	24,134
2.01.04.01	Tax liabilities payable in installments	15,245	22,179
2.01.04.02	Taxes and contributions	2,950	1,925
2.01.04.03	Income tax and social contribution payable	3,704	30
2.01.05	Dividends payable	6	6
2.01.06	Provisions	4,847	5,557
2.01.07	Debts with related parties	0	0
2.01.08	Other	37,449	36,267
2.01.08.01	Advances from customers	16,456	20,254
2.01.08.02	Labor and social security charges	16,515	11,603
2.01.08.03	Other	4,478	4,410
2.02	Non-current liabilities	235,230	221,456
2.02.01	Long-term liabilities	235,230	221,456
2.02.01.01	Loans and financing	36,195	28,859
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	20,056	16,999
2.02.01.04	Debts with related parties	0	0
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	178,979	175,598
2.02.01.06.01	Deferred income tax and social contribution on net income	44,682	39,973
2.02.01.06.02	Pension plan	3,249	3,420
2.02.01.06.03	Tax liabilities payable in installments	130,970	131,453
2.02.01.06.04	Provision for loss of investments	0	0
2.02.01.06.05	Other	78	752
2.03	Deferred income	0	0
2.04	Minority interests	5	1
2.05	Equity	37,945	26,948
2.05.01	Paid-up share capital	112,957	112,957
2.05.02	Capital reserves	267	267
2.05.03	Revaluation reserves	47,938	48,729
2.05.03.01	Own assets	47,938	48,729
2.05.03.02	Subsidiary/associated and similar companies	0	0
2.05.04	Revenue reserves	0	0
2.05.04.01	Legal	0	0
2.05.04.02	Statutory	0	0
2.05.04.03	For contingencies	0	0
2.05.04.04	Unrealized profits	0	0
2.05.04.05	Profit retention	0	0
2.05.04.06	Special for undistributed dividends	0	0
2.05.04.07	Other revenue reserves	0	0
2.05.05	Carrying value adjustments	(2,080)	(1,154)
2.05.05.01	Adjustments to marketable securities	0	0
2.05.05.02	Cumulative translation adjustments	(2,080)	(1,154)
2.05.05.03	Business combination adjustments	0	0
2.05.06	Retained earnings/accumulated deficit	(121,137)	(133,851)
2.05.07	Advances for future capital increase	0	0

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

09.01 - Consolidated Statements of Income (R$ thousand, unless otherwise indicated)

1 – Code	2 - Description	3 - 4/1/2010 to 6/30/2010	4 - 1/1/2010 to 6/30/2010	5 - 4/1/2009 to 6/30/2009	6 - 1/1/2009 to 6/30/2009
3.01	Gross sales and/or services revenue	152,120	286,038	119,674	236,752
3.02	Deductions from gross revenue	(32,351)	(59,844)	(25,365)	(54,019)
3.03	Net sales and/or services revenue	119,769	226,194	94,309	182,733
3.04	Cost of sales and/or services	(83,368)	(157,868)	(71,251)	(134,295)
3.05	Gross profit	36,401	68,326	23,058	48,438
3.06	Operating expenses/income	(26,793)	(52,840)	(20,982)	(43,387)
3.06.01	Selling	(18,200)	(33,351)	(13,618)	(26,289)
3.06.02	General and administrative	(4,279)	(8,436)	(3,833)	(7,313)
3.06.03	Finance result	(7,383)	(14,541)	(289)	(7,944)
3.06.03.01	Finance income	3,240	6,027	9,081	11,606
3.06.03.01.01	Finance income	3,195	6,127	1,204	2,925
3.06.03.01.02	Foreign exchange variations, net	45	(100)	7,877	8,681
3.06.03.02	Finance expenses	(10,623)	(20,568)	(9,370)	(19,550)
3.06.03.02.01	Finance expenses	(10,623)	(20,568)	(9,370)	(19,550)
3.06.04	Other operating income	4,189	5,105	3,143	7,186
3.06.04.01	Other operating income	3,438	3,582	3,143	7,186
3.06.04.02	Other gains (losses), net	751	1,523	0	0
3.06.05	Other operating expenses	(1,120)	(1,617)	(6,385)	(9,027)
3.06.05.01	Other operating expenses	(648)	(1,125)	(690)	(1,243)
3.06.05.02	Other gains (losses), net	0	0	(4,657)	(5,153)
3.06.05.03	Loss from discontinued operations	(472)	(492)	(1,038)	(2,631)
3.06.06	Equity in the earnings of subsidiaries	0	0	0	0
3.07	Operating profit	9,608	15,486	2,076	5,051
3.08	Non-operating profit	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Profit before taxation/profit sharing	9,608	15,486	2,076	5,051
3.10	Provision for income tax and social contribution on net income	(2,080)	(3,704)	274	(1,417)
3.11	Deferred income tax	(376)	145	(31)	(52)
3.12	Statutory profit sharing and contributions	0	0	0	0
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	0	0	0	0
3.14	Minority interests	(2)	(4)	(1)	(2)
3.15	Profit for the period	7,150	11,923	2,318	3,580
	Number of shares (thousand), excluding treasury stock	159,009	159,009	159,009	159,009
	Earnings per share - R$	0.04497	0.07498	0.01458	0.02251
	Loss per share - R$				

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

10.01 - Consolidated Statements of Cash Flows - Indirect Method (R$ thousand)

1 – Code	2 – Description	3 - 4/1/2010 to 6/30/2010	4 - 1/1/2010 to 6/30/2010	5 - 4/1/2009 to 6/30/2009	6 - 1/1/2009 to 6/30/2009
4.01	Net cash provided by (used in) operating activities	(5,110)	(10,666)	1,669	18,330
4.01.01	Cash provided by operating activities	1,121	(372)	5,747	25,388
4.01.02	Changes in assets and liabilities	0	0	0	0
4.01.03	Other	(6,231)	(10,294)	(4,078)	(7,058)
4.01.03.01	Interest paid	(4,329)	(7,690)	(3,442)	(5,934)
4.01.03.02	Income tax and social contribution paid	(1,902)	(2,604)	(636)	(1,124)
4.02	Net cash used in investing activities	(1,684)	(8,401)	(6,935)	(8,691)
4.02.01	Purchases of property, plant and equipment	(1,680)	(8,384)	(6,928)	(8,778)
4.02.02	Purchases of intangible assets	(4)	(17)	(7)	(58)
4.02.03	Proceeds from permanent asset disposal	0	0	0	145
4.03	Net cash provided by (used in) financing activities	2,643	16,291	3,031	(14,596)
4.03.01	New loans and financing	81,923	148,615	49,808	85,890
4.03.02	Payments of loans and financing	(79,280)	(132,324)	(46,777)	(100,486)
4.04	Foreign exchange variations on cash and cash equivalents	(2)	53	(103)	362
4.05	Increase (decrease) in cash and cash equivalents	(4,153)	(2,723)	(2,338)	(4,595)
4.05.01	Opening balance of cash and cash equivalents	10,048	8,618	6,760	9,017
4.05.02	Closing balance of cash and cash equivalents	5,895	5,895	4,422	4,422

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

11.01 - Consolidated Statements of Changes in Equity from 4/1/2010 to 6/30/2010 (R$ thousand)

1 - Code	2 - Description	3 - Share capital	4 - Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated deficit	8 – Carrying value adjustments	9 - Total equity
5.01	Opening balance	112,957	267	48,333	0	(128,682)	(1,766)	31,109
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	112,957	267	48,333	0	(128,682)	(1,766)	31,109
5.04	Profit for the period	0	0	0	0	7,150	0	7,150
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	(395)	0	395	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(314)	(314)
5.07.01	Adjustments to marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustment	0	0	0	0	0	(314)	(314)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Share capital increase/reduction	0	0	0	0	0	0	0
5.09	Appropriation/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other equity transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	0	0	0	0
5.13	Closing balance	112,957	267	47,938	0	(121,137)	(2,080)	37,945

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

11.02 - Consolidated Statements of Changes in Equity from 1/1/2010 to 6/30/2010 (R$ thousand)

1 - Code	2 - Description	3 - Share capital	4 - Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated deficit	8 – Carrying value adjustments	9 - Total equity
5.01	Opening balance	112,957	267	48,729	0	(133,851)	(1,154)	26,948
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	112,957	267	48,729	0	(133,851)	(1,154)	26,948
5.04	Profit for the period	0	0	0	0	11,923	0	11,923
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	(791)	0	791	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(926)	(926)
5.07.01	Adjustments to marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustment	0	0	0	0	0	(926)	(926)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Share capital increase/reduction	0	0	0	0	0	0	0
5.09	Appropriation/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other equity transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	0	0	0	0
5.13	Closing balance	112,957	267	47,938	0	(121,137)	(2,080)	37,945

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

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 32.23% of its capital at June 30, 2010. The remaining 67.77% 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 June 30, 2010, is classified as a discontinued operation, as described in Note 36; (ii) Mineração Portobello, which supplies about 50% of the raw materials used in the production of ceramic tiles; (iii) PBTech, which was incorporated with the objective of providing civil construction companies a differentiated service, with sales of products and services; and (iv) Portobello Shop, which manages Portobello Shop and Empório Portobello franchised stores specialized in ceramic tiles, being the only franchised ceramic tile chain in Brazil, with 105 stores.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The quarterly information has been prepared under the historical cost convention, as modified by the revaluation in 2006 of land, buildings and improvements, adopted as the deemed cost on the transition date to IFRS/CPCs (see Note 30(b)), and financial assets and liabilities measured at fair value through profit or loss.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

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

This quarterly information is being restated in compliance with CVM Deliberation 603/2009, which permitted that the companies present their quarterly information for the quarters of 2010 based on the accounting standards effective up to December 31, 2009, provided that this information is restated in compliance with the new standards. Accordingly, this quarterly information differs from that originally disclosed by the Company and is reconciled in Note 43.

a) Consolidated quarterly information

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

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

b) Parent company quarterly information

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

2.2 Consolidation

2.2.1 Consolidated quarterly information

a) Subsidiaries

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

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

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

	June 30, 2010	December 31, 2009
Portobello América, Inc.	100.00	100.00
PBTech Com. Serv. Revest. Cer. Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90
Mineração Portobello Ltda.	99.76	99.76

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

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

	Equity		Profit/Loss	
	June 30, 2010	December 31, 2009	June 30, 2010	June 30, 2009
Parent company	38,138	27,177	11,887	3,417
Unrealized inventory profit	(193)	(229)	(193)	(467)
Reversal of unrealized profit	-	-	229	630
Consolidated excluding minority interests	37,945	26,948	11,923	3,580

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

b) Transactions and minority interests

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

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

2.2.2 Parent company quarterly information

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

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

2.3 Segment information

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

2.4 Foreign currency translation

a) Presentation currency and functional currency

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

b) Transactions and balances

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

c) Subsidiaries

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

2.5 Cash and cash equivalents

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

2.6 Financial assets

2.6.1 Classification

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

a) Loans and receivables

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

b) Financial assets held to maturity

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

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

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

d) Available-for sale financial assets

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

2.6.2 Recognition and measurement

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

2.6.3 Offsetting financial instruments

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

2.7 Derivative financial instruments and hedging activities

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

2.8 Impairment of financial assets

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

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

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

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

2.9 Trade receivables

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

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

2.10 Inventories

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

2.11 Judicial deposits

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

2.12 Receivables from Eletrobrás

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

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

2.13 Investments

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

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

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.

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

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

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

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

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

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

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

2.15 Intangible assets

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

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

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

The Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with the corresponding carrying amount, on an annual basis or whenever there is an indication that the intangible asset may be losing its economic substance, as determined by CPC 01 - Impairment of Assets. The book amounts at June 30, 2010 are judged to approximate their fair values.

2.16 Leases

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

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

2.17 Impairment of non-financial assets

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

2.18 Trade payables

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

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

2.19 Loans and financing

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

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

2.20 Provisions for contingencies, contingent assets and liabilities

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

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

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

2.21 Current and deferred income tax and social contribution on net income

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

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

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

2.22 Employee benefits

a) Private pension plan

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

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

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

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

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

b) Profit-sharing plan

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

2.23 Share capital

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

2.24 Share issue costs

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

2.25 Dividend distribution

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

2.26 Revenue recognition

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

Sales revenue is recognized at the time the products or services are delivered, on the transfer of ownership and when all the following conditions are fulfilled: a) the customer assumes all significant risks and benefits of ownership; b) the amount of the revenue can

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

be reliably determined; c) the receipt of the trade receivables is probable; and d) the costs incurred or to be incurred related to the transaction can be reliably determined.

a) Sales of goods – wholesale

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

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

b) Royalty income

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

c) Interest income

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

2.27 Result from discontinued operations

The result from discontinued operations is stated as a separate amount in the statement of income, comprising the total result after income tax of these operations less any impairment loss, as mentioned in Note 36.

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

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

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

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

- 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 Brazilian reais unless otherwise indicated)

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

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

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 Group'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	July 1, 2010

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

Topic	**Key requirements**	**Effective date**
	creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.	
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
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 in 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	Applied prospectively.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

Standard	Key requirements	Applications
	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.	
	(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 that event-driven fair value is recognized in equity. This event may be, for example, a privatization or an acquisition.	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.
	(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.	Applied prospectively.
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 minority interests The choice of measuring minority 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	Applicable to annual periods beginning on or after July 1, 2010. Applied prospectively from the date the entity applies IFRS 3.

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

Standard	Key requirements	Applications
	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. **(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, including un-replaced and voluntarily replaced share-based payment awards.	Applicable to annual periods beginning on or after July 1, 2010. Applied prospectively.
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 assumptions

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

a) Review of useful life and impairment of assets

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

b) Provisions for contingencies

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

c) Provisions for inventory losses

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

d) Deferred income tax and social contribution

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

e) Private pension plan

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 29.1.

f) Discontinued operation

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

3.2 Critical judgments in applying the entity's accounting policies

a) Receivables from Eletrobrás

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

b) Credits from related parties with guarantees

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

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

Government must start the payment of bonds to pay the court-order debts in 2011, with the consequent settlement of the Company's credits.

c) Payment in installments MP 470

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

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

4 Financial Risk Management

4.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

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

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

	In reais			
	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Trade receivables	15,259	10,693	15,028	11,325
Receivables from subsidiaries	34,937	32,182	-	-
Advances to suppliers	86	768	86	768
Investments in subsidiaries	(28,969)	(27,026)	-	-
Trade payables	(2,007)	(2,687)	(2,803)	(3,820)
Loans and financing	(30,927)	(31,167)	(30,932)	(31,184)
Net liability exposure	(11,621)	(13,587)	(18,621)	(19,261)

		In foreign currency			
		Parent company		Consolidated	
		June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Trade receivables	Euro	314	301	314	301
Trade receivables	U.S. dollar	6,085	5,238	8,547	6,824
Receivables from subsidiaries	U.S. dollar	19,393	18,454	-	-
Advances to suppliers	Euro	38	82	38	82
Investments in subsidiaries	U.S. dollar	(16,801)	(15,521)	-	-
Trade payables	Euro	(733)	(708)	(733)	(708)
Trade payables	U.S. dollar	(145)	(400)	(587)	(1,051)
Loans and financing	Euro	(1,530)	(1,835)	(1,530)	(1,835)
Loans and financing	U.S. dollar	(14,176)	(14,235)	(14,179)	(14,245)

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

ii) Cash flow and fair value interest rate risk

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

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

b) Credit risk

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

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

c) Liquidity risk

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

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

At June 30, 2010, the Company has an excess of current liabilities over current assets of R$ 52,272 (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 payments and the reduction of the financial cost of borrowing.

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

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

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

	Parent company				Consolidated			
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years
At June 30, 2010								
Loans and financing	102,642	23,739	12,173	613	102,647	24,486	12,165	612
Finance lease liabilities	210	121	-	-	210	121	-	-
Trade payables	64,311	-	-	-	65,429	-	-	-
Tax liabilities payable in installments	7,236	28,938	35,025	71,403	7,624	30,485	36,183	71,923
Total	174,399	52,798	47,198	72,016	175,910	55,092	48,348	72,535

	Parent company				Consolidated			
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years
At December 31, 2009								
Loans and financing	92,569	11,146	17,359	-	92,586	11,141	18,096	-
Finance lease liabilities	285	155	-	-	285	155	-	-
Trade payables	65,999	-	-	-	68,033	-	-	-
Tax liabilities payable in installments	21,434	13,690	39,152	75,535	22,179	14,432	40,943	76,078
Total	180,287	24,991	56,511	75,535	183,083	25,728	59,039	76,078

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

i) Sensitivity analysis of changes in interest rates

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

At June 30, 2010, management defined for the probable scenario a CDI rate of 10.12% (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.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Consolidated in reais							
	June 30, 2010	Risk	Probable		Possible (25%)		Remote (50%)	
Transaction			%	R$	%	R$	%	R$
Loans - working capital	93,093	CDI increase	10.12%	(9,421)	12.65%	(11,776)	15.18%	(14,132)
Loans – BNDES*	4,021	TJLP increase	6.00%	(241)	7.50%	(302)	9.00%	(362)
Total	97,114			(9,662)		(12,078)		(14,493)
Transaction								
Investments - marketable securities	1,682	CDI decrease	10.12%	167	7.59%	125	5.06%	83
Total	1,682			167		125		83

* BNDES - National Bank for Economic and Social Development

ii) Sensitivity analysis of changes in foreign exchange rates

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

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

	Consolidated in reais						
	June 30, 2010	Probable		Possible (25%)		Remote (50%)	
		U.S. dollar rate	Gain (loss)	U.S. dollar rate	Gain (loss)	U.S. dollar rate	Gain (loss)
Trade receivables	15,028	1.8015	-	2.2519	3,757	2.7023	7,514
Advances to suppliers	86	1.8015	-	2.2519	22	2.7023	43
Trade payables	(2,803)	1.8015	-	2.2519	(701)	2.7023	(1,402)
Loans and financing	(30,932)	1.8015	-	2.2519	(7,733)	2.7023	(15,466)
Net liability exposure	(18,621)	1.8015	-	2.2519	(4,655)	2.7023	(9,311)

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

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 June 30, 2010 were as follows:

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Loans and financing	138,308	120,981	139,052	121,730
Tax liabilities payable in installments	142,602	149,811	146,215	153,632
Less: Cash and cash equivalents	(5,364)	(7,014)	(5,895)	(8,618)
Receivables from other related parties	(90,349)	(86,763)	(90,349)	(86,763)
Marketable securities	(1,682)	(4,279)	(1,682)	(4,279)
Net debt	183,515	172,736	187,341	175,702
Total equity	38,138	27,177	37,950	26,949
Total capital	221,653	199,913	225,291	202,651
Gearing ratio (%)	83	86	83	87

At June 30, 2010, the Company does not have available and unused credit facilities.

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.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

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

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

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

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

	Parent company			
	Book value		Fair value	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Liabilities				
Other financial liabilities				
Loans and financing	138,308	120,981	138,308	120,981
Total	138,308	120,981	138,308	120,981

	Consolidated			
	Book value		Fair value	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Liabilities				
Other financial liabilities				
Loans and financing	139,052	121,730	139,052	121,730
Total	139,052	121,730	139,052	121,730

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

5 Financial Instruments by Category

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

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Assets as per balance sheet				
Receivables				
Cash and cash equivalents	5,364	7,014	5,895	8,618
Trade receivables	79,405	65,510	87,248	71,662
Total	84,769	72,524	93,143	80,280
Held to maturity				
Marketable securities	1,682	4,279	1,682	4,279
Total	1,682	4,279	1,682	4,279
Liabilities as per balance sheet				
Other financial liabilities				
Trade payables	64,311	65,999	65,429	68,033
Loans and financing	138,027	120,632	138,771	121,381
Finance lease liabilities	281	349	281	349
Tax liabilities payable in installments	142,602	149,811	146,215	153,632
Total	345,221	336,791	350,696	343,395

6 Credit Quality of Financial Assets

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

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Trade receivables				
Counterparties without external credit rating				
Group 1	7,330	6,954	8,306	7,607
Group 2	69,085	55,251	75,605	60,433
Group 3	5,609	5,713	6,138	6,248
Total	82,024	67,918	90,049	74,288
Cash at bank and short-term bank deposits (not including cash on hand)				
AAA (bra)	60	2,624	114	2,661
AA+ (bra)	4,613	2,572	4,953	2,727
A+ (bra)	199	463	199	463
A (bra)	16	601	16	603
AA- (bra)	178	244	178	244
BBB (bra)	9	501	9	1,911
Other	279		416	
Total	5,354	7,005	5,885	8,609
Loans to related parties				
Group 3	703	605	-	-
Total	703	605	-	-

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:

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

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 company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Cash	10	9	10	9
Checking account	5,354	7,005	5,885	8,609
Total	5,364	7,014	5,895	8,618

9 Trade Receivables

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Receivables from third parties:				
Customers - domestic market	66,199	57,087	74,455	62,825
Customers - foreign market	15,259	10,693	15,028	11,325
	81,458	67,780	89,483	74,150
Receivables from related parties:				
Entities related to management	566	138	566	138
	566	138	566	138
Impairment of trade receivables:				
Provision for doubtful trade receivables	(2,619)	(2,408)	(2,801)	(2,626)
	(2,619)	(2,408)	(2,801)	(2,626)
Total	79,405	65,510	87,248	71,662
Current	78,826	64,837	86,669	70,989
Non-current	579	673	579	673

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

The fair value of trade receivables at June 30, 2010 is R$ 79,405 (R$ 65,510 at December 31, 2009). Impaired trade receivables amounting to R$ 2,619 (R$ 2,408 at December 31, 2009) are covered by the provision for doubtful trade receivables.

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

	Parent company	Consolidated
At December 31, 2009	2,408	2,626
Provision for (reversal of) doubtful trade receivables (a)	364	328
Receivables written off during the year as uncollectible	(153)	(153)
At June 30, 2010	2,619	2,801

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

The provision and reversal are recorded in the statement of income as other selling expenses.

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 aging of trade receivables is as follows:

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Not yet due - non-current	579	673	579	673
Not yet due - current	74,160	59,567	79,263	65,681
Overdue up to 30 days	2,416	2,548	2,973	2,411
Overdue from 31 to 60 days	257	283	1,527	346
Overdue from 61 to 90 days	345	251	590	251
Overdue from 91 to 180 days	667	450	1,135	869
Overdue from 181 to 360 days	981	1,420	1,181	1,276
Overdue for more than 360 days	2,619	2,726	2,801	2,781
Total	82,024	67,918	90,049	74,288

	Parent company					
	June 30, 2010			December 31, 2009		
	Not yet due	Overdue not impaired	Overdue impaired	Not yet due	Overdue not impaired	Overdue impaired
Not yet due - non-current	579	-	-	673	-	-
Not yet due - current	74,160	-	-	59,567	-	-
Overdue up to 30 days	-	2,416	-	-	2,548	-
Overdue from 31 to 60 days	-	257	-	-	283	-
Overdue from 61 to 90 days	-	345	-	-	251	-
Overdue from 91 to 180 days	-	667	-	-	450	-
Overdue from 181 to 360 days	-	981	-	-	1,420	-
Overdue for more than 360 days	-	-	2,619	-	318	2,408
Total	74,739	4,666	2,619	60,240	5,270	2,408

	Consolidated					
	June 30, 2010			December 31, 2009		
	Not yet due	Overdue not impaired	Overdue impaired	Not yet due	Overdue not impaired	Overdue impaired
Not yet due - non-current	579	-	-	673	-	-
Not yet due - current	79,263	-	-	65,681	-	-
Overdue up to 30 days	-	2,973	-	-	2,411	-
Overdue from 31 to 60 days	-	1,527	-	-	346	-
Overdue from 61 to 90 days	-	590	-	-	251	-
Overdue from 91 to 180 days	-	1,135	-	-	651	218
Overdue from 181 to 360 days	-	1,181	-	-	1,276	-
Overdue for more than 360 days	-	-	2,801	-	373	2,408
	-			-		
Total	79,842	7,406	2,801	66,354	5,308	2,626

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

The Company's receivables are pledged in guarantee of certain loans and financing, as described in Note 24, calculated as a percentage of the remaining debt balance. At June 30, 2010, trade receivables pledged in guarantee were R$ 68,157 (R$ 59,315 at December 31, 2009).

10 Marketable Securities

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

	Parent company and Consolidated	
	June 30, 2010	December 31, 2009
Financial investments	1,682	629
Restricted bank account	-	3,650
Total	1,682	4,279

The financial assets in the parent company and the consolidated at June 30, 2010, classified as held to maturity, comprise financial investments pledged in guarantee of financial loans of R$ 1,682 (R$ 629 at December 31, 2009, which together with R$ 3,650 in restricted bank accounts totaled R$ 4,279), remunerated at 98% and 100% of the CDI interest rate and maturing on March 1, 2011.

11 Inventories

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Finished products	68,394	61,101	70,951	64,262
Work in process	6,905	6,967	6,905	6,967
Raw and consumption materials	8,143	8,270	8,143	8,270
Provision for adjustment to realizable value	(9,364)	(8,114)	(9,581)	(8,462)
Total	74,078	68,224	76,418	71,037

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

12 Taxes Recoverable

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Current				
ICMS	87	64	124	101
IPI (a)	787	706	787	706
IRRF/CSRF	48	144	417	514
PIS/COFINS	-	-	125	159
PIS/COFINS credit	-	2,138	-	2,138
Other	121	106	274	256
Total	1,043	3,158	1,727	3,874
Non-current				
Municipal tax credits	-	207	-	207
ICMS on property, plant and equipment	293	293	293	293
Total	293	500	293	500

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

(a) The reduction in the percentages of IPI rates charged on the products manufactured and sold by Portobello S.A., originally prescribed by Decree 7032 of December 14, 2009, will be maintained up to December 31, 2010, in accordance with Decree 7222, of June 29, 2010. This measure generates credits which may be used to offset tax liabilities in the future.

13 Receivables from Other Related Parties

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

In 2009, the Federal Supreme Court (STF) issued a decision determining that this incentive ended on October 4, 1990, and therefore the credit can no longer be used. Consequently, the Company applied for the installment payment program established by Law 11941/09, including the debt arising from the credit obtained from Refinadora. However, Refinadora had already entered into an agreement with the Company guaranteeing the reimbursement of the amounts utilized to offset tax debts. The guarantee was supported by credits arising from the reimbursement of the "IPI credit premium" tax benefit for the calculation period prior to October 4, 1990, on which a final and unappealable decision from the Federal Court in the Federal District had already been passed.

Upon requesting the installment payment program established by Law 11941/09, the Company and Refinadora entered into an agreement confirming these credits as guarantees and able to settle all the tax debt installments. At June 30, 2010, these credits, which also arise from lawsuit 87.00.00967-9, total R$ 90,349 (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 have already been changed to court-ordered debt and are expected to be received beginning in 2011, when the Company may initiate the tax offset procedure, waiting for the conversion into cash, or selling the court-ordered debt.

Refinadora Catarinense S.A. was a subsidiary in the past and currently has the same stockholders, although they are minority stockholders, 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 0), 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.

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

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

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Civil	5	7	202	161
Labor	530	563	571	604
Tax	1,865	1,452	1,865	1,452
Total	2,400	2,022	2,638	2,217

15 Receivables from Eletrobrás

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

With the objective of obtaining reimbursement of this compulsory loan, the Company entered into a legal action against Centrais Elétricas Brasileiras S.A. - ELETROBRÁS, and a final and unappealable decision in favor of the Company was issued on December 16, 2005.

Subsequently, in February 2006, the Company filed an execution action which was challenged by Eletrobrás and the Federal Government. At that time, Eletrobrás recognized the undisputed portion of R$ 6,286 (amount at March 1, 2008), represented by (i) a bank deposit of R$ 4,964 received by the Company on April 1, 2008 and (ii) 61,209 class B nominative preferred shares of Eletrobrás, which were valued at R$ 1,322 (March 2008). These shares, according to the São Paulo Stock Exchange (IBOVESPA) quotations at June 30, 2008, had a market value of R$ 1,594 and 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 as that of the reimbursement plus legal increases. The Company updated the amount calculated by the legal experts, based on the same methodology, which, after deducting the amount already recognized as undisputed, resulted in a remaining balance of R$ 15,205 (R$ 13,858 at December 31, 2009), which is recorded in non-current assets as "Receivables" and is restated monthly by the National Consumer Price Index (INPC), plus interest of 12% p.a.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

As a contingent asset, not recorded in books, the Company is still claiming in court the additional recognition of R$ 3,800, based on the fact that the Federal Court of Florianópolis accounting department has not applied correctly the interest levied on credits already declared in favor of the Company. The court accounting department has not considered that the new civil code established revised regulations to calculate legal interest (art. 406) upon which the Company is claiming the related difference.

The Company is waiting for a final decision, which should be made up to December 31, 2010.

16 Income Tax and Social Contribution on Net Income

a) Income tax and social contribution

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

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Income tax	1,177	125	2,558	294
Social contribution	427	46	948	126
Total	1,604	171	3,506	420

b) Deferred income tax and social contribution

Deferred taxes are calculated on income tax and social contribution losses and on temporary differences between the tax calculation bases of assets and liabilities and the respective book values in the quarterly information. The current tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

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

The deferred tax calculation bases are as follows:

	Parent company and Consolidated		Income tax and social contribution	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
		Calculation basis		Deferred taxes
Tax losses	29,846	41,442	10,148	14,090
Temporary differences - assets	51,291	47,222	17,438	16,056
Portobello pension plan	3,248	3,281	1,104	1,116
Provision for adjustment to market value	7,426	7,320	2,524	2,489
Provision for contingencies	13,387	14,187	4,552	4,824
Provision for PIS with ICMS reduction	2,047	1,489	696	506
Provision for COFINS with ICMS reduction	9,445	6,860	3,211	2,332
Provision for doubtful trade receivables	2,619	2,408	890	819
Provision for financial investments	6,185	6,185	2,103	2,103
Other temporary differences - assets	6,934	5,492	2,358	1,867
Adjustment to recoverable value	(15,150)	(36,974)	(5,151)	(12,571)
Net amount of temporary differences - assets	65,987	51,690	22,435	17,575
Temporary differences - liabilities	(108,281)	(105,486)	(36,815)	(35,865)
Revaluation reserve	(56,970)	(57,760)	(19,370)	(19,638)
Provision for contingencies - Eletrobrás	(10,644)	(10,560)	(3,619)	(3,590)
Contingent assets - IPI premium credit - phase II	(7,052)	(7,323)	(2,398)	(2,490)
Adjustment to present value - Prodec	(1,190)	(533)	(404)	(181)
Depreciation adjustment (to the useful lives of assets)	(9,817)	(8,283)	(3,338)	(2,816)
Exchange rate adjustment	(22,608)	(21,027)	(7,686)	(7,150)
Adjustment to recoverable value	(23,138)	(12,081)	(7,867)	(4,108)
Net amount of temporary differences - liabilities	(131,419)	(117,567)	(44,682)	(39,973)
Total	(65,432)	(65,877)	(22,247)	(22,398)

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

The deferred tax amounts will be offset as follows:

	Parent company and Consolidated	
	Calculation basis	Deferred taxes
Deferred tax asset to be recovered:		
Within 12 months	42,516	14,455
After 12 months	23,471	7,980
	65,987	22,436
Deferred tax liability to be paid:		
Within 12 months	(27,438)	(9,329)
After 12 months	(103,981)	(35,354)
	(131,419)	(44,682)
Total	(65,432)	(22,247)

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

Maturity	Parent company and Consolidated
2010	3,408
2011	3,982
2012	2,758
Total	10,148

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

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

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Prior balance	(21,871)	(506)	(21,871)	(506)
Tax losses	(3,655)	(35,005)	(3,655)	(35,005)
Temporary differences - assets	725	(1,935)	725	(1,935)
Temporary differences - liabilities	(833)	(6,764)	(833)	(6,764)
Revaluation reserve	135	187	135	187
Adjustment to recoverable value	3,252	21,625	3,252	21,625
Closing balance	(22,247)	(22,398)	(22,247)	(22,398)

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

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

	Parent company				Consolidated			
	Changes		Accumulated		Changes		Accumulated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Charged/(credited) to profit/loss							
Deferred tax asset								
Tax losses	(3,655)	(1,041)	(3,943)	334	(3,655)	(1,041)	(3,943)	334
Provisions for contingencies	(216)	(8)	(272)	(62)	(216)	(8)	(272)	(62)
PIS calculation basis reduced as result of ICMS elimination effects	103	-	190	-	103	-	190	-
COFINS calculation basis reduced as result of ICMS elimination effects	479	-	878	-	479	-	878	-
Portobello pension plan	23	(37)	(11)	(69)	23	(37)	(11)	(69)
Provision for adjustment to market value	(95)	110	36	(648)	(95)	110	36	(648)
Adjustment to present value	-	-	-	-	-	-	-	-
Provision for doubtful trade receivables	92	28	72	93	92	28	72	93
Provision for financial investments	-	-	-	-	-	-	-	-
Provision for profit sharing	-	-	-	(442)	-	-	-	(442)
Provision for contingencies of IPI premium credit after 1990-SIMAB	-	60	-	131	-	60	-	131
Other temporary differences	340	(232)	524	374	340	(232)	524	374
Total	(2,929)	(1,120)	(2,526)	(289)	(2,929)	(1,120)	(2,526)	(289)
Deferred tax liability								
Adjustment to present value	(163)	-	(223)	-	(163)	-	(223)	-
Adjustment to present value of trade payables	-	-	-	-	-	-	-	-
Depreciation adjustment (to the useful lives of assets)	(322)	-	(522)	-	(322)	-	(522)	-
Provision for contingencies - Eletrobrás	(197)	(125)	(320)	(240)	(197)	(125)	(320)	(240)
Contingent assets - IPI premium credit - phase II	(51)	-	(97)	-	(51)	-	(97)	-
Realization of revaluation reserve	134	134	269	269	134	134	269	269
Cash basis exchange variations	(100)	(3,755)	(538)	(3,841)	(100)	(3,755)	(538)	(3,841)
(-) Valuation allowance	3,252	4,835	4,102	4,049	3,252	4,835	4,102	4,049
Total	2,553	1,089	2,671	237	2,553	1,089	2,671	237
	(376)	(31)	145	(52)	(376)	(31)	145	(52)

c) Income tax and social contribution payable

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

	Parent company		Consolidated	
	June 31, 2010	December 31, 2009	June 31, 2010	December 31, 2009
Income tax	1,173	-	2,718	22
Social contribution	426	-	986	8
Total	1,599	-	3,704	30

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

d) Income tax and social contribution benefit/expense

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

	Parent company				Consolidated			
	Changes		Accumulated		Changes		Accumulated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Current tax								
Current tax on profit for the period	(933)	909	(1,599)	-	(2,080)	274	(3,074)	(1,417)
Total current tax	(933)	909	(1,599)	-	(2,080)	274	(3,704)	(1,417)
Deferred tax								
Origination and reversal of temporary differences	(376)	(31)	145	(52)	(376)	(31)	145	(52)
Total deferred tax	(376)	(31)	145	(52)	(376)	(31)	145	(52)
Income tax and social contribution expense	(1,309)	878	(1,454)	(52)	(2,456)	243	(3,559)	(1,469)

	Parent company				Consolidated			
	Changes		Accumulated		Changes		Accumulated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit before taxation	8,447	1,190	13,341	3,469	10,080	3,144	15,978	7,682
Tax calculated based at the standard tax rates	(2,872)	(405)	(4,536)	(1,179)	(3,427)	(1,059)	(5,433)	(2,612)
Equity in the earnings (loss) of subsidiaries	431	(36)	916	(249)	-	-	-	-
Non-deductible expenses for tax purposes	1,104	(80)	1,148	(96)	1,105	(116)	1,148	(147)
Depreciation of revalued assets	(134)	(136)	(269)	(271)	(134)	(136)	(269)	(271)
Tax credits on tax losses and temporary differences	404	1,430	873	1,524	242	1,449	581	1,342
Deferred income tax and social contribution	(242)	105	414	219	(242)	105	414	219
Tax benefit (expense)	(1,309)	878	(1,454)	(52)	(2,456)	243	(3,559)	(1,469)

17 Tax Assets

The Company filed a lawsuit requesting the recognition of the IPI Premium credit for different calculation periods. Lawsuit 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, was decided in the Company's favor and is at the sentence execution phase, with the related amounts already determined by the Federal Court accounting department. Accordingly, in November 2009, the Company recognized the undisputed amount equivalent to R$ 10,075 restated through June 30, 2010 (R$ 9,665 at December 31, 2009).

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

18 Contingent Assets

Contingent assets refer to lawsuits 1998.34.00.029022-4 and 1984.00.020114-0 and are under process of award calculation. However, as the amounts owed by the Federal Government have not yet been calculated by the Federal Justice Department, they cannot be recorded as assets. The Company's legal consultants estimate credits of R$ 54,605 and R$ 1,848, respectively, net of provisions (see Note 25).

Regarding lawsuit 1998.34.00.029022-4, the Company is waiting for a final judgment for settlement of the decision, which should be made up to December 31, 2010, and in relation to lawsuit 1984.00.020114-0, the Company will offset the amounts against the IPI due as from January 2011, as soon as the IPI rate is increased, according to Decree 7222 of June 29, 2010.

19 Other Long-term Receivables

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Escrow deposits	-	-	596	593
Receivables - SIMAB (a)	4,535	4,535	4,535	4,535
(-) Provision for loss	(4,535)	(4,535)	(4,535)	(4,535)
Other	57	139	57	139
Total	57	139	653	732

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

20 Investments

a) Investments in subsidiaries

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

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Investments	Provision for loss of investments
At December 31, 2009	480	(29,746)
Equity in the earnings (loss)	3,950	(1,257)
Foreign exchange variations	-	(926)
At June 30, 2010	4,430	(31,929)
Current	-	28,969
Non-current	4,430	2,960

The provision for loss of investments with a net capital deficiency, totaling R$ 868 (R$ 1,198 at June 30, 2009) and the equity in the earnings of Portobello Shop S.A., of R$ 2,137 (R$ 1,095 at June 30, 2009), were recorded in the statement of income as equity in the earnings of subsidiaries, with a net effect of R$ 1,269 (loss of R$ 103 at June 30, 2009).

During the period ended June 30, 2010, the Company recorded losses of R$ 314 (gains of R$ 4,957 at June 30, 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. The losses are recorded as "Carrying value adjustments", in equity.

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

	Country of incorporation	Ownership percentage	Assets	Liabilities	Revenue	Profit (loss)
At December 31, 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 June 30, 2010						
Portobello América Inc.	United States	100.00%	7,157	36,126	6,310	(721)
PBTech Ltda.	Brazil	99.94%	2,270	4,872	843	(178)
Portobello Shop S/A	Brazil	99.90%	11,658	7,228	9,438	2,137
Mineração Portobello Ltda.	Brazil	99.76%	710	1,068	669	31

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

b) Other investments

At June 30, 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.

21 Property, Plant and Equipment

(a) Analysis

		Parent company				Consolidated	
		June 30, 2010			December 31, 2009	June 30, 2010	December 31, 2009
	Annual average depreciation rate	Cost	Accumulated depreciation	Net	Net	Net	Net
Land		11,432	-	11,432	11,432	11,809	11,809
Buildings, constructions and improvements	3%	89,360	(8,995)	80,365	81,641	80,602	81,915
Machinery and equipment	10%	267,672	(182,329)	85,343	77,958	85,586	78,163
Furniture and fittings	10%	7,686	(6,774)	912	992	1,027	1,159
Computers	20%	11,522	(10,963)	559	596	564	599
Other	20%	197	(143)	54	69	54	69
Construction in progress (a)		1,562	-	1,562	3,458	1,562	3,458
Total		389,431	(209,204)	180,227	176,146	181,204	177,172

(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 and deemed cost, since the last revaluation was in 2006 (see Note 30(b)).

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

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

(b) Changes in property, plant and equipment

	June 30, 2010	Parent company			December 31, 2009
	Net	Additions	Transfers	Depreciation	Net
Land	11,432	-	-	-	11,432
Buildings, constructions and improvements	80,365	-	13	(1,289)	81,641
Machinery and equipment	85,343	449	12,911	(5,975)	77,958
Furniture and fittings	912	49	-	(129)	992
Computers	559	108	-	(145)	596
Other	54	-	(4)	(11)	69
Construction in progress	1,562	11,024	(12,920)	-	3,458
Total	180,227	11,630	-	(7,549)	176,146

	June 30, 2010	Consolidated			December 31, 2009
	Net	Additions	Transfers	Depreciation	Net
Land	11,809	-	-	-	11,809
Buildings, constructions and improvements	80,602	33	13	(1,359)	81,915
Machinery and equipment	85,586	563	12,911	(6,051)	78,163
Furniture and fittings	1,027	49	-	(181)	1,159
Computers	564	112	-	(147)	599
Other	54	-	(4)	(11)	69
Construction in progress	1,562	11,024	(12,920)	-	3,458
Total	181,204	11,781	-	(7,749)	177,172

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

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cost of sales	3,586	3,217	3,586	3,217
Selling expenses	188	221	264	366
Administrative expenses	85	87	85	87
Total	3,859	3,525	3,935	3,670

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

The Company is lessee in finance leases as follows:

	June 30, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net balance	Cost	Accumulated depreciation	Net balance
Computers	784	(463)	321	739	(386)	353
Other	46	(8)	38	46	(4)	42
Total	830	(471)	359	785	(390)	395

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

22 Intangible Assets

(a) Analysis

		Parent company				Consolidated	
		June 30, 2010			December 31, 2009	June 30, 2010	December 31, 2009
	Annual average amortization rate	Cost	Accumulated amortization	Net	Net	Net	Net
Trademarks and patents		150	-	150	150	152	152
Software	20%	12,153	(11,589)	564	1,351	602	1,403
Right to explore mineral resources	20%	1,000	(50)	950	1,000	972	1,030
Goodwill		-	-	-	-	80	80
Total		13,303	(11,639)	1,664	2,501	1,806	2,665

(b) Changes in intangible assets

	June 30, 2010	Parent company		December 31, 2009
	Net	Additions	Amortization	Net
Trademarks and patents	150	-	-	150
Software	564	4	(791)	1,351
Right to explore mineral resources	950	-	(50)	1,000
Total	1,664	4	(841)	2,501

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	June 30, 2010	Consolidated		December 31, 2009
	Net	Additions	Amortization	Net
Trademarks and patents	152	-	-	152
Software	602	17	(818)	1,403
Right to explore mineral resources	972	-	(58)	1,030
Goodwill	80	-	-	80
Total	1,806	17	(876)	2,665

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

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cost of sales	163	130	170	134
Selling expenses	1	1	7	14
Administrative expenses	281	292	281	292
Total	445	423	458	440

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

	2010	2011	2012	2013	2014	2015
Software	146	210	142	68	27	9
Right to explore mineral resources	108	214	200	200	200	50
Total	254	424	342	268	227	59

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

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

23 Trade Payables

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Suppliers				
Domestic market	62,304	63,312	62,626	64,213
Foreign market	2,007	2,687	2,803	3,820
Total	64,311	65,999	65,429	68,033

24 Loans and Financing

	Maturity	2010 charges	Parent company		Consolidated	
			June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Current liabilities						
Foreign currency						
Suppliers credit		VC+6.40% p.a. (average)	7,548	5,963	7,548	5,963
Advance on export contracts		VC+7.00% p.a. (average)	2,016	1,779	2,016	1,779
Prepayment (a)		VC+6.48% p.a. (average)	2,656	7,590	2,656	7,590
Working capital in USA		-	-	-	5	17
Total foreign currency		VC+6.51% p.a.	12,220	15,332	12,225	15,349
Local currency						
Exim Pre-shipment PSI (b)		6.80% p.a.	521	-	521	-
Lease		23.88% p.a.	179	205	179	205
Working capital in Brazil		18.78% p.a. (average)	82,476	74,874	82,476	74,874
Discounted trade notes and advances on export contracts		-	7,456	2,443	7,456	2,443
Total local currency		19.02% p.a.	90,632	77,522	90,632	77,522
Total current liabilities			102,852	92,854	102,857	92,871
Non-current liabilities						
Foreign currency						
Suppliers credit	Oct/2016	VC+5.83% p.a. (average)	16,829	15,835	16,829	15,835
Prepayment (a)	Mar/2012	VC+6.65% p.a. (average)	1,878	-	1,878	-
Total foreign currency		VC5.91% p.a.	18,707	15,835	18,707	15,835
Local currency						
Exim Pre-shipment TJ 462 (c)	Mar/2013	6.80% p.a.	3,500	-	3,500	-
PRODEC (d)	Jun/2014	4.00% p.a. + UFIR	2,530	1,202	2,530	1,202
Lease	Apr/2012	23.88 % p.a.	102	144	102	144
Working capital in Brazil	Mar/2013	18.44% p.a. (average)	10,617	10,946	11,356	11,678
Total local currency		13.27% p.a.	16,749	12,292	17,488	13,024
Total non-current liabilities			35,456	28,127	36,195	28,859
Total			138,308	120,981	139,052	121,730

Exim Pre-shipment - Type of financing with BNDES funds that is used as an advance for the manufacture of export products.
PRODEC - Program of Development for Companies of Santa Catarina State
VC - Exchange variation
UFIR - Fiscal Reference Unit

a) **Prepayment** - In March and August 2010, the Company signed export prepayment agreements totaling US$ 2,780 thousand and US$ 2,000 thousand, 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 collateralized by receivables of Portobello S.A. There are no restrictive covenants for these loans.

b) **Exim Pre-shipment PSI** - In 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.

c) **Exim Pre-shipment TJ 462** - In April 2010, the Company signed a "BNDES – Exim Pre-shipment TJ-462" agreement of R$ 4,000 subject to TJLP plus 6.80% p.a. The amount is payable over 3 years, with a 1-year grace period and divided in 24 monthly and consecutive installments. 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.

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.

The other loans are mainly guaranteed by mortgages on properties, pledges of equipment and receivables of the parent company (Note 9) and a subsidiary (Note 42), reciprocity with financial investments (Note 10), sureties of the controlling stockholders and of a subsidiary and finished product inventories of R$ 29,151.

The long-term loans fall due as follows:

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

	Parent company		Consolidated	
Maturity	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
2011	9,060	11,091	9060	11,091
2012	14025	8,945	14764	9,677
2013	9082	7,384	9082	7,384
2014	2103	707	2103	707
2015	593	-	593	-
2016	593	-	593	-
Total	35,456	28,127	36,195	28,859

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	
	June 30, 2010	December 31, 2009
Six months or less	56,451	39,450
From six to twelve months	20,689	34,865
From one to five years	45,861	41,663
Over five years	5,775	732
Total	128,776	116,710

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

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Reais	107,381	89,814	108,120	90,546
Euros	3,373	4,601	3,373	4,601
U.S. dollars	27,554	26,566	27,559	26,583
Total	138,308	120,981	139,052	121,730

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

The fair value of the outstanding borrowings approximates their book values, as the impact of discounting to present value is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 15.12% (15.76% at December 31, 2009).

Finance lease payables are as follows:

	Parent company and Consolidated	
	June 30, 2010	December 31, 2009
Gross finance lease liabilities – minimum payments		
Less than one year	210	285
More than one year and less than five years	121	155
Total	331	440
Future finance charges on finance leases	(50)	(91)
Present value of finance lease liabilities	281	349
The present value of finance lease liabilities is as follows:		
Less than one year	179	205
More than one year and less than five years	102	144
Total	281	349

25 Tax Liabilities Payable in Installments

	Tax liabilities	Request for installment payment		June 30, 2010	December 31, 2009
		Date	No. of installments not yet due		
Portobello S.A.	INSS	Dec/09	53	11,594	12,381
	IPI	Dec/09	53	7,983	8,510
	PIS	Mar/09	44	458	501
	COFINS	Mar/09	44	2,109	2,306
	IRPJ	Mar/09	44	3,348	3,662
	CSLL	Mar/09	44	1,245	1,362
	LAW 11941/09 (a)	Nov/09	180	115,865	113,430
	MP 470 (b)	Nov/09	-	-	7,659
Total parent company				142,602	149,811
Current				14,469	21,434
Non-current				128,133	128,377
PBTech Ltda.	LAW 11941/09 (a)	Nov/09	180	297	287
Portobello Shop S.A.	INSS	Nov/09	55	955	1,021
	PIS	Mar/09	14	3	4

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

	Tax liabilities	Request for installment payment		June 30, 2010	December 31, 2009
		Date	No. of installments not yet due		
	COFINS	Mar/09	47	158	173
	IRPJ	Mar/09	47	1,213	1,327
	CSLL	Mar/09	47	440	482
	LAW 11941/09 (a)	Nov/09	180	547	527
Total subsidiaries				3,613	3,821
Total consolidated				146,215	153,632
Current				15,245	22,179
Non-current				130,970	131,453

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

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

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

In November 2009, the Company applied for REFIS, established by Law 11941/09. The Company awaits the final calculation of its debt by the National Treasury and is currently paying the minimum installment of R$ 390.

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 18.

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 the Federal Revenue Secretariat and the Attorney's General Office of the National Treasury. As a result of this application, in addition to paying in installments, there was a reduction in the charges and the Company was allowed to use tax credits arising from tax losses up to 2008 to settle the debts.

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

The Attorney's General Office of the National Treasury rejected the request in 2010 claiming the need of withdrawal from lawsuits challenging the credit. The Company had endeavored to request the withdrawal/waiver of the lawsuits challenging the tax credit. However, the Attorney's General Office of the National Treasury of the State of Santa Catarina understood that the withdrawal/waiver should be extended to the declaratory suits aiming at the recognition of IPI premium credits, mentioned in Note 18, which justified the partial dismissal of the installment program prescribed by Provisional Measure 470. The Company did not agree with the reasons for the dismissal and filed an Injunction to exclude the need of withdrawal/waiver regarding these suits. The preliminary injunction was denied. There was the interposition of the interlocutory appeal, which was also denied. Nevertheless, the Company's Legal Department understands that it is still possible to reverse this legal situation following the several legal levels to reconsider the unfavorable decision based on the merits of the case. According to the Company's legal advisors, the merit should be judged in 60 days.

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

The installments fall due as follows:

Maturity	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
2010	7,236	21,434	7,624	22,179
2011	14,469	13,690	15,243	14,432
2012	14,469	13,690	15,242	14,431
2013	14,469	13,690	15,242	14,431
2014	12,472	11,772	12,798	12,081
2015	8,084	7,562	8,143	7,616
2016	8,084	7,562	8,143	7,616
2017	8,084	7,562	8,143	7,616
2018	8,084	7,562	8,143	7,616
2019	8,084	7,562	8,143	7,616
2020	8,084	7,562	8,143	7,616
2021	8,084	7,562	8,143	7,616
2022	8,084	7,562	8,143	7,616
2023	8,084	7,562	8,143	7,616
2024	6,731	7,477	6,779	7,534
Total	142,602	149,811	146,215	153,632

26 Taxes and Contributions

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
IRRF	566	600	685	774
ICMS	1,340	899	1,345	899
PIS	78	-	127	16
COFINS	358	-	586	71
Other	67	32	207	165
Total	2,409	1,531	2,950	1,925

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

27 Provisions for Contingencies

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

The analysis of the provisions is as follows:

Provisions	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Civil	1,819	1,803	1,844	1,821
Labor	9,903	10,779	9,903	10,779
Tax	13,156	9,956	13,156	9,956
Total	24,878	22,538	24,903	22,556
Current	4,822	5,539	4,847	5,557
Non-current	20,056	16,999	20,056	16,999

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

Changes in the provisions are as follows:

	Parent company			Total
	Civil	Labor	Tax	
At December 31, 2009	1,803	10,779	9,956	22,538
Charged (credited) to the statement of income:				
Additional provisions	106	731	2,740	3,577
Unused amounts	(64)	(330)	-	(394)
Unwinding of discount	-	51	460	511
Used during the year	(26)	(1,328)	-	(1,354)
At June 30, 2010	1,819	9,903	13,156	24,878

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2009	1,821	10,779	9,956	22,556
Charged (credited) to the statement of income:				
Additional provisions	114	731	2,740	3,585
Unused amounts	(65)	(330)	-	(395)
Unwinding of discount	-	51	460	511
Used during the year	(26)	(1,328)	-	(1,354)
At June 30, 2010	1,844	9,903	13,156	24,903

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 162 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).

The civil contingent liabilities are described in Note 28.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 106 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 28.

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

Tax

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

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

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

On April 16, 2008, the Company was granted Injunction 2008.34.00.011286-4, to exclude the ICMS from the calculation basis of the PIS and COFINS federal contributions. As from the date of this injunction, the Company calculates and pays PIS and COFINS without including the ICMS in the calculation basis. The provisions for tax contingencies relating to the exclusion of ICMS from the calculation basis of PIS and COFINS at June 30, 2010 amounted to R$ 11,491 (R$ 8,350 at December 31, 2009).

28 Contingent Liabilities

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

	Parent company		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Civil	607	542	622	542
Labor	5,164	3,713	5,164	3,713
Total	5,771	4,255	5,786	4,255

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

29 Employee Benefits

29.1 Private pension plan

Since November 1, 1997, the Company sponsors the Portobello Prev benefit plan, 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 June 30, 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$ 3,249 (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 principal actuarial assumptions used were as follows:

	Parent company	
	June 30, 2010	June 30, 2009
Economic assumptions		
Discount rate	6% p.a. (real)	6% p.a. (real)
Expected rate of return on assets	6% p.a. (real)	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years	2% p.a. (real) up to 47 years
Growth in the benefits and limits of the Government Social Security	2% p.a. (real) as from 48 years	2% p.a. (real) as from 48 years
Inflation	Not considered	Not considered
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions		
Mortality table	AT 83	AT 83
Disability mortality table	Exp. IAPC	Exp. IAPC
Disability table	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

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

29.2 Employee benefit expense

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Remuneration	15,004	10,473	16,163	11,536
Benefits				
Private pension plan	146	126	199	179
FGTS	1,188	873	1,259	946
Other	1,556	1,141	1,607	1,179
Total	17,894	12,613	19,228	13,840

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Remuneration	27,445	20,496	29,676	22,460
Benefits				
Private pension plan	281	259	388	359
FGTS	2,186	1,675	2,395	1,813
Other	2,896	2,222	2,996	2,295
Total	32,808	24,652	35,455	26,927

30 Equity

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

On November 27, 2007, the Extraordinary General Meeting of stockholders, 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 common shares with no par value.

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

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

At June 30, 2010, there were 107,655,178 shares outstanding in the market, corresponding to 67.70% of the total shares issued (107,166,783 at December 31, 2009, corresponding to 67.40% 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 of stockholders held on December 29, 2006, the balance of the revaluation of the Company's assets, net of deferred taxes, amounted to R$ 47,938 at June 30, 2010 (R$ 48,729 at December 31, 2009), the depreciation charge on the revaluation, net of deferred IRPJ and CSLL liabilities, for the quarter ended June 30, 2010 was R$ 395 (R$ 398 in 2009), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 19,370 (R$ 19,639 at December 31, 2009).

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

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 the annual profit will be transferred to the legal reserve, limited to 20% of capital. In accordance with corporate legislation, the Company has not appropriated any amounts from the profit for the period, since it was used to reduce the balance of accumulated deficit.

d) Accumulated deficit

	Parent company	Consolidated
At December 31, 2009	(133,622)	(133,851)
Realization of revaluation reserve	791	791
Profit for the six-month period (excluding minority interest)	11,887	11,923
At June 30, 2010	(120,944)	(121,137)

31 Revenue

The reconciliation between gross sales revenue and net revenue, presented in the statement of income for the period, is as follows in the quarter ended June 30, 2010 and accumulated:

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

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Gross sales revenue	145,900	114,605	152,120	119,674
Deductions from gross revenue	(31,239)	(24,616)	(32,351)	(25,365)
Net sales revenue	114,661	89,989	119,769	94,309
Domestic market	101,788	77,518	108,386	84,293
Foreign market	12,873	12,471	11,383	10,016

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Gross sales revenues	273,126	227,992	286,038	236,752
Deductions from gross revenue	(57,790)	(52,572)	(59,844)	(54,019)
Net sales revenues	215,336	175,420	226,194	182,733
Domestic market	191,309	151,280	203,771	164,355
Foreign market	24,027	24,140	22,423	18,378

32 Expenses by Nature

Cost of sales and selling and administrative expenses for the quarter ended June 30, 2010 and accumulated are as follows:

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

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Changes in inventories of finished products and work in process	(3,214)	1,712	(3,214)	1,712
Direct production costs	49,532	42,915	49,117	42,915
Cost of goods resold	11,563	4,764	11,577	4,842
Employee benefits	17,894	12,613	19,228	13,840
Third-party labor and services	3,510	4,991	3,726	5,201
Transportation of goods sold	933	761	933	761
Marketing and publicity	1,299	1,023	1,460	1,201
Other selling expenses	6,447	4,973	6,580	5,052
Amortization and depreciation	4,166	3,805	3,966	3,758
Other expenditures	12,260	9,388	12,474	9,420
Total	104,390	86,945	105,847	88,702

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Changes in inventories of finished products and work in process	(4,046)	(3,779)	(4,046)	(3,779)
Direct production costs	92,673	88,525	91,901	88,525
Cost of goods resold	17,584	8,598	17,800	8,596
Employee benefits	32,808	24,652	35,455	26,927
Third-party labor and services	6,941	9,204	7,767	9,198
Transportation of goods sold	1,636	1,625	1,636	1,625
Marketing and publicity	2,200	1,642	2,789	1,636
Other selling expenses	12,144	10,021	12,578	10,017
Amortization and depreciation	8,113	7,512	8,233	7,678
Other expenditures	25,552	17,660	25,542	17,474
Total	195,605	165,660	199,655	167,897

33 Other Operating Income and Expenses, Net

Other operating income and expenses in the parent company and consolidated, for the quarter ended June 30, 2010 and accumulated, were as follows:

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

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Other operating income				
Tax credits (a)	86	2,778	86	2,778
Related party service revenue	794	523	-	-
Third-party service revenue	93	137	93	137
Use of tax credits for MP 470 (Note 25 (b))	3,252	-	3,252	-
Other revenue	2	291	7	228
Total	4,227	3,729	3,438	3,143
Other operating expenses				
Provision for contingencies (Note 27)	(215)	(344)	(223)	(369)
Taxes on other revenues	(54)	(82)	(54)	(82)
Municipal taxes and fees (b)	(207)	-	(207)	-
Other expenses	(191)	(42)	(164)	(239)
Total	(667)	(468)	(648)	(690)
Total net	3,560	3,261	2,790	2,453

(a) During 2009, the Company recognized PIS and COFINS credits on purchases of spare parts and for the maintenance of machines and equipment in the period from January 2006 to June 2009. The result from the review of the calculation of these federal taxes is supported by the opinion of independent legal consultants.

(b) Reimbursement claim of municipal taxes rejected in the second quarter of 2010.

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Other operating income				
Tax credits (a)	86	6,516	86	6,516
Related party service revenue	1,607	1,085	-	-
Third-party service revenue	199	196	199	196
Sale of property, plant and equipment	-	145	-	145
Use of tax credits for MP 470 (Note 25 (b))	3,252	-	3,252	-
Other revenue	31	410	45	329
Total	5,175	8,352	3,582	7,186
Other operating expenses				
Provision for contingencies (Note 27)	(463)	(573)	(472)	(640)
Taxes on other revenues	(104)	(168)	(104)	(168)
Indemnity payable on third-party agreement	(121)	-	(121)	-
Municipal taxes and fees (b)	(207)	-	(207)	-
Other expenses	(258)	(89)	(221)	(435)
Total	(1,153)	(830)	(1,125)	(1,243)
Total net	4,022	7,522	2,457	5,943

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

(a) During 2009, the Company recognized PIS and COFINS credits on purchases of spare parts and for the maintenance of machines and equipment in the period from January 2006 to June 2009. The result from the review of the calculation of these federal taxes is supported by the opinion of independent legal consultants.

(b) Reimbursement claim of municipal taxes rejected in the second quarter of 2010.

34 Other Gains/(Losses) – Net

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Foreign exchange variations, net				
Trade receivables	560	(6,831)	560	(6,831)
Trade payables	186	2,164	186	2,164
Commissions	5	10	5	10
Total	751	(4,657)	751	(4,657)

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Foreign exchange variations, net				
Trade receivables	1,496	(7,433)	1,496	(7,433)
Trade payables	16	2,306	16	2,306
Commissions	11	(26)	11	(26)
Total	1,523	(5,153)	1,523	(5,153)

35 Finance Result

The parent company and consolidated finance results for the quarter ended June 30, 2010 and accumulated are as follows:

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Finance income				
Interest	121	97	263	308
Interest on tax credits	8	288	8	288
Discounts received	21	79	39	82
Restatement of Eletrobrás compulsory loan (Note 15)	793	526	793	526
Restatement of tax assets (Note 17(a))	217	-	217	-
Restatement of receivables from related parties (Note 13) (a)	1,875	-	1,875	-
Total	3,035	990	3,195	1,204
Finance expenses				
Interest	(5,397)	(5,654)	(5,456)	(5,689)
Financial charges on taxes	(3,232)	(2,463)	(3,278)	(2,569)
Discount of provision for contingencies (Note 27)	(298)	-	(298)	-
Commissions and service fees	(967)	(373)	(974)	(373)
Discounts/bank expenses	(208)	(116)	(208)	(122)
Discounts granted	(143)	(108)	(144)	(109)
Tax on Financial Transactions (IOF)	(239)	(508)	(239)	(508)
Other	-	-	(26)	-
Total	(10,484)	(9,222)	(10,623)	(9,370)
Foreign exchange variations, net				
Financial investments	5	(1,655)	5	(1,655)
Loans and financing	40	9,532	40	9,532
Total	45	7,877	45	7,877
Total net	(7,404)	(355)	(7,383)	(289)

(a) Tax credit rights of Refinadora Catarinense S.A. assigned in payment. In 2009, the impact of this monetary adjustment in income (expenses) was nil due to the use of the same adjustment rate for assets and liabilities.

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Finance income				
Interest	226	298	551	774
Interest on tax credits	169	988	169	988
Discounts received	49	154	68	157
Restatement of Eletrobrás compulsory loan (Note 15)	1,346	1,006	1,346	1,006
Restatement of tax assets (Note 17(a))	415	-	415	-
Restatement of receivables from related parties (Note 13) (a)	3,578	-	3,578	-
Total	5,783	2,446	6,127	2,925
Finance expenses				
Interest	(11,048)	(11,659)	(11,151)	(11,737)
Financial charges on taxes	(6,326)	(5,223)	(6,402)	(5,626)
Discount of provision for contingencies (Note 27)	(460)	-	(460)	-
Commissions and service fees	(1,189)	(753)	(1,201)	(753)
Discounts/bank expenses	(518)	(462)	(518)	(473)

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Discounts granted	(170)	(159)	(172)	(161)
Tax on Financial Transactions (IOF)	(600)	(508)	(600)	(508)
Other	-	(292)	(64)	(292)
Total	(20,311)	(19,056)	(20,568)	(19,550)
Foreign exchange variations, net				
Financial investments	212	(1,781)	212	(1,781)
Loans and financing	(312)	10,462	(312)	10,462
Total	(100)	8,681	(100)	8,681
Total net	(14,628)	(7,929)	(14,541)	(7,944)

(a) Tax credit rights of Refinadora Catarinense S.A. assigned in payment. In 2009, the impact of this monetary adjustment in income (expenses) was nil due to the use of the same adjustment rate for assets and liabilities.

36 Result from Discontinued Operations

In compliance with CPC 31, the Company presents the discontinuation of operating activities of the subsidiary Portobello América, approved after the first disclosure of information for the second quarter of 2010. The Board of Directors approved the discontinuation 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 quarters and six-month periods ended June 30, 2010 and 2009, are summarized as follows:

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

Assets	June 30, 2010	Liabilities	June 30, 2010
Current assets	7,157	Current liabilities	35,601
Cash and cash equivalents	156	Loans and financing	6
Trade receivables	4,274	Trade payables	796
Inventories	2,300	Social and labor liabilities	70
Furniture and fittings	305	Other	(208)
Other	122	Debts with related parties	34,937
		Equity	(28,444)
Total assets	7,157	Total liabilities	7,157

No groups were classified as held for sale at June 30, 2010.

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

Result from discontinued operations	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Quarter		Accumulated	
Net revenue	6,299	4,747	10,166	12,569
Cost of products (services)	(4,692)	(2,753)	(7,504)	(7,972)
Gross profit	1,607	1,994	2,662	4,597
Selling, general and administrative expenses	(2,026)	(2,977)	(3,054)	(7,049)
Finance result	(25)	(68)	(62)	(204)
Other operating expenses	(28)	13	(38)	25
Loss before income taxation	(472)	(1,038)	(492)	(2,631)
Loss from discontinued operations	(472)	(1,038)	(492)	(2,631)

37 Earnings per Share

a) Basic

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

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

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit attributable to the Company's stockholders	7,138	2,068	7,150	2,318
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.04	0.01	0.04	0.01
Profit from continuing operations	7,138	2,068	7,624	3,357
Loss from discontinued operations	-	-	(472)	(1,038)
Weighted average number of common shares	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.04	0.01	0.05	0.02
Loss per share from discontinued operations	-	-	(0.00)	(0.01)

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit attributable to the Company's stockholders	11,887	3,417	11,923	3,580
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.07	0.02	0.07	0.02
Profit from continuing operations	11,887	3,417	12,419	6,213
Loss from discontinued operations	-	-	(492)	(2,631)
Weighted average number of common shares	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.07	0.02	0.08	0.04
Loss per share from discontinued operations	-	-	(0.00)	(0.02)

The Company did not have during 2010 and 2009 any shares held in treasury. The last share issue occurred in 2007. Therefore, the weighted average number of shares is equal to the total comprising the share capital (Note 30), which is represented by a single class of common share.

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

b) Diluted

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

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

38 Cash Provided by Operating Activities

a) Second quarter of 2010 and 2009:

		Parent company		Consolidated	
	Note	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit for the period before taxation		8,447	1,190	10,080	3,114
Adjustments		8,925	5,477	12,359	9,952
Depreciation and amortization	21 and 22	4,304	3,948	4,393	4,110
Equity in the (earnings) loss of subsidiaries	20	(1,269)	103	-	-
Unrealized foreign exchange variations		(305)	(5,004)	1,625	115
Provision for adjustment of inventories to market value	11	539	907	542	440
Provision for doubtful trade receivables	9	271	82	246	(274)
Provision for contingencies	27	780	1,083	788	1,103
Provision for labor liabilities		2,591	1,403	2,782	1,580
Other provisions		146	(1,263)	146	(1,263)
Residual cost of property, plant and equipment and intangible assets disposals	21 and 22	-	15	-	15
Other operating income and expenses, net	33	(2,906)	125	(2,906)	125
Transfer of debts from MP 470 to Law 11941	25	(3,252)	-	(3,252)	-
Municipal taxes and fees		207	-	207	-
Other		-	125	-	125
Monetary restatements		112	254	188	310
Eletrobrás compulsory loan	15	(793)	(526)	(793)	(526)
Tax assets	17	(217)	-	(217)	-
Receivables from related parties	13	(1,875)	-	(1,875)	-
Discount of provision for contingencies	27	298	-	298	-
Other		(480)	-	(480)	-
Financial charges on tax liabilities payable in installments		3,179	780	3,255	836
Provision for interest on loans		4,662	3,824	4,555	3,691
Changes in assets and liabilities		(16,317)	(7,645)	(21,318)	(7,319)
(Increase)/decrease in trade receivables	9	(6,240)	(4,142)	(7,400)	(2,519)
Increase/(decrease) in advances from customers		(2,209)	474	(3,368)	590
(Increase)/decrease in marketable securities	10	(125)	3,070	(125)	3,070
(Increase)/decrease in inventories	11	(6,743)	(342)	(6,606)	496
(Increase)/decrease in other assets		(127)	(3,396)	(95)	(3,608)
(Increase)/decrease in judicial deposits	14	(144)	(48)	(166)	(69)
(Increase)/decrease in non-current assets		25	(36)	25	(29)
Increase/(decrease) in trade payables		4,417	(1,835)	4,120	(1,514)
(Increase)/decrease in advances to suppliers		(882)	2,106	(41)	2,107
Increase/(decrease) in tax liabilities payable in installments	25	(5,115)	(2,510)	(5,295)	(2,699)
Increase/(decrease) in tax liabilities		61	2,143	89	2,144
Increase/(decrease) in labor liabilities		871	3,273	402	2,440
Increase/(decrease) in other payables		53	(1,149)	(464)	(3,382)
Increase/(decrease) in other non-current payables		(159)	(5,253)	(2,394)	(4,346)
Cash provided by (used in) operating activities		1,055	(978)	1,121	5,747

The main non-cash item in the quarters ended June 30, 2010 and June 30, 2009 was the foreign exchange variations in the foreign subsidiary.

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

b) First six-month period of 2010 and 2009:

	Note	Parent company		Consolidated	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit for the period before taxation		13,341	3,469	15,978	7,682
Adjustments		19,291	17,702	24,170	31,031
Depreciation and amortization	21 and 22	8,390	7,796	8,625	8,108
Equity in the (earnings) loss of subsidiaries	20	(2,693)	731	-	-
Unrealized foreign exchange variations		(789)	(4,799)	1,154	9,568
Provision of inventories to market value	11	1,250	1,904	1,119	1,376
Provision for doubtful trade receivables	9	211	274	175	59
Provision for contingencies	27	1,880	2,013	1,887	2,063
Provision for labor liabilities		3,827	2,050	4,137	2,405
Other provisions		235	(1,189)	235	(1,189)
Residual cost of property, plant and equipment and intangible assets disposals	21 and 22	-	15	-	29
Other operating income and expenses, net	33	(2,906)	5	(2,906)	5
Transfer of debts from MP 470 to Law 11941	25	(3,252)	-	(3,252)	-
Municipal taxes and fees		207	-	207	-
Result on disposal of property, plant and equipment		-	(145)	-	(145)
Other		-	150	-	150
Monetary restatements		635	484	783	543
Eletrobrás compulsory loan	15	(1,346)	(1,006)	(1,346)	(1,006)
Tax assets	17	(415)	-	(415)	-
Receivables from related parties	13	(3,578)	-	(3,578)	-
Discount of provision for contingencies	27	460	-	460	-
Other		(656)	-	(656)	-
Financial charges on tax liabilities payable in installments		6,170	1,490	6,318	1,549
Financial charges on taxes		-	298	-	298
Provision for interest on loans		9,251	8,120	8,961	7,766
Changes in assets and liabilities		(34,265)	(4,548)	(40,520)	(13,325)
(Increase)/decrease in trade receivables	9	(13,227)	(4,873)	(14,753)	(1,047)
Increase/(decrease) in advances from customers		(3,044)	(4,492)	(3,798)	(4,236)
(Increase)/decrease in marketable securities	10	2,597	1,726	2,597	1,726
(Increase)/decrease in inventories	11	(7,104)	(5,714)	(6,379)	(2,881)
(Increase)/decrease in other assets		1,555	(7,113)	1,039	(7,293)
(Increase)/decrease in judicial deposits	14	(378)	(149)	(421)	(197)
(Increase)/decrease in non-current assets		169	(38)	169	9
Increase/(decrease) in trade payables		(1,627)	13,937	(2,644)	13,493
(Increase)/decrease in advances to suppliers		(519)	673	322	673
Increase/(decrease) in tax liabilities payable in installments	25	(10,127)	(3,912)	(10,483)	(3,527)
Increase/(decrease) in tax liabilities		879	6,032	996	5,849
Increase/(decrease) in labor liabilities		857	10,687	272	8,417
Increase/(decrease) in other payables		136	(4,420)	(61)	(7,392)
Increase/(decrease) in other non-current payables		(4,432)	(6,892)	(7,376)	(16,919)
Cash provided by (used in) operating activities		(1,633)	16,623	(372)	25,388

The main non-cash item in the six-month periods ended June 30, 2010 and June 30, 2009 was the foreign exchange variations in the foreign subsidiary.

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

39 Segment Information

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

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

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

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

The segment information provided to the Executive Board on the reportable segments for the quarter ended June 30, 2010 is as follows:

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

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	At June 30, 2009		
Continuing operations	Brazil	Other countries	Total
Revenue	84,293	10,016	94,309
Cost of sales	(62,620)	(8,631)	(71,251)
Gross profit	21,673	1,385	23,058
Operating income (expenses), net			
Selling, general and administrative expenses	(14,985)	(2,466)	(17,451)
Other operating income (expenses), net	2,192	261	2,453
Other gains (losses), net	(4,162)	(495)	(4,657)
	(16,955)	(2,700)	(19,655)
Operating profit before finance result	4,718	(1,315)	3,403
% on revenue	6%	-13%	4%

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	
	June 30, 2010	June 30, 2009
Construction material retailers	33,832	28,917
Civil construction and real estate development companies	39,239	27,677
Franchised stores (Portobello Shop)	35,315	27,699
Total	108,386	84,293

40 Commitments

a) Capital commitments

There were no costs contracted but not yet incurred referring to property, plant and equipment at June 30, 2010 and 2009.

b) Operating lease commitments

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

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

	Consolidated	
	June 30, 2010	December 31, 2009
Less than one year	344	319
More than one year and less than five years	152	166
Total	496	485

41 Insurance

At June 30, 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 company and Consolidated
Cover	2010
Fire/lightning/explosion of any type	84,000
Electrical damages	1,000
Riots	1,000
Windstorm/smoke with vehicle impact	3,000
Civil liability - operations	2,500
Civil liability - employer	2,500
Loss of profits - windstorm with impact	16,000
Loss of profits - basic	16,000

42 Related Party Transactions

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

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

		Parent company	
		Assets (liabilities)	
	Nature	June 30, 2010	December 31, 2009
Transactions with subsidiaries			
Portobello América, Inc.	Receivables from subsidiaries - Trade receivables	34,937	32,182
Portobello Shop S.A.	Dividends receivable	-	5,909
	Loans from subsidiary	(5,541)	(7,827)
PBTech Com. Serv. Cer. Ltda.	Receivables from subsidiaries - Trade receivables	2,220	2,285
	Receivables from subsidiaries - Loan	703	605
Mineração Portobello Ltda.	Advances to suppliers	844	741
Transactions with related parties			
Refinadora Catarinense S.A.	Receivables	90,349	86,763
Solução Cerâmica Com. Ltda.	Trade receivables	566	138
	Advances from customers	(320)	(314)
		123,758	120,482

		Parent company	
		Income (expenses)	
	Nature	Accumulated at June 30, 2010	Accumulated at June 30, 2009
Transactions with subsidiaries			
Portobello América, Inc.	Sales of products	5,810	5,641
Portobello Shop S.A.	Service rendering	3,049	2,674
	Cost of services rendered	(1,448)	(1,364)
PBTech Com. Serv. Cer. Ltda.	Sales of products	608	-
Mineração Portobello Ltda.	Purchase of products	(772)	(322)
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Sales of products	4,358	3,600
FHM Consult., Adm. e Part. Ltda.	Corporate advisory	(150)	-
		11,455	10,229

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.

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

Receivables from the subsidiary Portobello Shop were pledged in guarantee of loans totaling R$ 4,383 at June 30, 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	June 30, 2010	December 31, 2009
Transactions with subsidiaries			
PBTech Com. Serv. Cer. Ltda.	Trade receivables	60	-
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Trade receivables	261	207
		321	207

		Income (expenses)	
	Nature	Accumulated at June 30, 2010	Accumulated at June 30, 2009
Transactions with subsidiaries			
PBTech Com. Serv. Cer. Ltda.	Royalties	140	-
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Royalties	1,151	811
		1,291	811

Key management remuneration

The remuneration of key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and management for the quarter ended June 30, 2010 and accumulated is as follows:

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

a) Second quarter of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Fixed remuneration				
Salaries	1,255	944	1,494	1,134
Fees	396	358	641	557
Variable remuneration	247	568	285	799
Short-term direct and indirect benefits				
Private pension plan	117	101	168	148
Other	178	142	222	187
	2,193	2,113	2,810	2,825

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

b) First six-month period of 2010 and 2009:

	Parent company		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Fixed remuneration				
Salaries	2,326	1,913	2,806	2,262
Fees	792	719	1,282	1,150
Variable remuneration	428	735	499	1,002
Short-term direct and indirect benefits				
Private pension plan	221	210	323	301
Other	339	297	430	376
	4,106	3,874	5,340	5,091

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

The Annual General Meeting of stockholders held on April 19, 2010 approved for that year the global remuneration 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 remuneration of each member of the Statutory Audit Board as 10% of the directors' remuneration.

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

43 Reconciliation between former BR GAAP and IFRS/CPCs

43.1 Reconciliation of equity at December 31, 2009

	Parent company					
Assets	Under former BR GAAP	Discounted trade notes and advances on export contracts	Deferred income tax and social contribution	Private pension plan	Deferred income tax and social contribution on revaluation	Under 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 attributed to controlling stockholders	267					267
Revaluation reserve	51,246	-	-	-	(2,517)	48,729
Accumulated deficit	(133,483)	-	-	(139)	-	(133,622)

	Consolidated					
Assets	Under former BR GAAP	Discounted trade notes and advances on export contracts	Deferred income tax and social contribution	Private pension plans	Deferred income tax and social contribution on revaluation	Under 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 attributed to controlling stockholders	267					267
Revaluation reserve	51,246	-	-	-	(2,517)	48,729
Accumulated deficit	(133,712)	-	-	(139)	-	(133,851)

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

43.2 Reconciliation of equity at June 30, 2010

	Parent company					
	Under former BR GAAP	Discounted trade notes and advances on export contracts	Deferred income tax and social contribution	Private pension plans	Deferred income tax and social contribution on revaluation	Under CPC/IFRS
Assets						
Current assets						
Trade receivables	71,370	7,456	-	-	-	78,826
Liabilities						
Current liabilities						
Loans and financing	95,396	7,456	-	-	-	102,852
Non-current liabilities						
Deferred income tax and social contribution	42,165	-	-	-	2,517	44,682
Equity, capital and reserves attributed to controlling stockholders						
Revaluation reserve	50,455	-	-	-	(2,517)	47,938

	Consolidated					
	Under former BR GAAP	Discounted trade notes and advances on export contracts	Deferred income tax and social contribution	Private pension plans	Deferred income tax and social contribution on revaluation	Under CPC/IFRS
Assets						
Current assets						
Trade receivables	79,213	7,456	-	-	-	86,669
Liabilities						
Current liabilities						
Loans and financing	95,401	7,456	-	-	-	102,857
Non-current liabilities						
Deferred income tax and social contribution	42,165	-	-	-	2,517	44,682
Equity, capital and reserves attributed to controlling stockholders						
Revaluation reserve	50,455	-	-	-	(2,517)	47,938

43.3 Reconciliation of accumulated profit at June 30, 2010

	Parent company					
	Under former BR GAAP	Discounted trade notes and advances on export contracts	Deferred income tax and social contribution	Private pension plans	Deferred income tax and social contribution on revaluation	Under CPC/IFRS
Other operating income (expenses), net	3,883			139		4,022
Profit for the period	11,748			139		11,887
Profit attributable to						
Company stockholders	11,748					11,887
Minority interests	-					-

	Consolidated					
	Under former BR GAAP	Discounted trade notes and advances on export contracts	Deferred income tax and social contribution	Private pension plans	Deferred income tax and social contribution on revaluation	Under CPC/IFRS
Other operating income (expenses), net	2,318			139		2,457
Profit for the period	11,788			139		11,927
Profit attributable to						
Company's stockholders	11,784					11,923
Minority interests	4					4

44 Additional Financial Statements

In compliance with guideline of the Brazilian Securities Commission on the restatement of Quarterly Information (ITR) Forms for the quarters of 2010 and prior periods, the financial statements, the forms for completion of which are not available in the delivery system or do not comprise all the disclosed information, are presented in separate statements.

a) Statement of income for the period

	Note	Parent company		Consolidated	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Continuing operations					
Revenue	31	114,661	89,989	119,769	94,309
Cost of sales		(86,767)	(73,036)	(83,368)	(71,251)
Gross profit		27,894	16,953	36,401	23,058
Operating income (expenses), net					
Selling		(14,484)	(10,908)	(18,200)	(13,618)
General and administrative		(3,139)	(3,001)	(4,279)	(3,833)
Other operating income (expenses), net	33	3,560	3,261	2,790	2,453
Other gains (losses), net	34	751	(4,657)	751	(4,657)
Equity in the earnings (loss) of subsidiaries	20	1,269	(103)	-	-
		(12,043)	(15,408)	(18,938)	(19,655)
Operating profit before finance result		15,851	1,545	17,463	3,403
Finance result	35				
Finance income		3,035	990	3,195	1,204
Finance expenses		(10,484)	(9,222)	(10,623)	(9,370)
Foreign exchange variations, net		45	7,877	45	7,877
		(7,404)	(355)	(7,383)	(289)
Profit before taxation		8,447	1,190	10,080	3,114
Income tax and social contribution	16				
Current		(933)	909	(2,080)	274
Deferred		(376)	(31)	(376)	(31)
		(1,309)	878	(2,456)	243
Profit for the period from continuing operations		7,138	2,068	7,624	3,357
Discontinued operations					
Loss for the period from discontinued operations	36	**-**	**-**	**(472)**	**(1,038)**
Profit for the period		**7,138**	**2,068**	**7,152**	**2,319**
Profit attributable to					
Company stockholders		7,138	2,068	7,150	2,318
Minority interests		-	-	2	1
Outstanding shares at the balance sheet date (in thousands)		159,009	159,009	159,009	159,009
Basic and diluted earnings (loss) per share - R$	37	0.04	0.01	0.04	0.01
From continuing operations		0.04	0.01	0.05	0.02
From discontinued operations		-	-	(0.00)	(0.01)

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Note	Parent company		Consolidated	
		Accumulated at June 30, 2010	Accumulated at June 30, 2009	Accumulated at June 30, 2010	Accumulated at June 30, 2009
Continuing operations					
Revenue	31	215,336	175,420	226,194	182,733
Cost of sales		(162,898)	(138,293)	(157,868)	(134,295)
Gross profit		52,438	37,127	68,326	48,438
Operating income (expenses), net					
Selling		(26,538)	(21,706)	(33,351)	(26,289)
General and administrative		(6,169)	(5,661)	(8,436)	(7,313)
Other operating income (expenses), net	33	4,022	7,522	2,457	5,943
Other gains (losses), net	34	1,523	(5,153)	1,523	(5,153)
Equity in the earnings (loss) of subsidiaries	20	2,693	(731)	-	-
		(24,469)	(25,729)	(37,807)	(32,812)
Operating profit before finance result		27,969	11,398	30,519	15,626
Finance result	35				
Finance income		5,783	2,446	6,127	2,925
Finance expenses		(20,311)	(19,056)	(20,568)	(19,550)
Foreign exchange variations, net		(100)	8,681	(100)	8,681
		(14,628)	(7,929)	(14,541)	(7,944)
Profit before taxation		13,341	3,469	15,978	7,682
Income tax and social contribution	16				
Current		(1,599)	-	(3,704)	(1,417)
Deferred		145	(52)	145	(52)
		(1,454)	(52)	(3,559)	(1,469)
Profit for the period from continuing operations		11,887	3,417	12,419	6,213
Discontinued operations					
Loss for the period from discontinued operations	36	-	-	**(492)**	**(2,631)**
Profit for the period		**11,887**	**3,417**	**11,927**	**3,582**
Profit attributable to					
Company stockholders		11,887	3,417	11,923	3,580
Minority interests		-	-	4	2
Outstanding shares at the balance sheet date (in thousands)		159,009	159,009	159,009	159,009
Basic and diluted earnings (loss) per share - R$	37	0.07	0.02	0.07	0.02
From continuing operations		0.07	0.02	0.08	0.04
From discontinued operations		-	-	(0.00)	(0.02)

b) Statement of comprehensive income

	Note	Parent company		Consolidated	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit (loss) for the period		**7,138**	**2,068**	**7,152**	**2,319**
Other comprehensive income		**81**	**5,355**	**81**	**5,355**
Realization of revaluation reserve	30	395	398	395	398
Exchange variations of subsidiary located abroad	20	(314)	4,957	(314)	4,957
Total comprehensive income for the period		7,219	7,423	7,233	7,674
Comprehensive income for the period attributable to					
Company stockholders		7,219	7,423	7,231	7,673
Minority interests		-	-	2	1

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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

		Parent company		Consolidated	
	Note	Accumulated at June 30, 2010	Accumulated at June 30, 2009	Accumulated at June 30, 2010	Accumulated at June 30, 2009
Profit (loss) for the period		**11,887**	**3,417**	**11,927**	**3,582**
Other comprehensive income		**(135)**	**5,994**	**(135)**	**5,994**
Realization of revaluation reserve	30	791	796	791	796
Exchange variations of subsidiary located abroad	20	(926)	5,198	(926)	5,198
Total comprehensive income for the period		11,752	9,411	11,792	9,576
Comprehensive income for the period attributable to					
Company stockholders		11,752	9,411	11,788	9,574
Minority interests		-	-	4	2

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

c) Statement of changes in equity for the same period of the previous year

Parent company	Note	Share capital	Capital reserve	Revaluation reserve	Accumulated deficit	Carrying value adjustments	Total equity
At March 31, 2009		112,957	267	50,074	(152,378)	(9,111)	1,809
Profit for the period		-	-	-	2,068	-	2,068
Other comprehensive income							-
Realization of revaluation reserve	30	-	-	(398)	398	-	-
Exchange variations of subsidiary located abroad	20	-	-	-	-	4,957	4,957
Total comprehensive income for the period		-	-	-	2,466	4,957	7,423
At June 30, 2009		112,957	267	49,676	(149,912)	(4,154)	8,834

Parent company	Note	Share capital	Capital reserve	Revaluation reserve	Accumulated deficit	Carrying value adjustments	Total equity
At January 1, 2008		112,957	267	50,472	(154,125)	(9,352)	219
Profit for the period		-	-	-	3,417	-	3,417
Other comprehensive income							-
Realization of revaluation reserve	30	-	-	(796)	796	-	-
Exchange variations of subsidiary located abroad	20	-	-	-	-	5,198	5,198
Total comprehensive income for the period		-	-	-	4,213	5,198	9,411
At June 30, 2009		112,957	267	49,676	(149,912)	(4,154)	8,834

Consolidated	Note	Share capital	Capital reserve	Revaluation reserve	Accumulated deficit	Carrying value adjustments	Subtotal	Minority interests	Total equity
At March 31, 2009		112,957	267	50,074	(153,095)	(9,111)	1,092	(4)	1,088
Profit for the period		-	-	-	2,318	-	2,318	1	2,319
Other comprehensive income									-
Realization of revaluation reserve	30	-	-	(398)	398	-	-		-
Exchange variations of subsidiary located abroad	20	-	-	-	-	4,957	4,957		4,957
Total comprehensive income for the period		-	-	-	2,716	4,957	7,231	1	4,559
At June 30, 2009		112,957	267	49,676	(150,379)	(4,154)	8,367	(3)	8,364

Consolidated	Note	Share capital	Capital reserve	Revaluation reserve	Accumulated deficit	Carrying value adjustments	Subtotal	Minority interests	Total equity
At January 1, 2008		112,957	267	50,472	(154,755)	(9,352)	(411)	(5)	(416)
Profit for the period		-	-	-	3,580	-	3,580	2	3,582
Other comprehensive income									-
Realization of revaluation reserve	30	-	-	(796)	796	-	-		-
Exchange variations of subsidiary located abroad	20	-	-	-	-	5,198	5,198		5,198
Total comprehensive income for the period		-	-	-	4,376	5,198	11,788	2	6,461
At June 30, 2009		112,957	267	49,676	(150,379)	(4,154)	8,367	(3)	8,364

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

d) Consolidated statement of changes in equity for the current period

Consolidated	Note	Share capital	Capital reserve	Revaluation reserve	Accumulated deficit	Carrying value adjustments	Subtotal	Minority interests	Total equity
At March 31, 2010		112,957	267	48,333	(128,682)	(1,766)	31,109	3	31,112
Profit for the period		-	-	-	7,150	-	7,150	2	7,152
Other comprehensive income									-
Realization of revaluation reserve	30	-	-	(395)	395	-	-		-
Exchange variations of subsidiary located abroad	20	-	-	-	-	(314)	(314)		(314)
Total comprehensive income for the period		-	-	-	7,545	(314)	7,231	2	4,559
At June 30, 2010		112,957	267	47,938	(121,137)	(2,080)	37,945	5	37,950

Consolidated	Note	Share capital	Capital reserve	Revaluation reserve	Accumulated deficit	Carrying value adjustments	Subtotal	Minority interests	Total equity
At December 31, 2009		112,957	267	48,729	(133,851)	(1,154)	26,948	1	26,949
Profit for the period		-	-	-	11,923	-	11,923	4	11,927
Other comprehensive income									
Realization of revaluation reserve	30	-	-	(791)	791	-	-	-	-
Exchange variations of subsidiary located abroad	20	-	-	-	-	(926)	(926)	-	(926)
Total comprehensive income for the period		-	-	-	12,714	(926)	11,788	4	6,461
At June 30, 2010		112,957	267	47,938	(121,137)	(2,080)	37,945	5	37,950

e) Statement of value added

	Note	Parent company		Consolidated	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue		147,055	116,842	151,634	120,774
Sales and services		142,143	116,924	148,635	120,481
Other revenue		5,183	-	3,245	19
Changes in the provision for doubtful trade receivables	9	(271)	(82)	(246)	274
Inputs acquired from third-parties		(75,245)	(65,207)	(74,073)	(65,018)
Cost of sales and services		(58,883)	(50,153)	(53,370)	(44,874)
Materials, energy, outsourced services and other		(16,645)	(15,078)	(20,514)	(19,130)
Loss/recovery of assets		283	24	283	24
Loss from discontinued operations	36	-	-	(472)	(1,038)
Gross value added		71,810	51,635	77,561	55,756
Retentions		(4,304)	(3,948)	(4,393)	(4,110)
Depreciation and amortization	21 and 22	(4,304)	(3,948)	(4,393)	(4,110)
Net value added produced		67,506	47,687	73,168	51,646
Value added received through transfer		8,804	19,534	7,695	19,851
Equity in the earnings (loss) of subsidiaries	20	1,269	(103)	-	-
Finance income		7,535	19,637	7,695	19,851
Total value added to distribute		76,310	67,221	80,863	71,497
Distribution of value added		76,310	67,221	80,863	71,497
Personnel		20,465	17,736	22,223	19,796
Direct remuneration		17,524	15,629	19,069	17,526
Benefits		1,730	1,213	1,872	1,304
FGTS		1,211	894	1,282	966
Taxes and contributions		33,189	21,199	35,632	22,513
Federal		17,347	8,994	19,756	10,137
State		15,826	12,200	15,855	12,370

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

	Note	Parent company		Consolidated	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Municipal		16	5	21	6
Third-party capital remuneration		15,518	26,218	15,856	26,869
Interest		14,428	25,174	14,599	25,388
Rentals		1,090	1,044	1,257	1,481
Remuneration of own capital		7,138	2,068	7,152	2,319
Earnings reinvested		7,138	2,068	7,150	2,318
Minority interests in earnings reinvested		-	-	2	1

	Note	Parent company		Consolidated	
		Accumulated June 30, 2010	Accumulated June 30, 2009	Accumulated June 30, 2010	Accumulated June 30, 2009
Revenue		273,703	233,113	283,352	239,405
Sales and services		266,880	233,242	280,306	239,207
Other revenue		7,034	145	3,221	257
Changes in the provision for doubtful trade receivables	9	(211)	(274)	(175)	(59)
Inputs acquired from third-parties		(141,486)	(122,948)	(139,874)	(121,172)
Cost of sales and services		(178,190)	(94,970)	(169,848)	(82,154)
Materials, energy, outsourced services and other		36,544	(28,018)	30,306	(36,427)
Loss/recovery of assets		160	40	160	40
Loss from discontinued operations	36	-	-	(492)	(2,631)
Gross value added		132,217	110,165	143,478	118,233
Retentions		(8,390)	(7,796)	(8,625)	(8,108)
Depreciation and amortization	21 and 22	(8,390)	(7,796)	(8,625)	(8,108)
Net value added produced		123,827	102,369	134,853	110,125
Value added received through transfer		20,212	24,682	17,863	25,892
Equity in the earnings (loss) of subsidiaries	20	2,693	(731)	-	-
Finance income		17,519	25,413	17,863	25,892
Total value added to distribute		144,039	127,051	152,716	136,017
Distribution of value added		144,039	127,051	152,716	136,017
Personnel		37,784	34,578	41,257	39,173
Direct remuneration		32,319	30,467	35,284	34,752
Benefits		3,235	2,387	3,535	2,560
FGTS		2,230	1,724	2,438	1,861
Taxes and contributions		61,173	47,528	65,692	50,255
Federal		31,497	23,157	35,929	25,501
State		29,611	24,339	29,670	24,717
Municipal		65	32	93	37
Third-party capital remuneration		33,195	41,528	33,840	43,007
Interest		31,047	39,500	31,380	40,195
Rentals		2,148	2,028	2,460	2,812
Remuneration of own capital		11,887	3,417	11,927	3,582
Earnings reinvested		11,887	3,417	11,923	3,580
Minority interests in earnings reinvested		-	-	4	2

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

06.01 - Notes to the Quarterly Information
(All amounts in thousands of Brazilian reais unless otherwise indicated)

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01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

See comments on the Consolidated performance for the 2nd quarter of 2010, since it substantially reflects the Parent company's performance.

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

COMMENTS ON CONSOLIDATED PERFORMANCE IN THE QUARTERS ENDED JUNE 30, 2010, 2009 AND 2008.

Portobello S/A (BM&FBOVESPA – ticker symbol: PTBL3), one of the largest Brazilian ceramic tile manufacturers, listed on the São Paulo Stock Exchange (BOVESPA) traditional segment from 1991 to 2008, when it joined the New Market, hereby presents its results for the quarter ended June 30, 2010. The financial and operating information provided below is presented on a consolidated basis, and the comparisons refer to the quarter in 2009 and 2008, unless otherwise stated. Such information is being presented in accordance with Brazilian accounting practices, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

2Q10 HIGHLIGHTS

(comparisons between 2Q10 and 2Q09, including only continuing operations, except when Net Income is presented)

- 27% growth in net operating revenue;
- 58% increase in gross operating profit;
- 208% growth in net income;
- 413% increase in EBIT;
- 191% increase in EBITDA.

Discontinuance of operations

The operations of the subsidiary Portobello America, Inc. were classified as discontinued as at December 31, 2010, and the data on these discontinued operations are being restated, as one item, in the statement of income for this quarter, in compliance with CPCs and IFRS. The comments and comparisons herein presented follow this standard, except with respect to the same quarter of 2008.

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

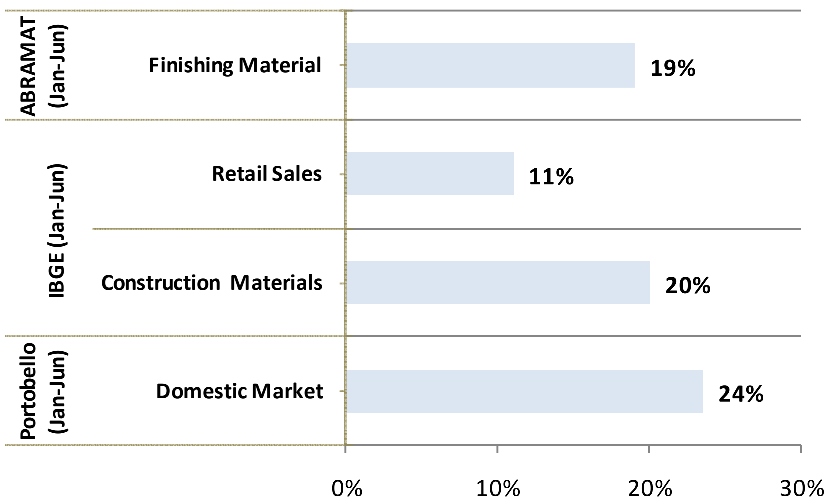
07.01 - Comments on Company Performance During the Quarter

1) Message from Management

Portobello S.A. achieved excellent results in the second quarter of 2010, with the combination of sales growth and increased profit margins. The good performance of Brazilian civil construction helped the effects of measures adopted by Management in recent years, such as: (i) increased productivity and cost reduction; (ii) replacement of equipment by new equipment with greater productivity; (iii) the launch of innovative products; (iv) the reduction of the portfolio with a view to greater productivity; (v) the concentration of exports in the most profitable markets; (vi) outsourcing of the production of lower-margin products; and (vii) increase in sales in franchised stores, reflecting the Company's operating efficiency and increasing profitability.

As a result, consolidated net revenue grew by 27%, reaching the amount of R$120 million. Thanks to the operational improvements adopted, there was also an increase in the EBITDA margin, which reached the amount of R$ 22 million, 191% above that for the same quarter of 2009. The net income of R$ 7 million was 208% higher than that for the same quarter of 2009, despite the negative impact of the discontinuance of the operations of Portobello America, Inc.

The Company took advantage of the favorable conditions of the civil construction market and, in addition to the growth of its sales, increased its share of the domestic market, which is shown by the data released by the Brazilian Association of the Industry of Building Materials (ABRAMAT). Compared to the second quarter of 2009, the Company's sales in the domestic market continued to grow, and were 29% higher in net income and 14% higher in volume, while the Brazilian market of finishing materials for the construction industry grew 19% according to ABRAMAT, as a result of an aggressive commercial policy and the introduction of a more competitive portfolio.



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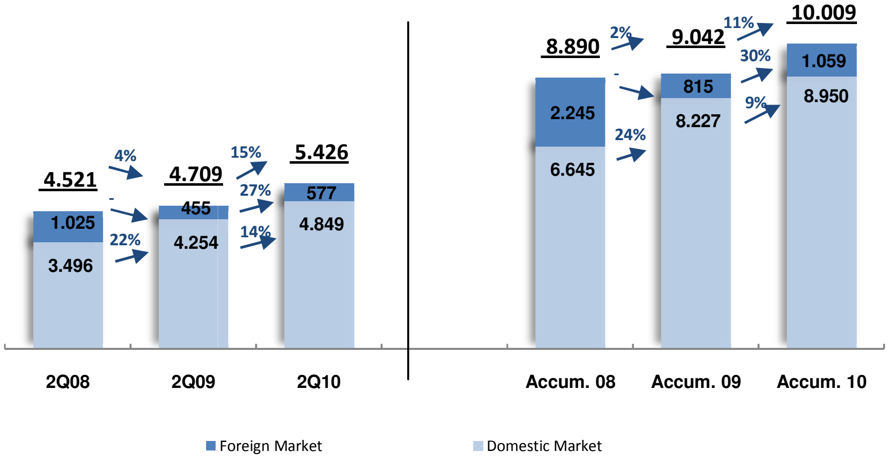
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

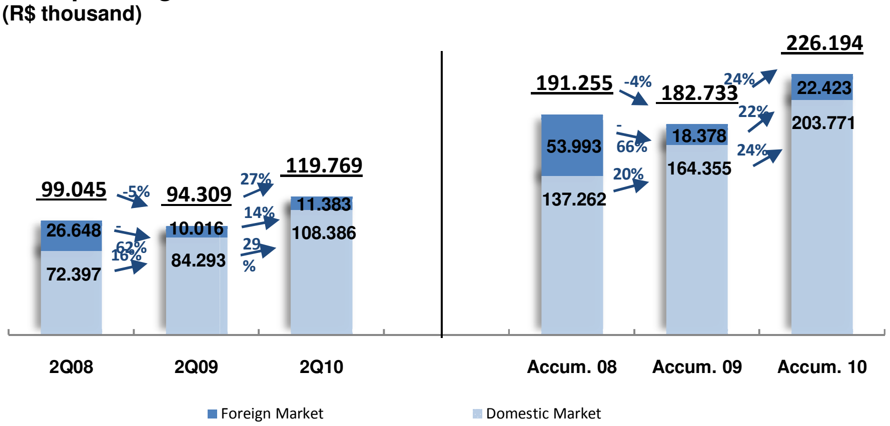
07.01 - Comments on Company Performance During the Quarter

2) Sales performance

Sales Volume
(thousand m²)



Net Operating Revenue
(R$ thousand)



The total sales volume increased 15% as a result of the Company's commercial strategy and the significant growth of the sales of products purchased from third parties for resale.

01.01 - IDENTIFICATION		
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01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

Net revenue grew by 27% when compared to the same quarter of the previous year, with an increase in the domestic market share of 29%, particularly in relation to the Engineering channel.

Sales to the foreign market reached the levels expected by the Company, and we maintained our aim to concentrate on the Brazilian market.

In 2010, we also faced challenges related to logistics, but the flexible portfolio management model made it possible for us to meet market demand.

3) Distribution

The Company's distribution network is divided into four distinct channels, which present specific features in terms of portfolio of products, services and commercial policy:

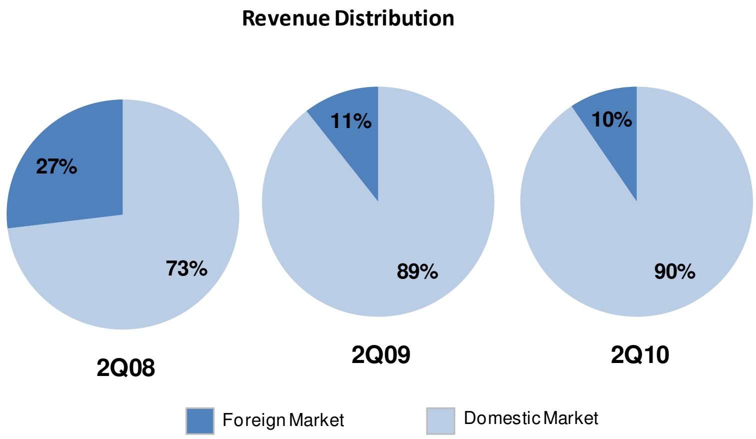
Domestic market: The three distribution channels are: (i) "Multi-brand resale", responsible for serving the building material dealers who sell our products in the retail market; (ii) "Engineering", specialized teams that serve civil construction and real estate development companies; and (iii) "Franchisees", which sell to retail customers in franchised stores under the names Portobello Shop and Empório Portobello. With 105 stores located in 88 cities, this channel is the largest Brazilian network of stores specialized in the sale of ceramic tiles.

Foreign market: This channel represents the sales made to various countries through an own team and self-employed representatives.

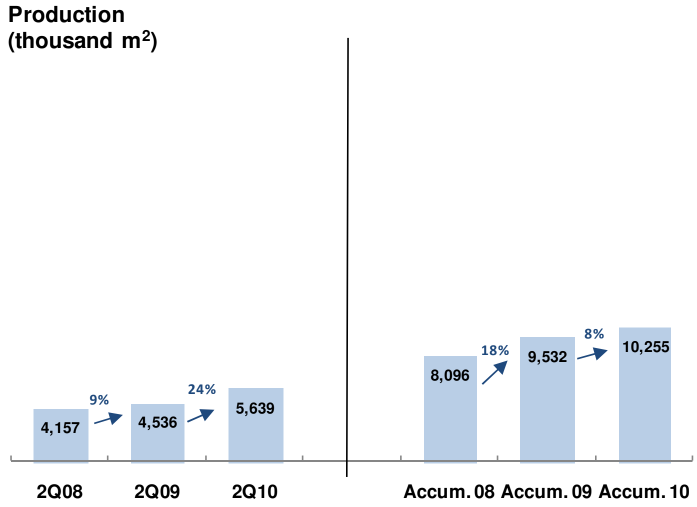
	2Q08			2Q09			2Q10		
	Volume (thousand m^2)	Net revenue (R$ thousand)	% of NOR*	Volume (thousand m^2)	Net revenue (R$ thousand)	% of NOR*	Volume (thousand m^2)	Net revenue (R$ thousand)	% of NOR*
Domestic Market	3,496	72,397	73%	4,254	84,293	89%	4,849	108,386	90%
Engineering	1,486	25,409	26%	1,619	27,677	29%	2,070	39,239	33%
Resale	1,320	24,692	25%	1,644	28,917	31%	1,619	33,832	28%
Multi-brand resale	690	22,296	23%	991	27,699	29%	1,160	35,315	29%
Foreign Market	1,025	26,648	27%	455	10,016	11%	577	11,383	10%
	4,521	99,045		4,709	94,309		5,426	119,769	

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter



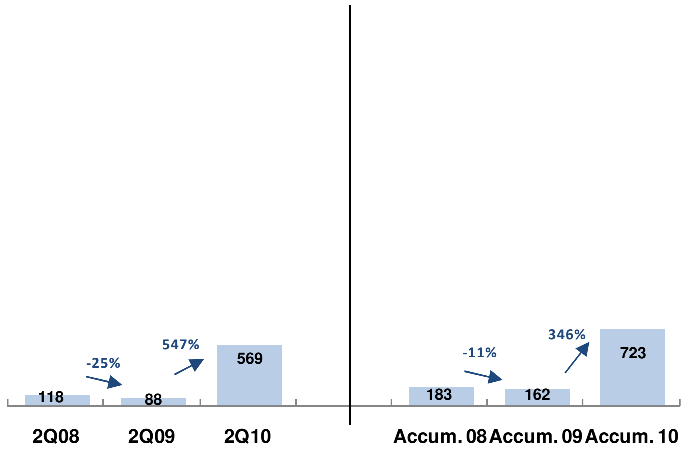
4) Operating performance



01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

Purchases of products from third parties for resale (thousand m^2)



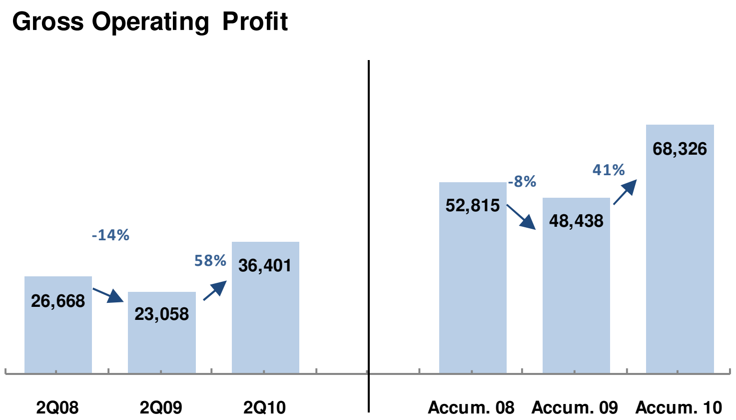
The volume produced this quarter was 24% higher than that for the same quarter of the previous year, which is mainly explained by the installation, in the first half year, of a new production line of enameled porcelain, which resulted in increased efficiency and quality, as well as the higher market share of products purchased from third parties for resale.

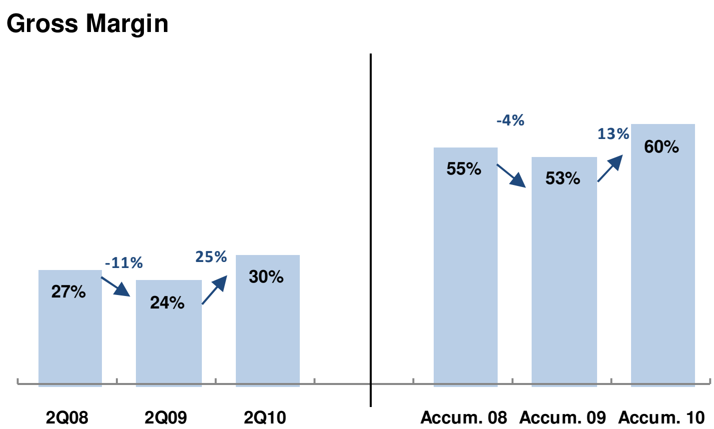
Accordingly, gross profit increased by 58%, influenced by the sale of products with increased profitability, top quality percentage gains and increased efficiency in production, as well as the higher sales volume already mentioned. Consequently, the gross profit margin of 30% was higher than the 24% recorded in the same quarter of 2009.

Operating performance	2Q08	2Q09	2Q10	Variation % 2010x2009
Net operating profit	99,045	94,309	119,769	27%
Domestic market	72,397	84,293	108,386	29%
Foreign market	26,648	10,016	11,383	14%
(-) Cost of sales	(72,377)	(71,251)	(83,368)	17%
(=) Gross operating profit	26,668	23,058	36,401	58%
Gross margin %	27%	24%	30%	25%
Volume sold	4,521	4,709	5,426	15%
Average revenue per unit	21.91	20.03	22.07	10%
Average cost per unit	(16.01)	(15.13)	(15.36)	2%
Gross profit per unit	5.90	4.90	6.71	37%

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

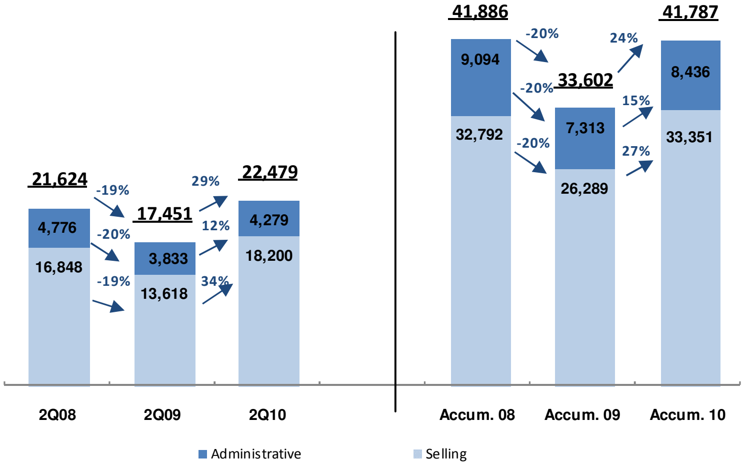




01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

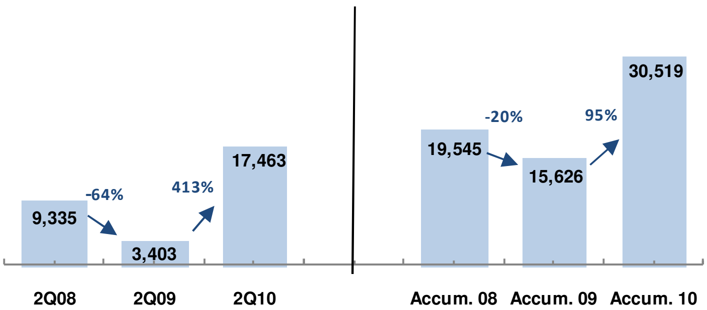
Selling and Administrative Expenses



Selling expenses rose by 34% when compared to the same period of 2009 as a result of the increase in sales and marketing actions. These expenses represent 15% of net revenue in 2010, and 14% in the first quarter of 2009.

Administrative expenses increased by 12% when compared to the second quarter of 2009. Despite this, administrative expenses still represented only 4% of net revenue.

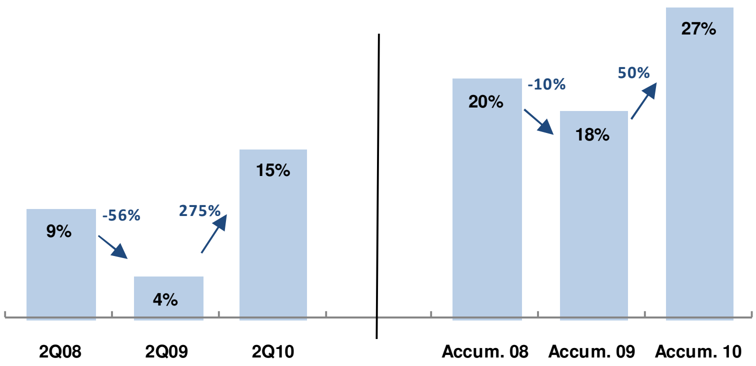
EBIT



01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

EBIT, % on Net Revenue



EBIT	2Q08	2Q09	2Q10	Variation % 2010x2009
Gross operating profit	26,668	23,058	36,401	58%
Selling expenses	(16,848)	(13,618)	(18,200)	34%
General and administrative expenses	(4,776)	(3,833)	(4,279)	12%
Other operating income (expenses)	4,291	2,453	2,790	14%
Other gains (losses), net	-	(4,657)	751	-116%
(=) EBIT	9,335	3,403	17,463	413%
% of net income	9%	4%	15%	275%

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

5) Financial and economic performance

Consolidated Result	**2Q08**	**2Q09**	**2Q10**
Net operating revenue	**99,045**	**94,309**	**119,769**
Gross operating profit	**26,668**	**23,058**	**36,401**
Gross profit margin	*27%*	*24%*	*30%*
Operating expenses	(17,333)	(19,655)	(18,938)
Selling	(16,848)	(13,618)	(18,200)
General and administrative	(4,776)	(3,833)	(4,279)
Other operating income (expenses), net	4,291	2,453	2,790
Other gains (losses), net	-	(4,657)	751
EBIT	**9,335**	**3,403**	**17,463**
EBIT margin	*9%*	*4%*	*15%*
Net finance costs	(3,672)	(289)	(7,383)
Operating profit	**5,663**	**3,114**	**10,080**
Income tax and social contribution	(1,239)	243	(2,456)
Result from continuing operations for the quarter	**4,424**	**3,357**	**7,624**
Result from discontinued operations for the quarter	**-**	**(1,038)**	**(472)**
Net result for the quarter	**4,424**	**2,319**	**7,152**
Net result attributable to non-controlling interests	**-**	**(1)**	**(2)**
Net result attributable to the owners of the Company	**4,424**	**2,318**	**7,150**
Net margin	*4%*	*2%*	*6%*
EBITDA (*)	**13,917**	**7,513**	**21,856**
EBITDA margin	*14%*	*8%*	*18%*

(*) Pursuant to CPC/IFRS, discontinued operations do not form part of operating profit (loss).

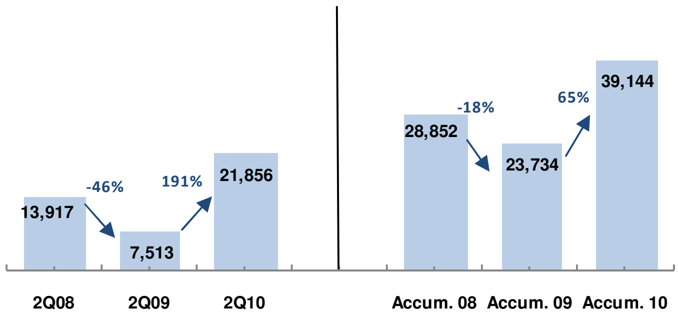
Net income increased by 208% in comparison to the same quarter of 2009, as a result of the increase in revenues and of the various measures taken by Management.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

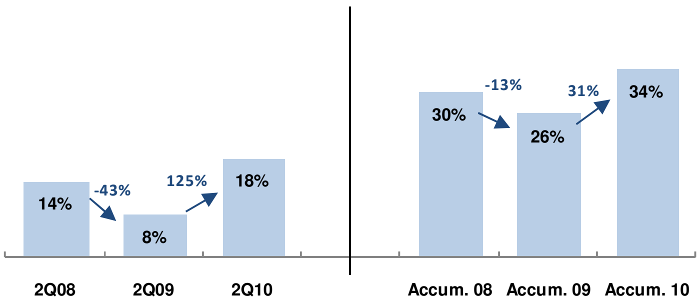
07.01 - Comments on Company Performance During the Quarter

6) Earnings before interest, taxes, depreciation and amortization (EBITDA)

EBITDA



EBITDA, on % Net Revenue



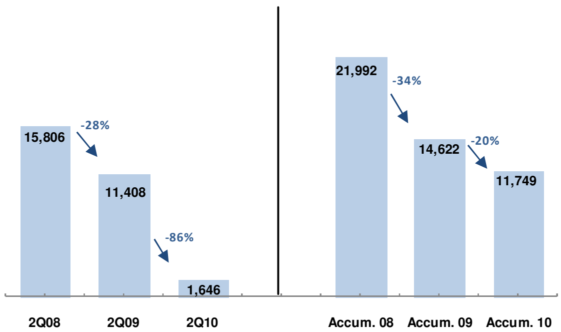
EBITDA	2Q08	2Q09	2Q10	Variation % 2010x2009
Net result attributable to the owners of the Company	4.424	2.318	7.150	208%
Finance income (costs), net	3.672	289	7.383	2455%
Depreciation, amortization and depletion	4.582	4.110	4.393	7%
Income tax and social contribution	1.239	(243)	2.456	-1111%
Net result attributable to non-controlling interests	-	1	2	100%
Result from discontinued operations for the quarter	-	1.038	472	-55%
(=) EBITDA from continuing operations (*)	13.917	7.513	21.856	191%
% of net revenue	14%	8%	18%	125%

(*)Pursuant to CPC/IFRS, discontinued operations do not form part of operating profit (loss).

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

7) Investments



The investment program carried out in the second quarter of 2010 was less significant than that for the same quarter of 2009, taking into consideration that the 16% increase in the Company's production capacity took place in 1Q10, and most of the investments in modernization and technological advances forecast for the year will be made in the second half year.

8) Working capital

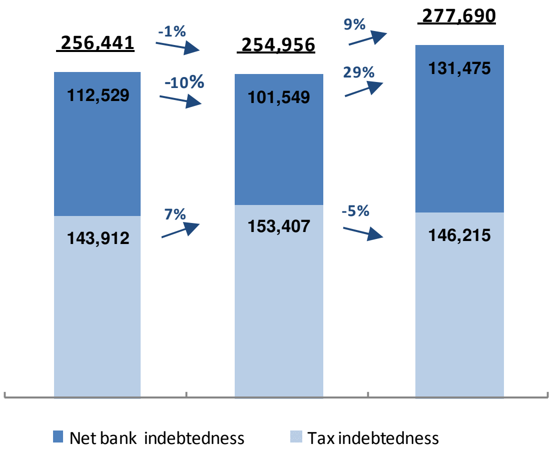
Working capital	2Q08	2Q09	2Q10	Variation %	Nominal variation
Trade receivables	75,180	72,045	86,669	20%	14,624
Advances to suppliers	3,316	1,690	1,799	6%	109
Inventories	61,055	65,793	76,418	16%	10,625
Trade payables	(62,211)	(83,363)	(65,429)	-22%	17,934
Advances from customers	(13,113)	(15,720)	(16,456)	5%	(736)
Working capital invested	64,227	40,445	83,001		42,556

The need for working capital has increased when compared to the same quarter of the previous year due to three main factors: (i) in 2009, some of the largest suppliers, mainly those of power, enamels and dyes, gave us extended deadlines as support for the Company after the production stoppage in its industrial facilities in December 2008, caused by an interruption of the supply of natural gas; (ii) the increase in sales required greater financing for customers; and (iii) the increase in the Company's production capacity and purchases of products manufactured by third parties raised the level of inventories required to meet the demand.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

9) Indebtedness



The Company's net bank indebtedness increased 29% when compared to the same quarter of the previous year, due to investments in its industrial facilities which were fully financed, and the increased need for working capital to fund the growth of sales.

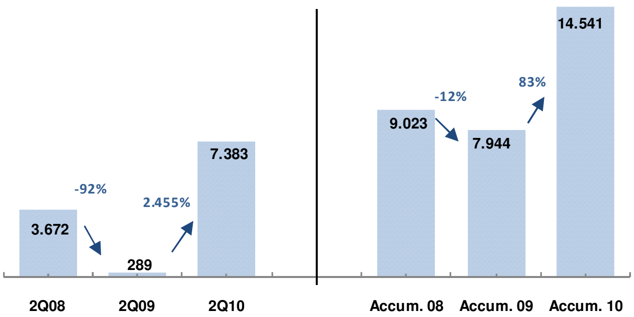
Net bank indebtedness	2Q08	2Q09	2Q10
Current	94,736	91,530	102,857
Non-current	24,357	19,505	36,195
(=) Total bank indebtedness	119,093	111,035	139,052
Available funds and marketable securities	6,564	9,486	7,577
(=) Total net bank indebtedness	112,529	101,549	131,475

Financial leverage	2Q08	2Q09	2Q10
Net bank indebtedness	112,529	101,549	131,475
Tax indebtedness	143,912	153,407	146,215
EBITDA (last12 months)	25,219	49,122	74,208
(=) Net bank indebtedness / EBITDA	4.5	2.1	1.8
(=) Net bank and tax indebtedness / EBITDA	10.2	5.2	3.7

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

Net Finance Costs



Net finance costs increased in comparison to the same quarter of 2009, influenced by foreign exchange variation, inflation adjustments of taxes payable in installments, and the recognition of expenses incurred in connection with new funding transactions, the lower rates of which will help reduce the finance costs of the coming quarters.

10) Human Resources

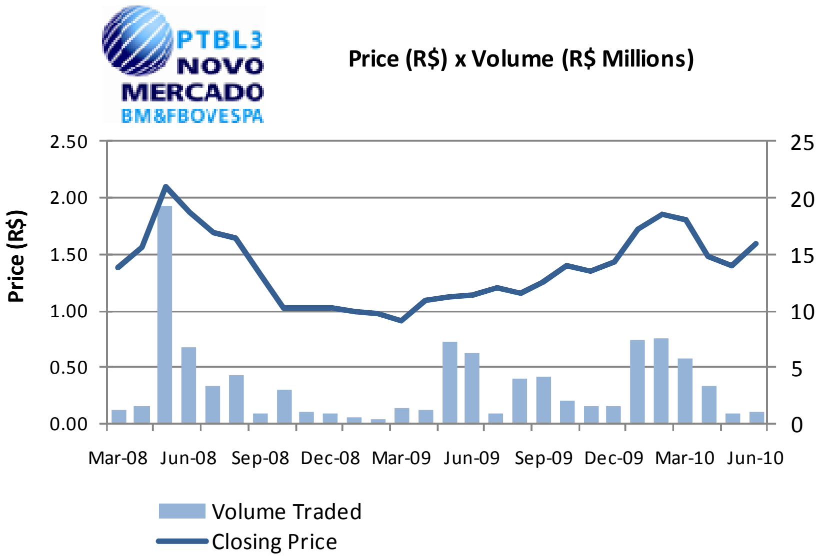
At the end of the quarter, consolidated personnel was made up of 2,277 professionals, 2,122 of which are own employees, 115 are outsourced employees, 15 are interns, and 25 are temporary employees.

11) Performance of the Company's shares

The quoted price of PORTOBELLO shares increased from R$ 1.80 as at March 31, 2010 to R$ 1.60 as at June 30, 2010, an 11% drop. The traded volume increased from R$ 5,861 thousand to R$ 1,079 thousand.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter



12) Recognition

- Portobello Shop was awarded the Excellence Seal as an outstanding company in franchising in the "Master" category of the Brazilian Franchising Association (ABF).

13) Prospects

- Maintenance of the Excise Tax on industrialized products at a zero rate, as a government incentive for the civil construction sector;
- Reduction of the cost of production as a result of the investments in the industrial facilities;
- Increase in the sales of products acquired from third parties;
- Restructuring of the financing for working capital purposes, with a reduction of interest rates.
- Court reversal of the administrative-level partial rejection of the tax debts payable in installments included in Provisional Measure 470;
- Management, aiming at reducing costs and extending the terms of borrowings, entered into new financing agreements with agents from the "Brazil Innovation Program" of the Financing Agency for Studies and Projects (FINEP) and from the National Bank for Economic and Social Development (BNDES), to be released in the coming months.

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

07.01 - Comments on Company Performance During the Quarter

14) Other significant information

The Company is subject to arbitration of the Market Arbitration Chamber, in accordance with a Commitment Clause which is part of its By-laws.

In compliance with the provisions of Instruction 381 of the Brazilian Securities Commission (CVM), of January 14, 2003, the Company hereby informs that its independent auditor is PricewaterhouseCoopers Auditores Independentes, which does not provide any other type of services for the Company or its subsidiaries.

The members of the Company's Management are as follows:

Executive Board

Name	Position
Cesar Gomes Júnior	CEO
Cláudio Ávila da Silva	Vice President
Mario A. F. Baptista	Finance and Investor Relations Officer
Mauro do Valle Pereira	Officer

Board of Directors

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

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

20.01 - Other Information Considered Relevant by the Company

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

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

Position at June 30, 2010

STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Funds administered by Fama Fundo de Inv.Ações [1]	34,642,609	21.79	34,642,609	21.79
Eleonora Ramos Gomes	26,841,160	16.88	26,841,160	16.88
Cesar Gomes Junior	24,412,019	15.35	24,412,019	15.35
Eduardo Ramos Gomes	10,850,364	6.82	10,850,364	6.82
Paulo Bastos Gomes	9,076,297	5.71	9,076,297	5.71
Maria Gertrudes da Luz Gomes	8,987,465	5.65	8,987,465	5.65
Valério Gomes Neto	7,947,280	5.00	7,947,280	5.00
Other	36,251,730	22.80	36,251,730	22.80
	159,008,924	**100.00**	**159,008,924**	**100.00**

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

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

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

Position at June 30, 2010

STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Controlling stockholder	51,253,179	32.23	51,253,179	32.23
Management				
Board of Directors	54,964	0.03	54,964	0.03
Executive Board	45,603	0.03	45,603	0.03
Statutory Audit Board	2	-	2	-
Other	107,655,176	67.71	107,655,176	67.71
	159,008,924	**100.00**	**159,008,924**	**100.00**
Shares outstanding in the market	107,655,178	67.70	107,655,178	67.70

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

20.01 - Other Information Considered Relevant by the Company

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

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

Position at June 30, 2009

STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Funds administered by Fama Fundo de Inv.Ações [1]	32,971,709	20.74	32,971,709	20.74
Eleonora Ramos Gomes	27,329,560	17.19	27,329,560	17.19
Cesar Gomes Junior	24,412,019	15.35	24,412,019	15.35
Eduardo Ramos Gomes	10,850,364	6.82	10,850,364	6.82
Paulo Bastos Gomes	9,746,497	6.13	9,746,497	6.13
Maria Gertrudes da Luz Gomes	8,987,465	5.65	8,987,465	5.65
Valério Gomes Neto	8,879,480	5.58	8,879,480	5.58
Other	35,831,830	22.54	35,831,830	22.54
	159,008,924	**100.00**	**159,008,924**	**100.00**

1 – Funds administered by Fama Fundo de Investimentos em Ações comprise various funds, and none of them has an investment higher than 5% of the total shares, except for M335 Fundo de Inv. Multimercado.

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

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

Position at June 30, 2009

STOCKHOLDER	Common shares		Total	
	Number	%	Number	%
Controlling stockholder	51,741,579	32.54	51,741,579	32.54
Management				
Board of Directors	54,965	0.03	54,965	0.03
Executive Board	34,200	0.02	34,200	0.02
Statutory Audit Board	-	-	-	-
Other	107,178,180	67.41	107,178,180	67.41
	159,008,924	**100.00**	**159,008,924**	**100.00**
Shares outstanding in the market	107,178,180	67.41	107,178,180	67.41

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

20.01 - Other Information Considered Relevant by the Company

COMMITMENT CLAUSE

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

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

21.01 - Report on the Special Review - Without Exceptions

Portobello S.A.

Quarterly Information (ITR) and Review Report of Independent Accountants June 30, 2010

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

21.01 - Report on the Special Review - Without Exceptions

Review Report of Independent Accountants

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

1 We have reviewed the accounting information included in the Quarterly Information (ITR) (parent company and consolidated) of Portobello S.A. (the "Company") and subsidiaries for the quarter ended June 30, 2010, comprising the balance sheet and the statements of income, comprehensive income, changes in equity and cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.

2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.

3 Based on our limited review, we are not aware of any material modifications that should be made to the quarterly information of the parent company referred to above in order that it be stated in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), applicable to the preparation of the Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

21.01 - Report on the Special Review - Without Exceptions

4 Based on our limited review, we are not aware of any material modifications that should be made to the consolidated quarterly information referred to above in order that it be stated in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB) applicable to the preparation of Quarterly Information, in accordance with the standards issued by the Brazilian Securities Commission (CVM).

5 We have also reviewed the parent company and consolidated interim statements of value added for the quarter ended June 30, 2010, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, we are not aware of any fact that leads us to believe that they are not properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

6 As mentioned in Note 2.1, the Brazilian Securities Commission (CVM), through CVM Resolution 603/09, permitted companies to present their Quarterly Information during 2010 based on the accounting standards effective until December 31, 2009, provided that this Quarterly Information was subsequently restated, including comparative figures, to comply with the new standards. Accordingly, this Quarterly Information (ITR) differs from that originally disclosed by the Company.

Florianópolis, May 13, 2011

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

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

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1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

23.01 - Description of Altered Information

The Quarterly Information for 2Q10 was restated in accordance with the accounting practices adopted in Brazil, including the Brazilian Accounting Pronouncement Committee pronouncements (CPCs), and the International Financial Reporting Standards (IFRS).

01.01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - Federal Corporate Taxpayers' Registration Number (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

Contents

Group	Table		Description	Page
01	01		Identification	1
01	02		Head Office	1
01	03		Investor Relations Officer (Company Mail Address)	1
01	04		General Information/Independent Accountant	1
01	05		Capital Composition	2
01	06		Characteristics of the Company	2
01	07		Companies Excluded from the Consolidated Financial Statements	2
01	08		Dividends Approved and/or Paid During and After the Quarter	2
01	09		Subscribed Capital and Alterations in the Current Year	3
01	10		Investor Relations Officer	3
02	01		Balance Sheets - Assets	4
02	02		Balance Sheets - Liabilities and Equity	5
03	01		Statements of Income	6
04	01		Statements of Cash Flows - Indirect Method	7
05	01		Statements of Changes in Equity from 4/1/2010 to 6/30/2010	8
05	02		Statements of Changes in Equity from 1/1/2010 to 6/30/2010	9
08	01		Consolidated Balance Sheets - Assets	10
08	02		Consolidated Balance Sheets - Liabilities and Equity	11
09	01		Consolidated Statements of Income	12
10	01		Consolidated Statements of Cash Flows - Indirect Method	13
11	01		Consolidated Statements of Changes in Equity from 4/1/2010 to 6/30/2010	14
11	02		Consolidated Statements of Changes in Equity from 1/1/2010 to 6/30/2010	15
06	01		Notes to the Quarterly Information	16
07	01		Comments on Company Performance During the Quarter	104
12	01		Comments on Consolidated Performance During the Quarter	105
20	01		Other Information Considered Relevant by the Company	121
21	01		Report on the Special Review - Without Exceptions	124
23	01		Description of Altered Information	127