(A free translation of the original in Portuguese)

Portobello S.A.
and Subsidiaries

Report of Independent Accountants on Review of Quarterly Information (ITR)
September 30, 2008

(A free translation of the original in Portuguese)

Report of Independent Accountants on Review

To the Board of Directors and Stockholders
Portobello S.A.
Tijucas - SC

1 We have reviewed the accounting information included in the individual and consolidated Quarterly Information (ITR) of Portobello S.A. for the quarter ended September 30, 2008, comprising the balance sheet, the statements of operations and of cash flows, the performance report and the explanatory notes. 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 the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of the Company.

3 Based on our review, we are not aware of any material modifications that should be made to the accounting information included in the Quarterly Information referred to above in order that it be stated in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information, including CVM Instruction 469/08.

4 The Company has current liabilities in excess of current assets at September 30, 2008 in the amount of R$ 63,630 thousand (R$ 64,003 thousand in the consolidated information). As described in Note 1, management has been implementing actions to modify the operating and financial conditions in order to improve profit margins, extend debt payments, reduce interest rates and obtain grace periods for payment, as well as the modernization of two production lines to reduce industrial costs, completed in September 2008, to obtain more productivity and increase the installed capacity. The Quarterly Information has been prepared and is being presented assuming that the Company will continue as a going concern, supported by the effectiveness of the corporate projections.

5 As mentioned in Note 2, Law 11638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law amended, revoked and introduced new provisions to Law 6404 (Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Although this law is already effective, some of the changes introduced by it depend on regulations to be issued by the regulatory agencies for them to be implemented by the companies. Accordingly, during this phase of transition, the CVM, through its Instruction 469/08, did not require the implementation of all the provisions of Law 11638 in the preparation of Quarterly Information. As a result, the accounting information included in the Quarterly Information for the quarter ended September 30, 2008 was prepared in accordance with specific CVM instructions and does not contemplate all the changes in accounting practices introduced by Law 11638.

6 The Quarterly Information (ITR) mentioned in the first paragraph also includes comparative accounting information for the quarter and nine-month periods ended September 30, 2007. The limited review of the Quarterly Information (ITR) at that date was conducted by other independent accountants who issued a report thereon dated November 22, 2007, including: (i) an exception for the incorrect classification of debt of R$ 34,479 thousand in long-term liabilities, when it should have been classified in current liabilities due to non-compliance with certain restrictive contract clauses. Subsequently, the Company obtained temporary agreement from the creditor to remedy the circumstances which required prepayment of the debt, (ii) an emphasis paragraph on the continuity of operations similar to paragraph 4 of this report. Also, we have reviewed the balance sheets of Portobello S.A. (individual and consolidated) at June 30, 2008, presented for comparison purposes, and issued a report thereon dated June 30, 2008, with an emphasis paragraph on the continuity of operations similar to paragraph 4 of this report.

Joinville, November 10, 2008

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

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

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY INFORMATION (ITR)
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES
Spontaneous Representation

Unaudited

Corporate Legislation
September 30, 2008

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**
1/1/2008	12/31/2008	3	7/1/2008	9/30/2008	2	4/1/2008	6/30/2008
9 - INDEPENDENT ACCOUNTANT						**10 - CVM CODE**	
PricewaterhouseCoopers Auditores Independentes						00385-9	
11 - PARTNER RESPONSIBLE					**12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE**		
Carlos Biedermann					220.349.270-87		

(A free translation of the original in Portuguese)

Unaudited

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY INFORMATION (ITR)
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Spontaneous Representation

Corporate Legislation
September 30, 2008

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 9/30/2008	Prior quarter 6/30/2007	Same quarter in prior year 9/30/2007
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 Material 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
11/10/2008	

01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - National Corporate Taxpayers' Registry (CNPJ)**
01377-3	PORTOBELLO S.A.	83.475.913/0001-91

02.01 - Balance Sheet - Assets (R$ thousand)

1 - Code	2 - Description	3 - 9/30/2008	4 - 6/30/2008
1	Total assets	442,564	427,695
1.01	Current assets	149,823	144,971
1.01.01	Cash and banks	2,628	1,490
1.01.02	Receivables	84,893	85,643
1.01.02.01	Customers	78,960	80,888
1.01.02.02	Sundry receivables	5,933	4,755
1.01.02.02.01	Marketable securities	5,933	4,755
1.01.03	Inventories	55,645	51,329
1.01.04	Other	6,657	6,509
1.01.04.01	Advances to suppliers	3,131	3,274
1.01.04.02	Taxes recoverable	1,883	1,512
1.01.04.03	Dividends receivable	0	0
1.01.04.04	Prepaid expenses	519	723
1.01.04.05	Other	1,124	1,000
1.02	Non-current assets	292,741	282,724
1.02.01	Long- term receivables	110,031	109,002
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Receivables from related parties	94,683	93,400
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	843	845
1.02.01.02.03	Other related parties	93,840	92,555
1.02.01.03	Other	15,348	15,602
1.02.01.03.01	Judicial deposits	567	1,053
1.02.01.03.02	Deferred tax credits	5,354	5,394
1.02.01.03.03	Loans to employees	0	0
1.02.01.03.04	Properties for sale	208	156
1.02.01.03.05	Receivables from Eletrobrás	8,715	8,482
1.02.01.03.06	Other	504	517
1.02.02	Permanent assets	182,710	173,722
1.02.02.01	Investments	7,553	5,345
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	7,354	5,092
1.02.02.01.04	In subsidiaries - goodwill	0	0
1.02.02.01.05	Other Investments	199	253
1.02.02.01.06	Compulsory loan	0	0
1.02.02.02	Property, plant and equipment	171,645	163,867
1.02.02.03	Intangible assets	3,158	3,570
1.02.02.04	Deferred charges	354	940

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02.02 - Balance Sheet - Liabilities and Stockholders' Equity (R$ thousand)

1 - Code	2 - Description	3 - 9/30/2008	4 - 6/30/2008
2	Total liabilities	442,564	427,695
2.01	Current liabilities	213,453	201,362
2.01.01	Loans and financing	103,234	92,345
2.01.02	Debentures	0	0
2.01.03	Suppliers	59,851	60,963
2.01.04	Taxes, fees and contributions	17,388	19,899
2.01.04.01	Taxes payable in installments	8,818	9,189
2.01.04.02	Taxes, fees and contributions	8,570	10,710
2.01.05	Dividends payable	0	0
2.01.06	Provisions	0	0
2.01.07	Debts with related parties	2,114	2,157
2.01.08	Other	30,866	25,998
2.01.08.01	Advances from customers	15,464	11,934
2.01.08.02	Labor and social security charges	10,366	9,286
2.01.08.03	Other	5,036	4,778
2.02	Non-current liabilities	204,663	194,450
2.02.01	Long-term liabilities	204,663	194,450
2.02.01.01	Loans and financing	31,595	23,687
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	10,240	9,270
2.02.01.04	Debts with related parties	7,041	5,674
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	155,787	155,819
2.02.01.06.01	Provision for income tax and social contribution on net income	17,847	17,980
2.02.01.06.02	Pension plan	3,721	3,808
2.02.01.06.03	Taxes payable in installments	23,878	25,182
2.02.01.06.04	Taxes payable	110,341	108,849
2.02.01.06.05	Other	0	0
2.02.02	Deferred income	0	0
2.04	Stockholders' equity	24,448	31,883
2.04.01	Paid-up capital	112,957	112,957
2.04.02	Capital reserves	267	267
2.04.03	Revaluation reserves	53,387	53,786
2.04.03.01	Own assets	53,387	53,786
2.04.03.02	Subsidiary/associated and similar companies	0	0
2.04.04	Revenue reserves	0	0
2.04.04.01	Legal	0	0
2.04.04.02	Statutory	0	0
2.04.04.03	For contingencies	0	0
2.04.04.04	Unrealized profits	0	0
2.04.04.05	Profit retention	0	0
2.04.04.06	Special for undistributed dividends	0	0
2.04.04.07	Other revenue reserves	0	0
2.04.05	Retained earnings/Accumulated deficit	(142,163)	(135,127)
2.04.06	Advance for future capital increase	0	0

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03.01 - Statement of Operations (R$ thousand)

1 - Code	2 - Description	3 - 7/1/2008 to 9/30/2008	4 - 1/1/2008 to 9/30/2008	5 - 7/1/2007 to 9/30/2007	6 - 1/1/2007 to 9/30/2007
3.01	Gross sales and/or service revenues	119,666	335,876	102,817	294,778
3.02	Deductions from gross revenues	(27,951)	(76,158)	(21,624)	(59,206)
3.03	Net sales and/or service revenues	91,715	259,718	81,193	235,572
3.04	Cost of sales and/or services rendered	(65,016)	(193,308)	(64,642)	(185,363)
3.05	Gross profit	26,699	66,410	16,551	50,209
3.06	Operating expenses/income	(32,317)	(62,472)	(38,280)	(81,895)
3.06.01	Selling	(11,768)	(32,922)	(12,390)	(31,065)
3.06.02	General and administrative	(3,095)	(10,269)	(4,165)	(9,591)
3.06.03	Financial	(13,119)	(21,847)	(3,386)	(13,501)
3.06.03.01	Financial income	(5,680)	(432)	3,475	12,427
3.06.03.01.01	Financial income	301	920	335	1,772
3.06.03.01.02	Foreign exchange variations, net	(5,981)	(1,352)	3,140	10,655
3.06.03.02	Financial expenses	(7,439)	(21,415)	(6,861)	(25,928)
3.06.04	Other operating income	2,033	17,651	1,936	2,162
3.06.05	Other operating expenses	(3,695)	(10,259)	(19,550)	(26,968)
3.06.05.01	Foreign exchange loss on Investments	(2,391)	(1,786)	(65)	(222)
3.06.05.02	Other operating expenses	(1,304)	(8,473)	(19,485)	(26,746)
3.06.06	Equity in the earnings (loss) of subsidiary and associated companies	(2,673)	(4,826)	(725)	(2,932)
3.07	Operating profit (loss)	(5,618)	3,938	(21,729)	(31,686)
3.08	Non-operating income, net	(41)	(438)	(1,557)	(1,226)
3.08.01	Income	0	2	96	571
3.08.02	Expenses	(41)	(440)	(1,653)	(1,797)
3.09	Profit (loss) before taxation/profit sharing	(5,659)	3,500	(23,286)	(32,912)
3.10	Provision for income tax and social contribution on net income	(1,871)	(2,877)	0	0
3.11	Deferred income tax	94	284	(40)	(10,695)
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	Net income/loss for the period	(7,436)	907	(23,326)	(43,607)
	Number of shares (thousand), excluding treasury stock	159,009	159,009	150,009	150,009
	Net income per share - R$		0.00570		
	Loss per share - R$	(0.04676)		(0.14670)	(0.27424)

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

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

1. Operations

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

The Company started operations in 1979 and is currently one of the largest Brazilian companies in the ceramic tile sector in terms of volume of production and sales, according to ANFACER data in 2007. We believe that the quality and innovative design of our products, together with the quality service that we provide, assure the recognition of our brand all over the country and also in the foreign markets in which we operate.

The Company also holds investments in subsidiaries. At September 30, 2008, the Company holds interest in the following subsidiaries:

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

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

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

(d) Portobello Shop S.A. – Company which manages the Portobello Shop franchised stores specialized in ceramic tiles, currently totaling 104 stores

Management message

Portobello S.A. has current liabilities in excess of current assets at September 30, 2008 in the amount of R$ 63,630 (R$ 64,003 in the consolidated information). Management plans to reverse this situation through:

- Restructuring of the debt extending the indebtedness profile and obtaining a grace period for payment.

- Implementation of measures to strengthen the operating and financial areas in order to improve the profit margins

- Modernization of two production lines to reduce industrial costs, completed in September 2008, to obtain more productivity and increase the installed capacity.

The quarterly information has been prepared and is being presented considering that the Company will continue as a going concern.

2. Presentation and Preparation of the Consolidated Quarterly Information

Law No. 11638 was enacted on December 28, 2007, effective as from January 1, 2008. This Law amended, revoked and introduced new provisions to Law 6404/76 (Brazilian Corporate Law) and changed the accounting practices adopted in Brazil.

Although this law is already effective, the main changes introduced by it depend on regulations to be issued by the regulatory agencies for them to be implemented by companies. Accordingly, during this phase of transition, the Brazilian Securities Commission (CVM), through its Instruction 469/08, did not require the implementation of all the provisions of Law 11638/07 in the preparation of the Quarterly Information (ITR).

We highlight below Management's evaluation of the impact of CVM Instruction 469/08 on the presentation of the Quarterly Information and the criteria for the determination of the financial position and the results of operations for the period ended September 30, 2008:

(a) Management recognizes that the concept of present value is applicable in the preparation of the Quarterly Information, and analyzed the situations in which there is the possibility of a difference as of the date of initial recognition, between the face value and the fair value of financial assets and liabilities, concluded that the effects of the discount to present value of short-term assets and liabilities at September 30, 2008, or at any prior periods, are not significant. No long-term assets and liabilities that should be adjusted to present value were identified.

(b) Elimination of the possibility of revaluing Permanent Assets. The balances in the revaluation reserves should be maintained up to their effective realization or reversed up to the end of the year in which the law is effective. The Company opted for maintaining the existing balances up to their effective realization.

(c) The investments in associated and subsidiary companies in which the Company has significant influence or holds 20% or more of the voting capital, or in subsidiaries and in other companies of the same group or which are under common control, should be recorded on the equity method of accounting. The Company already adopts this accounting practice.

(d) The tax incentives should no longer be classified as a capital reserve and will be included as part of the net income for the year. By management determination, the Annual General Meeting of stockholders should appropriate a portion of the profit corresponding to these incentives to the formation of a tax incentive reserve, created as part of the revenue reserves, and may exclude it from the calculation basis of the mandatory dividend. The Company does not have any tax incentives.

(e) Requirement to adjust the assets to market value, in the cases of merger or split-off involving the transfer of control. No transactions of this nature that could affect the Company occurred during the period.

The accounting information comprised in the Quarterly Information (ITR) has been prepared and is being presented in accordance with the regulations issued by the Brazilian Securities Commission applicable to the preparation of the Quarterly Information, including CVM Instruction 469/08.

In addition, we highlight below Management's evaluation of the impact of those items of Law 11,638/08 which CVM Instruction 469/08 did not require to be implemented in the preparation of the Quarterly Information, but which will be adopted upon the preparation of the financial statements for the year in course.

(a) The obligatory statement of changes in financial position (DOAR) was replaced by the statement of cash flows (DFC). In the case of listed companies, the statement of added value (DVA) has also been introduced as a mandatory requirement, but only on an annual basis. The Company already adopts these practices in the preparation and disclosure of its annual financial statements.

(b) Property, plant and equipment will include the rights over assets for the maintenance of the Company's activities, including those arising from arrangements that transfer to the Company the benefits, risks and control of these assets, such as leases with characteristics of financing. There are no leasing transactions involving the Company at September 30, 2008.

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

(c) The recording of investments in financial instruments, including derivatives: (i) at market value or equivalent, when held for trading or available for sale; and (ii) at acquisition or issue cost, restated in accordance with the legal or contractual provisions, and adjusted to the probable realization value, when this is lower. The adoption of this practice does not affect the Company's results of operations.

(d) The recoverable value of property, plant and equipment, intangible assets and deferred charges will be periodically evaluated to record potential impairment losses or revise the criteria or rates for depreciation, amortization and depletion. The Company is reviewing the adequacy of the depreciation, amortization and depletion rates presently used.

(e) Creation of the caption "asset valuation adjustments" in stockholders' equity. This account will be used for certain asset valuation adjustments which, although not computed in the net income for the year in compliance with the accrual basis, are necessary to record increases or decreases of value attributed to elements of assets and liabilities, based on market value. No significant impacts on stockholders’ equity and on the results of operations for 2008 are expected as result of the adoption of this practice.

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

The Consolidated Quarterly Information includes the financial statements of the following direct subsidiaries:

	%	
	9.30.08	**6.30.08**
Portobello América	100.00	100.00
Mineração Portobello	99.76	99.76
PBTech Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90

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

The reconciliation of the stockholders' equity and net income (loss) for the periods between the parent company and the consolidated information is as follows:

	Net income (loss)		Stockholders' equity	
	9.30.08	**9.30.07**	**9.30.08**	**6.30.08**
Parent company	907	(43,607)	24,448	31,883
Unrealized profits in inventories	(383)	(2,341)	(383)	(609)
Reversal of unrealized profit	-	5,773	-	-
Consolidated	524	(40,175)	24,065	31,274

3. Significant Accounting Practices

(a) Cash and banks

Includes cash and bank deposits with no restriction on their use.

(b) Marketable securities

These are stated at cost plus income accrued up to the balance sheet date, less provision for loss. These securities have been pledged as collateral for loans and financing.

(c) Allowance for doubtful accounts

The allowance for doubtful accounts is recorded at an amount considered sufficient to cover eventual losses on realization of the trade accounts receivable.

(d) Inventories

Inventories are stated at the average cost of purchase or production less a provision for adjustment to realizable value, when applicable.

(e) Advances on foreign exchange contracts and export contracts

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

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

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

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

(g) Investments

Investments in subsidiaries are recorded on the equity method of accounting. The other investments are stated at cost less a provision for adjustment to realizable value, when applicable.

(h) Property, plant and equipment

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

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

(i) Intangible assets

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

(j) Deferred charges

These are recorded at cost less amortization calculated as from the start of generation of benefits, or over a minimum of five years.

(k) Other current assets and long-term receivables

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

(l) Loans and financing

These are monetarily restated by the indices established in the contracts plus interest accrued up to the balance sheet date, in accordance with the rates listed in Note 14.

(m) Other current and long-term liabilities

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

(n) Determination of the results of operations

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

(o) Private defined contribution pension plan

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

(p) Transactions with related parties

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

(q) Provision for contingencies

The provision is recorded at an amount considered sufficient by management to cover probable losses, updated through the balance sheet date, based on the nature of each contingency and supported by the opinion of the Company's legal counsel, as stated in Note 18.

(r) Use of estimates

The preparation of Quarterly Information requires the use of estimates to record certain assets, liabilities and other transactions based on management’s best judgment. The Company's Quarterly Information therefore includes various estimates relating to the selection of the useful lives of property, plant and equipment, and provisions necessary for contingent liabilities, among others. Actual results may differ from such estimates.

(s) Foreign currency translation

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

The foreign currency transactions are translated as from the measurement currencies using the foreign exchange rates effective at the transactions date. The balance sheet account balances are translated by the exchange rate at the balance sheet date. Exchange gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of income.

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

4. Marketable Securities

	Parent company and Consolidated	
	9.30.08	**6.30.08**
Restricted account	5,515	2,686
Financial investments	418	475
(a) Shares - Eletrobras	-	1,594
	5,933	4,755

Restricted account - a current account restricted in connection with a prepayment transaction with interest of 2.54% p.a. in US$.

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

(a) The Company sold the Eletrobrás shares (see Note 8) on August 13, 2008 for R$ 1,597.

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

5. Trade Accounts Receivable

	Parent company		Consolidated	
	9.30.08	**6.30.08**	**9.30.08**	**6.30.08**
Accounts receivable from third parties:				
Customers - Local market	74,335	64,012	62,272	59,168
Customers - Foreign market	717	8,593	25,732	26,957
	75,052	72,605	88,004	86,125
Accounts receivable from subsidiaries:				
Portobello America Inc. - (Foreign market)	30,244	26,887	-	-
PB Tech Ltda. - (Internal market)	2,077	2,244	-	-
(-) Provision for loss on investments in subsidiaries (Note 19)	(17,677)	(10,388)	-	-
	14,644	18,743	-	-
Allowance for doubtful accounts	(1,766)	(1,959)	(2,349)	(2,444)
Discounted trade bills	(3,081)	(2,009)	(3,081)	(2,009)
Advances on export contracts	(5,889)	(6,492)	(5,889)	(6,492)
	(10,736)	(10,460)	(11,320)	(10,945)
Total accounts receivable	78,960	80,888	76,684	75,180

The aging list of receivables is as follows:

	Parent company		Consolidated	
	9.30.08	**6.30.08**	**9.30.08**	**6.30.08**
Not yet due	68,043	55,094	78,616	65,173
Overdue up to 30 days	3,801	11,749	4,192	12,823
Overdue from 31 to 60 days	340	782	368	2,409
Overdue from 61 to 90 days	401	562	833	868
Overdue from 91 to 180 days	488	530	1,479	1,173
Overdue from 181 to 360 days	213	1,930	167	1,235
Overdue for more than 360 days	1,766	1,959	2,349	2,444
Total accounts receivable	75,052	72,605	88,004	86,125

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

The allowance for doubtful accounts is recorded based on the analysis of the accounts receivable in view of the risks involved, in an amount considered sufficient by management to cover possible losses in their realization.

6. Inventories

	Parent company		Consolidated	
	9.30.08	6.30.08	9.30.08	6.30.08
Finished products	43,719	38,287	50,299	48,450
Work in process	7,428	8,661	7,428	8,661
Raw and consumption materials	7,424	7,303	7,424	7,303
Provision for reduction of inventories to realizable value	(2,926)	(2,922)	(3,453)	(3,359)
Total	55,645	51,329	61,698	61,055

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

7. Income Tax and Social Contribution on Net Income

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

Deferred income tax and social contribution credits were recorded at the current tax rates at September 30, 2008 and are as follows:

	Parent company		Consolidated	
	9.30.08	**6.30.08**	**9.30.08**	**6.30.08**
Deferred income tax credits				
On tax losses	5,818	5,818	7,158	6,932
On temporarily non-deductible provisions	6,136	6,136	6,136	6,136
(-) Valuation allowance for the amount with realization not currently assured	(8,109)	(8,079)	(8,109)	(8,079)
	3,845	3,875	5,185	4,989
Deferred social contribution credits				
On tax losses	2,149	2,149	2,149	2,149
On temporarily non-deductible provisions	2,107	2,107	2,107	2,107
(-) Valuation allowance for the amount with realization not currently assured	(2,747)	(2,737)	(2,747)	(2,737)
	1,509	1,519	1,509	1,519
	5,354	5,394	6,694	6,508

In compliance with CVM Instruction 371, the Company did not record tax credits on income tax and social contribution losses incurred as from July 1, 2002, amounting to R$ 42,379 at September 2008 (R$ 39,662 at June 2008), since economic feasibility studies indicate that realization of these assets is limited to the amounts already recorded.

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

(b) Analysis of the tax expense for the quarter

	3rd quarter 2008:			
	Parent company		Consolidated	
	2008	2007	2008	2007
Income tax				
Provision for income tax - current	(1,374)	-	(2,281)	(485)
Reversal of deferred income tax on realization of the revaluation reserve	99	-	99	-
Valuation allowance for the deferred income tax with realization not currently assured	(30)	(30)	(30)	(11)
	(1,305)	(30)	(2,212)	(496)
Social contribution				
Provision for social contribution - current	(497)	-	(827)	(172)
Reversal of deferred social contribution on realization of revaluation reserve	35	-	35	-
Valuation allowance for the deferred social contribution with realization not currently assured	(10)	(10)	(10)	(10)
	(472)	(10)	(802)	(182)
Total	(1,777)	(40)	(3,014)	(678)

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	Accumulated 2008:			
	Parent company		Consolidated	
	2008	2007	2008	2007
Income tax				
Provision for income tax - current	(2,110)	-	(4,517)	(1,078)
Reversal of deferred income tax on realization of the revaluation reserve	297	-	297	-
Valuation allowance for the deferred income tax with realization not currently assured	(90)	(7,991)	(90)	(7,991)
	(1,903)	(7,991)	(4,310)	(9,069)
Social contribution				
Provision for social contribution - current	(767)	-	(1,647)	(404)
Reversal of deferred social contribution on realization of revaluation reserve	109	-	107	-
Valuation allowance for the deferred social contribution with realization not currently assured	(32)	(2,704)	(32)	(2,704)
	(690)	(2,704)	(1,572)	(3,108)
Total	(2,593)	(10,695)	(5,882)	(12,177)

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(c) Effective tax reconciliation:

	3rd quarter 2008:			
	Parent company		Consolidated	
	9.30.08	9.30.07	9.30.08	9.30.08
Profit/(loss) before taxation	(5,659)	(23,286)	(4,193)	(22,960)
Tax rate	34%	34%	34%	34%
(a) Tax credit (expense) at the standard rate	1,924	7,917	1,426	7,806
Tax effect of permanent (additions) exclusions:				
(b) Equity in the loss of subsidiaries	(909)	(247)	-	-
Permanent differences:				
(c.1) - Loss on investments in subsidiaries	(813)	(22)	(813)	(22)
(c.2) - Other non-deductible expenses	2,786	(18)	2,590	(29)
(c) Total permanent differences (c.1) + (c.2)	1,973	(40)	1,777	(51)
(d) Depreciation of revalued assets	(136)	(60)	(136)	(60)
(e) Unrecorded tax credits on temporary differences and tax losses for the year	(4,723)	(7,570)	(6,175)	(8,352)
(f) Subtotal (a) + (b) + (c) + (d) + (e)	(1,871)	-	(3,108)	(657)
(g) Valuation allowance for portion with realization not currently assured	94	(40)	94	(21)
Expense for the quarter (f) + (g)	(1,777)	(40)	(3,014)	(678)

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

	Accumulated 2008:			
	Parent company		Consolidated	
	9.30.08	9.30.07	9.30.08	9.30.08
Profit/(loss) before taxation	3,500	(32,912)	6,411	(28,055)
Tax rate	34%	34%	34%	34%
(a) Tax credit (expense) at the standard rate	(1,190)	11,190	(2,180)	9,539
Tax effect of permanent (additions) exclusions:				
(b) Equity in the loss of subsidiaries	(1,641)	(997)	-	-
Permanent differences:				
(c.1) - Loss on investments in subsidiaries	(607)	(75)	(607)	(75)
(c.2) - Other non-deductible expenses	1,525	(1,632)	1,135	(1,632)
(c) Total permanent differences (c.1) + (c.2)	918	(1,707)	528	(1,707)
(d) Depreciation of revalued assets	(408)	(180)	(408)	(180)
(e) Unrecorded tax credits on temporary differences and tax losses for the year	(556)	(8,306)	(4,104)	(9,134)
(f) Subtotal (a) + (b) + (c) + (d) + (e)	(2,877)	-	(6,164)	(1,482)
(g) Valuation allowance for portion with realization not currently assured	284	(10,695)	282	(10,695)
Expense for the quarter (f) + (g)	(2,593)	(10,695)	(5,882)	(12,177)

8. Eletrobras Compulsory Loan

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

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

After the final and unappealable decision, the Company filed an execution action in February 2006 against ELETROBRÁS and the Federal Government. ELETROBRÁS, in its defense, recognized the undisputed portion of R$ 6,162 (amounts at March 1, 2008), comprising (i) a bank deposit of R$ 4,964, received by the Company on April 1, 2008 and (ii) 61,209 class B nominative preferred shares of Eletrobras, valued at R$ 1,322 (March 2008). These shares, according to the IBOVESPA quotation at June 30, 2008, had a market value of R$ 1,594, and were sold on August 13, 2008 for R$ 1,597.

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

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

The Company has updated the amount calculated by the legal experts, based the same methodology and deducting the amount already recognized as undisputed, resulting in a remaining balance of R$ 11,438 (R$ 8,715, net of provisions for income tax and social contribution) (R$ 8,482 at June 30, 2008). Accordingly, this amount was recognized as Other Operating Income in the accumulated results of operations for 2008.

9 Other Long-Term Receivables

	Parent company		Consolidated	
	9.30.08	**6.30.08**	**9.30.08**	**6.30.08**
Marketable securities (a)	6,185	6,186	6,185	6,185
Provision for loss	(6,185)	(6,186)	(6,185)	(6,185)
Escrow deposits	-	-	608	626
Value-added Tax on Sales and Services (ICMS) credits on property, plant and equipment	297	310	297	310
Transactions with Banco Santos (a)	1,041	1,041	1,041	1,041
(-) ACE long-term	(1,041)	(1,041)	(1,041)	(1,041)
Receivables - SIMAB (b)	4,535	4,535	4,535	4,535
(-) Provision for loss	(4,535)	(4,535)	(4,535)	(4,535)
Municipal taxes and fees (c)	207	207	207	207
Other	-	-	-	14
Total	504	517	1,112	1,157

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

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

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

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

10 Investments in Subsidiaries

	Portobello America	Mineração Portobello	PBTech Ltda.	Portobello Shop S.A.	Total 9.30.08	Total 6.30.08	Total 9.30.07
Paid-up capital	17,899	167	3,337	400	-	-	-
Stockholders' equity/(net capital deficiency)	(15,847)	(335)	(1,831)	7,362	-	-	-
Net income (loss) for the quarter	(4,849)	(36)	(50)	2,265	-	-	-
Ownership interest %	100.00%	99.76%	99.94%	99.90%	-	-	-
Opening balance	-	-	-	5,092	5,092	7,168	3,551
Equity in the earnings (loss)	(4,849)	(36)	(50)	2,262	(2,673)	(2,613)	(725)
Exchange loss (note 22)	(2,391)	-	-	-	(2,391)	656	(65)
Transfer to net capital deficiency	7,240	36	50	-	7,326	2,649	1,567
Dividends proposed	-	-	-	-	-	(2,768)	-
Total investment in subsidiary	-	-	-	7,354	7,354	5,092	4,328
Balance at September 30, 2008	-	-	-	7,354	7,354	5,092	4,328

At September 30, 2008, the provision for net capital deficiency totals R$ 18,011 (R$ 10,684 at June 2008) and is recorded as a reduction of accounts receivable and advances from customers, in current receivables.

11 Property, Plant and Equipment

		Parent company				Consolidated	
		9.30.08			6.30.08	9.30.08	6.30.08
	Rate %	Cost	Accumulated depreciation	Net	Net	Net	Net
Land	-	13,072	-	13,072	13,072	13,461	13,460
Buildings and improvements	2.88% (*)	89,196	(4,491)	84,705	85,347	85,073	85,796
Machinery, equipment and installations	10 to 15%	231,831	(167,495)	64,336	43,757	64,504	44,055
Furniture and fixtures	10%	7,570	(6,315)	1,255	1,322	1,655	1,669
Computers and systems	20%	11,173	(10,404)	769	876	813	909
Other	Sundry	268	(226)	42	44	98	122
Construction in progress	-	7,466	-	7,466	19,449	7,466	19,449
Total		360,576	(188,931)	171,645	163,867	173,070	165,460

(*) Weighted average

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

(a) Up to September 2008, the Company had carried out a large part of the Investment Project, which was budgeted for 2008 at about R$ 30,000. The investments are for the modernization of production lines and will permit the reduction of production costs and increase in the manufacturing capacity by about 31% as from the fourth quarter of 2008. According to the physical schedule of construction, we estimate that the items recorded in Construction in Progress (R$ 7,466) will be totally completed in November 2008.

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

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

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

The revaluations recorded in 1990, 1991 and 2006 amount to R$ 53,786 at September 2008 (R$ 53,786 at June 2008) and the depreciation of these revaluations up to September 2008 to R$ 1,198 (R$ 799 at June 2008).

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

12. Intangible Assets

	Parent company				Consolidated	
	9.30.08			6.30.08	9.30.08	6.30.08
	Cost	Accumulated Amortization	Net	Net	Net	Net
Trademarks and Patents	154	-	154	193	154	193
Implementation of management system expenses	6,813	(4,399)	2,414	2,755	2,414	2,755
Rights to use software	4,739	(4,149)	590	622	643	681
	11,745	(8,587)	3,158	3,570	3,211	3,629

The amortization rate is 20% p.a, and will be amortized as follows:

Year	Consolidated
2008	375
2009	1,561
2010	850
2011	142
2012	129
	3,057*

* excluding trademarks and patents

13. Deferred Charges

	Parent company				Consolidated	
	9.30.08			6.30.08	9.30.08	6.30.08
	Cost	Accumulated Amortization	Net	Net	Net	Net
Pre-operating and implementation expenses	11,377	(11,120)	257	263	261	270
Leasehold improvements	783	(740)	43	59	43	59
Studies, research and projects	203	(149)	54	618	55	668
	12,363	(12,009)	354	940	359	997

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

Pre-operating expenses, leasehold improvements and expenses with studies, research and projects are recorded in deferred charges and these are amortized once the generation of benefits begins. The amortization rate is 20% p.a. and the amortization schedule is as follows:

Year	Consolidated
2008	45
2009	110
2010	60
2011	59
2012	53
2013	32
	359

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

14. Loans and Financing

	Parent company		Consolidated			
	9.30.08	6.30.08	9.30.08	6.30.08		Charges
Current						
Foreign currency						
Ancora	1,014	-	1,014	-		VC+Libor+7.54% p.a
Nuovafima	637	642	637	642		VC
IFC	2,187	1,766	2,187	1,766		VC+Libor+4,625% p.a
Advance on exchange contract	8,375	9,125	8,375	9,125		VC+6.33% p.a
Suppliers credit	8,615	5,682	8,615	5,682		VC+7.33% p.a
Banco ABN	23,938	19,899	23,938	19,899		VC+Libor+5.5% p.a
Banco ABC (1)	1,955	1,629	1,955	1,629		VC+Libor+3.90% p.a
Banco ABC (2)	652	545	652	545		VC+Libor+3.75% p.a
Banco SAFRA	1,876	1,548	1,876	1,548		VC+Libor+3.60% p.a
Working capital in the USA	-	-	924	2,391		VC+9.75% p.a
Total foreign currency	49,249	40,836	50,173	43,227		
Local currency						
FINAME/POC	196	196	196	196		TJLP+8.20% p.a
Leasing	107	110	107	110		2.16% p.m
Working capital in Brazil	53,682	51,203	53,682	51,203		21.87% p.a (average)
Total local currency	53,985	51,509	53,985	51,509		
Total current liabilities	103,234	92,345	104,158	94,736		
Long-term					**Maturity**	
Foreign currency						
Ancora	1,420	-	1,420	-	Dec 2010	VC+7.54% p. a
Nuovafima	690	790	690	790	Oct 2010	VC
IFC	1,057	879	1,057	879	Dec 2009	VC+Libor+4,625% p.a
Suppliers credit	6,889	2,792	6,889	2,792	Nov 2009	VC+7.33% a.a
Banco ABN	11,965	14,924	11,965	14,924	Mar 2010	VC+Libor+5.5% p.a
Banco ABC (1)	1,436	1,592	1,436	1,592	Apr 2010	VC+Libor+3.90% p.a
Banco ABC (2)	638	663	638	663	Jun 2010	VC+Libor+3.75% p.a
Banco SAFRA	1,403	1,592	1,403	1,592	Jul 2010	VC+Libor+3.60% p.a
Total foreign currency	25,498	23,232	25,498	23,232		
Local currency						
FINAME/POC	65	113	65	113	Jan 2010	TJLP+8.20% p.a
Leasing	123	151	123	151	Feb 2011	2.16% p.m
Working capital in Brazil	5,909	191	6,628	861	Oct 2011	13.49% p.a (average)
Total local currency	6,097	455	6,816	1,125		
Total current liabilities	31,595	23,687	32,314	24,357		
Total	134,829	116,032	136,472	119,093		

VC Exchange variation
TJLP Long-term Interest rate
IGPM General Market Price Index
LIBOR London Interbank Offered Rate

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

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

At September 30, 2008, the Company was not in compliance with certain of these ratios. On October 25, 2007, the Company obtained a waiver of the ratios retroactive to March 31, 2007 and valid through December 31, 2008.

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

This contract contains the following restrictive covenants:

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

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

At September 30, 2008, the Company had not fulfilled certain of these ratios but the Company had obtained a temporary waiver from the creditor retroactive to November 21, 2007 and up to September 30, 2008.

The transaction was guaranteed by:

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

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

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

Long-term loans fall due as follows:

	Parent company		**Consolidated**	
Maturity	**9.30.08**	**6.30.08**	**9.30.08**	**6.30.08**
2009	11,179	13,847	11,899	13,847
2010	17,103	9,840	17,103	10,510
2011	3,313	-	3,312	-
Total	31,595	23,687	32,314	24,357

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15. Taxes Payable in Installments

	Tax liabilities		Request for installment payment Date:	No. of installments	9.30.08	6.30.08
Portobello S.A.	IPI *	(c)	Sep 06	120	20,609	20,724
	IPI	(d)	Sep 06	60	5,615	5,932
	CPMF		Mar 07	60	41	43
	INSS	(a)	Sep 06	16	1,019	1,585
	INSS	(b)	Sep 06	32	2,950	3,541
	INSS	(a)	Jul 07	60	2,462	2,546
			Total Parent company		**32,696**	**34,371**
				Current	8,818	9,189
				Long-term	23,878	25,182
PBTech Ltda.	INSS		Sep 06	32	104	131
Portobello Shop S.A.	INSS		Sep 06	32	141	179
					245	**310**
			Total Consolidated		**32,941**	**34,681**
				Current	9,062	9,475
				Long-term	23,879	25,206

(*) REFIS

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

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

Concurrently, in October 2006, the Company received a tax assessment of R$ 2,506 from the National Institute of Social Security. In July 2007, with all the appeals at the administrative level exhausted, the Company filed an application with the Federal Revenue Secretariat for installment payment of this debt. In October 2007, the request was denied because the Company had debts not included in the REFIS. Based on the denial of the REFIS relating to the INSS for 2005, the Company immediately filed a new application for installment payment in 60 months, which was accepted. The first installment of R$ 47 was due on October 31, 2007. The balance of this installment payment at September 30, 2008 totaled R$ 2,462.

Accordingly, at September 30, 2008 the INSS installment payments though the REFIS became installment payments over 16 months totaling R$ 1,019.

(b) In September 2006, the Company filed an application for INSS installment payment for the period from January to July 2006, at the adjusted amount of R$ 5,939. The first of 32 installments was paid in March 2007. The balance of this installment payment at September 30, 2008 is R$ 2,950.

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

The balance of this installment payment was R$ 19,327 at September 2006, when the Company filed an application for REFIS, as allowed by Provisional Measure 303 of June 29, 2006, for the IPI installment payments previously granted. The payment term is 120 months, including monthly interest based on the SELIC (Special System for Settlement and Custody) interest rate. The remaining debt at September 30, 2008 is R$ 20,609.

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(d) In September 2006, the Company filed an application for IPI installment payments for the period from January to July 2006, amounting to R$ 7,498, payable in 60 months and subject to the SELIC interest rate. The first installment was paid in October 2006. At September 30, 2008, the remaining balance of the installment payment is R$ 5,615.

16. Taxes, Fees and Contributions

		Parent company		Consolidated	
		9.30.08	6.30.08	9.30.08	6.30.08
IRRF on employee and management bonuses	(a)	2,546	6,539	2,546	6,539
IRRF		455	461	572	573
IRPJ/CSLL		2,877	1,004	6,089	3,007
ICMS		935	1,116	939	1,116
IPI		1,162	994	1,162	994
PIS		87	83	87	83
COFINS		413	380	415	380
Other		95	133	227	277
		8,570	10,710	12,037	12,969

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

17. Taxes Payable

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

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

		Parent company		Consolidated	
		9.30.08	**6.30.08**	**9.30.08**	**6.30.08**
Taxes payable on credits acquired from related parties	(a)	93,840	92,555	94,229	92,938
Taxes payable on credits acquired from third parties	(b)	16,501	16,294	16,501	16,293
		110,341	108,849	110,730	109,231

(a) Taxes payable on credits acquired from related parties

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

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

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

The Federal Revenue Authority initiated two processes arising from the procedure called Judicial Follow up Processes (PAJ), and determined that the amounts offset against PIS, COFINS, IRPJ and CSLL, totaling approximately R$ 25,000, should be registered as debt to the federal government, without allowing defense by the Company. Regarding the two lawsuits in which the Company is the plaintiff (V-286/84 merit - 1998.34.029022-4 calculation of award and 472-G/87 merit - 87.00.00645-9 calculation of award), management, based on the opinion of its internal and external legal counsel, believes that there is a remote possibility that the Company will be held liable to pay the amount required by the assessment notices and to register it as a debt to the federal government, as described above, mainly because the decisions are final and unappealable and the calculation schedules presented in the award calculation process show that the amounts determined are sufficient to cover those offset. As regards lawsuit V-286/84 merit - 1998.34.029022-4 calculation of award, submitted to review by the law firm Felsberg e Associados, the firm concluded that, "*In view of the foregoing, although PORTOBELLO has offset a significant amount of IPI premium credits to which it was entitled, there is still a remaining credit of R$ 28,720,625.19, restated up to August 2007.*", which definitely indicates not only the existence of the balance reported but also the possibility of offsetting it against future taxes payable.

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

Despite this opinion on the possibility of the tax payment, the Superior Court of Justice has issued a recent decision on the IPI premium credit (REsp 652.379-RS and EREsp 738.689-PR), ruling that the tax benefit ended on October 4, 1990, according to paragraph 1 of article 41 of the Act of Transitory Constitutional Provisions (ADCT). Thus, considering that the credits transferred from Refinadora Catarinense are subsequent to that date, the Company decided to record a provision of R$ 93,840. In addition, the Company requested the refund of the taxes assessed from Refinadora Catarinense, as a guarantee (see Note 19).

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

The National Treasury has already initiated the tax collection (administrative proceeding 11516.002.480/2006-53), and the Company has indicated assets on which a lien is to be placed as guarantee for the amount claimed. The judge of the Civil Court of Tijucas ruled on

July 4, 2007 ordering the removal of the Company's name from CADIN (a database containing the names of individuals and legal entities that have overdue and unpaid debts owed to federal government agencies and entities) and granted a stay of execution (Decision 72.07.002482-2).

(b) Taxes payable on credits acquired from third parties

In October 2000 and February 2001, the Company entered into three agreements for assignment of tax credits (IPI premium credit) with SIMAB S.A. totaling R$ 6,847. These credits were offset against federal taxes in 2000 and 2001. Since these credits were generated after 1990, considering the recent decision rendered by the Superior Court of Justice (STJ) stated above, the Company recorded a provision for the credits acquired from SIMAB in the adjusted amount of R$ 16,501 at September 30, 2008. In accordance with the agreements of assignment of tax credits entered into with SIMAB, the assignor remains financially liable for the transaction, up to R$ 4,535 (nominal value less discount of the credits assigned), until the lawsuits related to these credits are rendered final and unappealable. Accordingly, as of September 30, 2007 the Company recorded a long-term receivable of R$ 4,535 and, should an unfavorable decision in these lawsuits relating to the IPI premium credit be rendered to SIMAB S.A., management will seek indemnity as agreed at the time of transfer of the credits. In accordance with generally accepted accounting principles, management decided to record a provision in the same amount as the asset (see Note 9).

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

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18. Provisions for Contingencies

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

The analysis of the provision for contingencies is as follows:

						Parent company
	Judicial deposits	Provisions	9.30.08	Judicial deposits	Provisions	6.30.08
Civil	-	2,014	2,014	-	2,081	2,081
Labor	(272)	5,975	5,703	(245)	6,072	5,827
Tax	(1,046)	1,450	404	(1,018)	1,422	404
(a) Tax	-	2,119	2,119	-	958	958
	(1,318)	11,558	10,240	(1,263)	10,533	9,270

						Consolidated
	Judicial deposits	Provisions	9.30.08	Judicial deposits	Provisions	6.30.08
Civil	-	2,014	2,014	-	2,081	2,081
Labor	(272)	6,021	5,749	(245)	6,118	5,873
Tax	(1,046)	1,450	404	(1,018)	1,422	404
(a) Tax	-	2,119	2,119	-	958	958
	(1,318)	11,604	10,286	(1,263)	10,579	9,316

(a) On April 16, 2008, the Company obtained an injunction granted by the Federal Judge of the 9th Judiciary Section of the Federal District, Dr. Antonio Corrêa, through Writ of Mandamus 2008.34.00.011286-4, to exclude the Value-added Tax on Sales and Services (ICMS) from the calculation basis of the PIS and COFINS federal contributions. As from this injunction, the Company calculates and pays PIS and COFINS not considering the ICMS in its calculation basis. At the same time, it has recorded a provision for the difference with no impact on net income. At September 30, 2008, the amount provided is R$ 2,119.

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

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

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

Parent company

	Provisions				Deposits		
	Civil	Labor	Tax	Tax (a)	Labor	Tax	Total
At 6.30.08	2,081	6,072	1,422	958	(245)	(1,018)	9,270
Deposits	-	-	-	-	(60)	(28)	(88)
Provisions	28	103	28	1,161	-	-	1,320
Reversals	(95)	(200)	-	-	33	-	(262)
At 9.30.08	2,014	5,975	1,450	2,119	(272)	(1,046)	10,240

	Civil	Labor	Tax	Tax (a)	Total
Probable	2,014	5,975	1,450	2,119	11,558
Possible	5,838	5,644	1,167	-	12,649
	7,852	11,619	2,617	2,119	24,207

Consolidated

	Provisions				Deposits		
	Civil	Labor	Tax	Tax (a)	Labor	Tax	Total
At 6.30.08	2,081	6,118	1,422	958	(245)	(1,018)	9,316
Deposits	-	-	-	-	(60)	(28)	(88)
Provisions	28	103	28	1,161	-	-	1,320
Reversals	(95)	(200)	-	-	33	-	(262)
At 9.30.08	2,014	6,021	1,450	2,119	(272)	(1,046)	10,286

	Civil	Labor	Tax	Tax (a)	Total
Probable	2,014	6,021	1,450	2,119	11,604
Possible	5,838	5,644	1,167	-	12,649
	7,852	11,665	2,617	2,119	24,253

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

Taxes

Administrative Process 10909.000.666/2002-68, with an adjusted balance at September 30, 2008 of R$ 659, relates to a tax assessment notice to prevent the expiration of the procedure by the Company to offset taxes with credits acknowledged by injunction 01.51.01.006335-5 (IPI premium credit). The administrative decision considered "*the tax assessment valid, however, the tax payment will remain suspended until a final decision is issued regarding suspension of the payment*".

Administrative Process 10909.001.618/2002-97, with an adjusted balance at September 30, 2008 of R$ 508, relates to a tax assessment notice to prevent the expiration of the procedure by the Company to offset taxes with credits acquired from third parties (SIMAB S.A. and Refinadora Catarinense S.A.). The administrative decision considered "*the tax assessment valid and authorized the tax authorities to proceed with the collection of amounts due in the event they conclude that the causes justifying the tax credit suspension were eliminated*".

Labor claims and social security contributions

The Company and its subsidiary Portobello Shop S.A. are defendants in 98 labor claims brought by employees, former employees and third parties. The claims refer to the payment of termination amounts, premiums, overtime, salary equalization, monetary adjustment of FGTS, compensation for pain and suffering and property damage from occupational accidents/disease. The unprovided amount is $ 4,272.

A tax assessment relating to social security contributions on employee remuneration due by the Company, contributions for financing benefits from labor disability, and contributions to third parties (INCRA and SEBRAE), plus late payment interest and fine. The updated amount at September 30, 2008 is R$ 1,372.

Civil lawsuits

The Company and its subsidiaries are defendants in 107 civil lawsuits in common courts and special civil courts. Most of the lawsuits have been brought by customers and are for compensation for alleged pain and suffering and property damage. The unprovided amount is R$ 5,838.

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19. Related Party Transactions

	Receivables		Loans (assets)		Customers		Advances to suppliers	
	9.30.08	6.30.08	9.30.08	6.30.08	9.30.08	6.30.08	9.30.08	6.30.08
Subsidiaries								
Mineração Portobello Ltda.	-	-	-	-	-	-	515	492
PBTech Ltda.	-	-	843	845	2,077	2,244	-	-
Portobello America Inc.	-	-	-	-	30,244	26,887	-	-
Provision for net capital deficiency in subsidiary (Note 5)	-	-	-	-	(17,677)	(10,388)	(335)	(296)
Subtotal subsidiaries	-	-	843	845	14,644	18,743	180	196
Related parties:								
Refinadora Catarinense S.A.	93,840	92,555	-	-	-	-	-	-
Subtotal - related parties	93,840	92,555	-	-	-	-	-	-
Parent company	93,840	92,555	843	845	14,644	18,743	180	196

	Loans (liabilities)		Income		Expenses	
	9.30.08	6.30.08	9.30.08	9.30.07	9.30.08	9.30.07
Subsidiaries						
Mineração Portobello Ltda.	-	-	-	-	(130)	(70)
PBTech Ltda.	-	-	148	437	-	-
Portobello America Inc.	-	-	5,599	6,464	-	-
Portobello Shop S.A.	5,978	3,957	1,379	1,075	-	(79)
Subtotal subsidiaries	5,978	3,957	7,126	7,976	(130)	(149)

	Loans (liabilities)	
	9.30.08	6.30.08
Related parties:		
Refinadora Catarinense S.A	3,177	3,874
Subtotal - related parties	3,177	3,874
Parent company	9,155	7,831
Current	2,114	2,157
Long-term	7,041	5,674
Consolidated balance	3,177	3,874
Current	2,114	2,157
Long-term	1,063	1,717

Intercompany transactions relate to purchase and sales, services provided and loans under conditions agreed upon between the parties.

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Intercompany loans earn interest at 100% of the CDI (Bank Deposit Certificate) interest rate.

Refinadora Catarinense

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

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

Guarantor: Banco Itaú BBA S.A.
In Favor of: Portobello S.A.

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

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

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

In this respect, Portobello S.A. was informed by Refinadora Catarinense S.A. that process 87.00,00967-9, which was with the Federal Justice in the Federal District, had been quantified by the Accounting Department of the TRF of the 1st Region, and the official accountant calculated the amount of R$ 416,447 (July 2008) as due by the Government as a result of the discussion of the reimbursement of the tax benefit named ‘IPI premium credit' for the calculation period prior to 4/10/1990, whose final an unappealable decision has already been judged – merit and liquidation phases.

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

Additionally, the Company has already finalized the procedures to offer as collateral part of the credits assigned, through filling a writ of prevention.

In view of these circumstances, the Company's management decided to maintain the amount receivable from Refinadora.

20. Private Defined Contribution Pension Plan

The Plano de Benefícios Portobello Prev (the Portobello Prev Benefit Plan), managed by BB Previdência - Fundo de Pensão Banco do Brasil, was started in 1997 with the participation of 1,531 employees. The plan has the characteristics of a defined contribution plan, however, it offers a minimum retirement benefit for length of service or age. The actuarial valuation of this portion of the plan, considered as a defined benefit, updated to September 30, 2008, shows a surplus of R$ 811 (R$ 798 in June 2008).

At September 30, 2008, the balance of the special contributions relating to past service, to be deposited in the individual accounts of the participants who meet the conditions established by the regulations of the plan, amounts to R$ 3,721 (R$ 3,808 at June 2008) and is provided in long-term liabilities. The Company will pay the related special reserve amount when each participant in these conditions becomes eligible.

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

During the nine-month period ended September 30, 2008, expenses with contributions to the pension plan of the participants amounted to R$ 744 (R$ 641 in the same 2007 period).

21. Stockholders' Equity

(a) Capital

On November 27, 2007, the Extraordinary General Meeting of stockholders, in conformity with art. 136 of Law 6.404/76, approved the conversion of all preferred shares into common shares at the ratio of one common share for each preferred share. This occurred on January 10, 2008, when the Company's subscribed and paid-up capital totaled R$ 112,957 (R$ 112,957 at December 2007), comprising 159,008,924 common shares with no par value.

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

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

The Company is authorized to increase capital up to 1,000,000,000 (one billion) new registered common shares without par value, resulting in a total of up to 1,159,008,924 shares. The issue of preferred shares or beneficiary parties is not permitted.

Stockholders are entitled to a mandatory minimum dividend equivalent to 30% of net income of each year, adjusted as determined by article 202 of Law 6.404/76.

(b) Revaluation reserve

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

22. Other Operating Income and Expenses

	Total for the 3rd quarter			
	Parent company		Consolidated	
	9.30.08	9.30.07	9.30.08	9.30.07
Other operating income				
Tax credits	-	-	-	-
Related party services revenues	520	1,465	-	-
Eletrobras compulsory loan (Note 8)	233	-	233	-
Other income	1,280	471	1,602	432
Total other operating income	2,033	1,936	1,835	432
Other operating expenses				
Expense - Provision for taxes payable (Note 17)	-	(1,208)	-	(1,208)
Income - Reimbursement (Note 19)	-	1,208	-	1,208
Taxes payable (Note 17)		(15,796)		(16,162)
Reversal/(provision) for contingencies	(288)	(158)	(295)	(119)
Tax assessment notice - INSS	-	-	(132)	-
Taxes on various revenues	(139)	(63)	(139)	(63)
Other expenses	(877)	(3,468)	(1,002)	(3,468)
Total other operating expenses	(1,304)	(19,485)	(1,568)	(19,812)
Exchange loss on investments	(2,391)	(65)	(2,391)	(65)
Total, net	(1,662)	(17,614)	(2,124)	(19,445)

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

	Total for the nine-month period			
	Parent company		Consolidated	
	9.30.08	9.30.07	9.30.08	9.30.07
Other operating income				
Tax credits	233	-	1,815	-
Related party services revenues	1,363	1,530	-	646
Reimbursement of municipal taxes and fees	170	-	170	-
Eletrobras compulsory loan (Note 8)	14,415	-	14,415	-
Other income	1,470	632	1,673	-
Total other operating income	17,651	2,162	18,073	646
Other operating expenses				
Expense - Provision for taxes payable (Note 17)	-	(89,288)	-	(89,288)
Income - Reimbursement (Note 19)	-	89,288	-	89,288
Taxes payable (Note 17)	-	(15,796)		(16,162)
Reversal/(provision) for contingencies	(6,021)	1,348	(6,039)	1,348
Tax assessment notice - INSS	-	(2,506)	(132)	(2,657)
Federal taxes on bonuses	-	(8,001)	-	(8,001)
Taxes on various revenues	(198)	-	(198)	-
Other expenses	(2,254)	(1,791)	(3,049)	(1,658)
Total other operating expenses	(8,473)	(26,746)	(9,428)	(27,130)
Exchange loss on investments	(1,786)	(222)	(1,786)	(222)
Total, net	7,392	(24,806)	6,859	(26,706)

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

23. Financial Income and Expenses

	Total for the 3rd quarter			
	Parent company		Consolidated	
	9.30.08	9.30.07	9.30.08	9.30.07
Financial income				
Interest	174	253	366	343
Discounts received	119	80	121	80
Other	8	2	8	2
	301	335	495	425
Foreign exchange variations				
Exchange gains	6,971	12,956	6,971	12,956
Exchange losses	(12,952)	(9,816)	(12,952)	(9,816)
	(5,981)	3,140	(5,981)	3,140
Financial expenses				
Interest	(5,464)	(3,780)	(5,820)	(4,222)
Commissions and service fees	(864)	-	(868)	-
Financial charges on taxes	(224)	(1,408)	(224)	(1,416)
Discounts/bank expenses	(367)	(525)	(372)	(535)
Discounts granted	(100)	(623)	(100)	(723)
CPMF (Tax on Bank Account Outflows)	-	(484)	-	(503)
Other	(411)	(41)	(517)	(41)
	(7,439)	(6,861)	(7,901)	(7,440)
Financial expenses, net	(13,110)	(3,386)	(13,387)	(3,875)

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

	Total for the nine-month period			
	Parent company		Consolidated	
	9.30.08	9.30.07	9.30.08	9.30.07
Financial income				
Interest	473	605	944	864
Discounts received	426	588	429	591
Other	21	579	23	579
	920	1,772	1,396	2,034
Foreign exchange variations				
Exchange gains	20,908	13,904	20,908	13,904
Exchange losses	(22,260)	(3,249)	(22,260)	(3,249)
	(1,352)	10,655	(1,352)	10,655
Financial expenses				
Interest	(14,366)	(15,782)	(15,284)	(15,908)
Commissions and service fees	(1,889)	(842)	(1,899)	(897)
Financial charges on taxes	(1,438)	(3,519)	(1,300)	(3,545)
Discounts/bank expenses	(1,128)	(1,979)	(1,145)	(1,979)
Discounts granted	(1,796)	(1,764)	(1,815)	(1,768)
CPMF (Tax on Bank Account Outflows)	(36)	(1,570)	(36)	(1,661)
Other	(896)	(472)	(974)	(2,114)
	(21,415)	(25,928)	(22,453)	(27,872)
Financial expenses, net	(21,981)	(13,501)	(22,409)	(15,183)

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

24. Insurance Cover (unaudited)

At September 30, 2008, the insurance cover against fire, robbery, collision and sundry risks for property, plant and equipment, inventories and loss of profits is considered sufficient by management to cover any losses.

	Parent company and Consolidated
Cover	**9.30.08**
Fire/Lightning/Explosion of any type	85,000
Electrical damages	1,000
Riots	1,000
Windstorm/Smoke with Vehicle Impact	3,000
Civil liability - Operations	2,500
Civil liability - Employer	2,500
Loss of Profits - Windstorm with Impact	12,000
Loss of Profits - Basic	12,000

25. Directors' Fees

Fees for the Board of Directors totaled R$ 386 in the third quarter of 2008 (R$ 373 in September 2007). The Annual General Meeting of stockholders held on April 28, 2008 approved a maximum overall director's compensation of R$ 4,320 for the current year.

26. Financial Instruments

The Company does not have any swap agreements or any transactions with characteristics of financial derivatives. Company policy is not to carry out transactions of this nature.

The method and assumptions used by the Company in the calculation of the fair value of its financial instruments are as follows:

Cash and cash equivalents - the carrying amounts approximate market values;

Loans and financing - as shown in Note 14, the transactions are subject to various indexes and interest rates. Management does not believe that unexpected gains or losses could arise on such transactions as they were contracted under conditions similar to market conditions.

The foreign currency debt is equivalent to approximately 8 months of exports using the average for the year. Since most foreign currency loans have long-term maturities, the foreign exchange gain during the payment period is close to the debt service costs, with a natural hedge of the cash flow.

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

Exchange risk:

	Consolidated	
	9.30.08	**6.30.08**
Trade accounts receivable	25,732	26,957
Marketable securities	5,515	2,686
Investments in subsidiaries	(15,847)	(8,608)
Suppliers	(4,302)	(6,100)
Loans and financing	(75,671)	(66,459)
Net exposure	(64,573)	(51,524)

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

27. Statement of Cash Flows

	Parent company		Consolidated	
	3rd Quarter 2008	3rd Quarter 2007	3rd Quarter 2008	3rd Quarter 2007
Cash Flows from Operating Activities				
Loss for the quarter	(7,436)	(23,326)	(7,209)	(23,626)
Adjustments to reconcile net loss for the quarter to net cash from operating activities:				
Minority interest	-	-	2	103
Depreciation and amortization	4,573	4,615	4,683	4,726
Residual value of property, plant and equipment disposals	39	32	218	626
Allowance for doubtful accounts	(192)	(24)	(94)	329
Equity in the loss of subsidiaries	2,673	725	-	-
Exchange gain or loss on investments	2,391	65	2,391	65
Provision (reversal) for reduction of inventories to market value	5	587	5	587
Other provisions	-		-	
Financial charges and exchange variations on balances with related parties, financing, loans and tax liabilities	(6,303)	22,122	(2,194)	25,163
Deferred income tax and social contribution on net income	(94)	40	(94)	21
(Increase) decrease in operating assets				
Trade accounts receivable	1,928	(4,085)	(1,504)	(2,001)
Inventories	(4,316)	5,362	(643)	8,427
Other current assets	(1,329)	(2,664)	(1,508)	(3,209)
Non-current assets	257	(6,441)	55	(6,383)
Increase (decrease) in operating liabilities				
Suppliers	(1,111)	(4,384)	(808)	(5,853)
Taxes payable in installments	(1,676)	9,764	(1,741)	9,724
Taxes payable	(2,276)	(5,133)	(1,058)	(5,024)
Payroll and related charges	1,079	545	952	618
Other accounts payable	6,038	2,809	4,634	1,180
Net cash provided by (used in) operating activities	(5,750)	607	(3,913)	5,473
Cash Flows from Investing Activities				
Purchases of property, plant and equipment and additions to deferred charges	(11,866)	(1,227)	(11,866)	(1,473)
Net cash used in investing activities	(11,866)	(1,227)	(11,866)	(1,473)
Cash Flows from Financing Activities				
New loans and financing	75,814	28,343	91,958	93,717
Capital payment	-	938	-	938
Payment of loans and financing	(57,017)	(30,967)	(74,577)	(98,327)
Payment of intercompany payables	(43)	(974)	(43)	(115)

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

	Parent company		Consolidated	
	3rd Quarter 2008	**3rd Quarter 2007**	**3rd Quarter 2008**	**3rd Quarter 2007**
Net cash provided by (used in) financing activities	18,754	(2,660)	17,338	(4,787)
Increase (decrease) in Cash and Cash Equivalents	1,138	(3,280)	1,559	(787)
Cash and Cash Equivalents				
Opening balance	1,490	5,340	1,809	5,506
Closing balance	2,628	2,060	3,368	4,719
Increase (decrease) in Cash and Cash Equivalents	1,138	(3,280)	1,559	(787)
Supplementary Information				
Interest paid in the quarter	3,276	6,364	3,413	6,581
Income tax and social contribution on net income paid in the quarter	1,871	-	3,108	657

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05.01 - Comments on Company Performance During the Quarter

See comments on the Consolidated performance for the 3rd quarter, since it substantially reflects the Parent Company performance.

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06.01 - Consolidated Balance Sheet - Assets (R$ thousand)

1 - Code	2 - Description	3 - 9/30/2008	4 - 6/30/2008
1	Total assets	446,719	433,775
1.01	Current assets	158,544	153,332
1.01.01	Cash and banks	3,368	1,809
1.01.02	Receivables	82,617	79,935
1.01.02.01	Customers	76,684	75,180
1.01.02.02	Sundry receivables	5,933	4,755
1.01.02.02.01	Marketable securities	5,933	4,755
1.01.03	Inventories	61,698	61,055
1.01.04	Other	10,861	10,533
1.01.04.01	Advances to suppliers	3,173	3,316
1.01.04.02	Taxes recoverable	5,955	5,333
1.01.04.03	Dividends receivable	0	0
1.01.04.04	Prepaid expenses	512	782
1.01.04.05	Other	1,221	1,102
1.02	Non-current assets	288,175	280,443
1.02.01	Long- term receivables	111,326	110,094
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Receivables from related parties	93,840	92,555
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	93,840	92,555
1.02.01.03	Other	17,486	17,539
1.02.01.03.01	Judicial deposits	757	1,236
1.02.01.03.02	Deferred tax credits	6,694	6,508
1.02.01.03.03	Loans to employees	0	0
1.02.01.03.04	Properties for sale	208	156
1.02.01.03.05	Receivables from Eletrobrás	8,715	8,482
1.02.01.03.06	Other	1,112	1,157
1.02.02	Permanent assets	176,849	170,349
1.02.02.01	Investments	209	263
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	0	0
1.02.02.01.04	In subsidiaries - goodwill	0	0
1.02.02.01.05	Other Investments	209	263
1.02.02.01.06	Compulsory loan	0	0
1.02.02.02	Property, plant and equipment	173,070	165,460
1.02.02.03	Intangible assets	3,211	3,629
1.02.02.04	Deferred charges	359	997

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06.02 - Consolidated Balance Sheet - Liabilities and Stockholders' Equity (R$ thousand)

1 - Code	2 - Description	3 - 9/30/2008	4 - 6/30/2008
2	Total liabilities	446,719	433,775
2.01	Current liabilities	222,547	210,616
2.01.01	Loans and financing	104,158	94,736
2.01.02	Debentures	0	0
2.01.03	Suppliers	61,404	62,211
2.01.04	Taxes, fees and contributions	21,099	22,444
2.01.04.01	Taxes payable in installments	9,062	9,475
2.01.04.02	Taxes, fees and contributions	12,037	12,969
2.01.05	Dividends payable	0	0
2.01.06	Provisions	0	0
2.01.07	Debts with related parties	2,114	2,157
2.01.08	Other	33,772	29,068
2.01.08.01	Advances from customers	16,703	13,113
2.01.08.02	Labor and social security charges	11,442	10,490
2.01.08.03	Other	5,627	5,465
2.02	Non-current liabilities	200,112	191,888
2.02.01	Long-term liabilities	200,112	191,888
2.02.01.01	Loans and financing	32,314	24,357
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	10,286	9,316
2.02.01.04	Debts with related parties	1,063	1,717
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	156,449	156,498
2.02.01.06.01	Provision for income tax and social contribution on net income	17,846	17,980
2.02.01.06.02	Pension plan	3,721	3,808
2.02.01.06.03	Taxes payable in installments	23,879	25,206
2.02.01.06.04	Taxes payable	110,730	109,231
2.02.01.06.05	Other	273	273
2.02.02	Deferred income	0	0
2.03	Minority interest	(5)	(3)
2.04	Stockholders' equity	24,065	31,274
2.04.01	Paid-up capital	112,957	112,957
2.04.02	Capital reserves	267	267
2.04.03	Revaluation reserves	53,387	53,786
2.04.03.01	Own assets	53,387	53,786
2.04.03.02	Subsidiary/associated and similar companies	0	0
2.04.04	Revenue reserves	0	0
2.04.04.01	Legal	0	0
2.04.04.02	Statutory	0	0
2.04.04.03	For contingencies	0	0
2.04.04.04	Unrealized profits	0	0
2.04.04.05	Profit retention	0	0
2.04.04.06	Special for undistributed dividends	0	0
2.04.04.07	Other revenue reserves	0	0
2.04.05	Retained earnings/Accumulated deficit	(142,546)	(135,736)
2.04.06	Advance for future capital increase	0	0

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07.01 - Consolidated Statement of Operations (R$ thousand)

1 - Code	2 - Description	3 - 7/1/2008 to 9/30/2008	4 - 1/1/2008 to 9/30/2008	5 - 7/1/2007 to 9/30/2007	6 - 1/1/2007 to 9/30/2007
3.01	Gross sales and/or service revenues	142,765	384,037	122,216	365,981
3.02	Deductions from gross revenues	(29,310)	(79,327)	(22,485)	(61,644)
3.03	Net sales and/or service revenues	113,455	304,710	99,731	304,337
3.04	Cost of sales and/or services	(77,641)	(216,081)	(72,778)	(219,854)
3.05	Gross profit	35,814	88,629	26,953	84,483
3.06	Operating expenses/income	(39,996)	(81,921)	(48,355)	(111,310)
3.06.01	Selling	(20,193)	(52,985)	(19,558)	(55,488)
3.06.02	General and administrative	(4,292)	(13,386)	(5,477)	(13,933)
3.06.03	Financial	(13,387)	(22,409)	(3,875)	(15,183)
3.06.03.01	Financial income	(5,486)	44	3,565	12,689
3.06.03.01.01	Financial income	495	1,396	425	2,034
3.06.03.01.02	Foreign exchange variations, net	(5,981)	(1,352)	3,140	10,655
3.06.03.02	Financial expenses	(7,901)	(22,453)	(7,440)	(27,872)
3.06.04	Other operating income	1,835	18,073	432	646
3.06.05	Other operating expenses	(3,959)	(11,214)	(19,877)	(27,352)
3.06.05.01	Exchange loss on Investments	(2,391)	(1,786)	(65)	(222)
3.06.05.02	Other operating expenses	(1,568)	(9,428)	(19,812)	(27,130)
3.06.06	Equity in the earnings (loss) of subsidiaries	0	0	0	0
3.07	Operating profit (loss)	(4,182)	6,708	(21,402)	(26,827)
3.08	Non-operating income, net	(11)	(297)	(1,558)	(1,228)
3.08.01	Income	35	145	95	570
3.08.02	Expenses	(46)	(442)	(1,653)	(1,798)
3.09	Profit before taxation/profit sharing	(4,193)	6,411	(22,960)	(28,055)

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07.01 - Consolidated Statement of Operations (R$ thousand)

1 - Code	2 - Description	3 - 7/1/2008 to 9/30/2008	4 - 1/1/2008 to 9/30/2008	5 - 7/1/2007 to 9/30/2007	6 - 1/1/2007 to 9/30/2007
3.10	Provision for income tax and social contribution on net income	(3,108)	(6,164)	(657)	(1,482)
3.11	Deferred income tax	94	282	(21)	(10,695)
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 interest	(2)	(5)	12	57
3.15	Net income/loss for the period	(7,209)	524	(23,626)	(40,175)
	Number of shares (thousand), excluding treasury stock	159,009	159,009	150,009	150,009
	Net income per share - R$		0.00330		
	Loss per share - R$	(0.04534)		(0.14858)	(0.25266)

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08.01 - Comments on Consolidated Performance During the Quarter

Portobello S.A. (BOVESPA code: PTBL3), one of the largest companies in the Brazilian ceramic tile sector, listed in the traditional segment of BOVESPA since 1991 and in the New Market since April 30, 2008, presents its results of operations for the third quarter of 2008. The financial and operating information below is consolidated, in accordance with Brazilian Corporate Law, and the comparisons refer to the third quarter of 2007 (3Q07) and to the nine-month period of 2007 (9M07) unless otherwise indicated.

Message from the Board of Directors

The third quarter of 2008 was a period marked by important advances in the strategy to recover the Company's profitability. Management has been focusing with absolute priority on the implementation of measures to increase the profitability and operating efficiency of the Company. The cash generation in the period (Adjusted EBITDA without the effects of non-recurring events) of R$ 16 million increased 20% in relation to the same prior year period and represented 14% of net revenues, an increase of 1 percentage point. Sales of R$ 143 million and net revenues of R$ 113 million increased, respectively, 17% and 14% in relation to the same prior year period.

The results for the quarter have also been impacted by the acute recession in the real estate market in the United States, in which the subsidiary Portobello America, Inc. incurred a large loss. Since the end of 2007, management has been taking measures aiming at a large restructuring of operations in that market, including the closing of warehouses, which resulted in extraordinary non-recurring losses of about R$ 3 million in the quarter because of the liquidation of inventories. With the conclusion of the restructuring in progress, the Company expects to return to profitability in that market up to the end of the year. In the other export markets, the strategy includes increases in prices and the replacement of uncompetitive products with new more profitable ones. The consequence was a decrease of 26% in consolidated export sales to R$ 30 million, corresponding to 26% of the consolidated net revenues.

The domestic market, on the other hand, continued improving its profitability, with net revenues of R$ 84 million increasing 26% in the period, while the Brazilian civil construction market – finishing materials - grew 20% according to ABRAMAT. We highlight the performance of the Portobello franchise network that increased sales by 40% in the quarter and was responsible for 33% of the total, being the most profitable sales channel. The sales of the multibrand resale channel increased 26%, also higher than the market growth, and was responsible for 33% of total sales. The net revenues of the multibrand Resale Channel increased 15%, and represented 34% of domestic market revenues.

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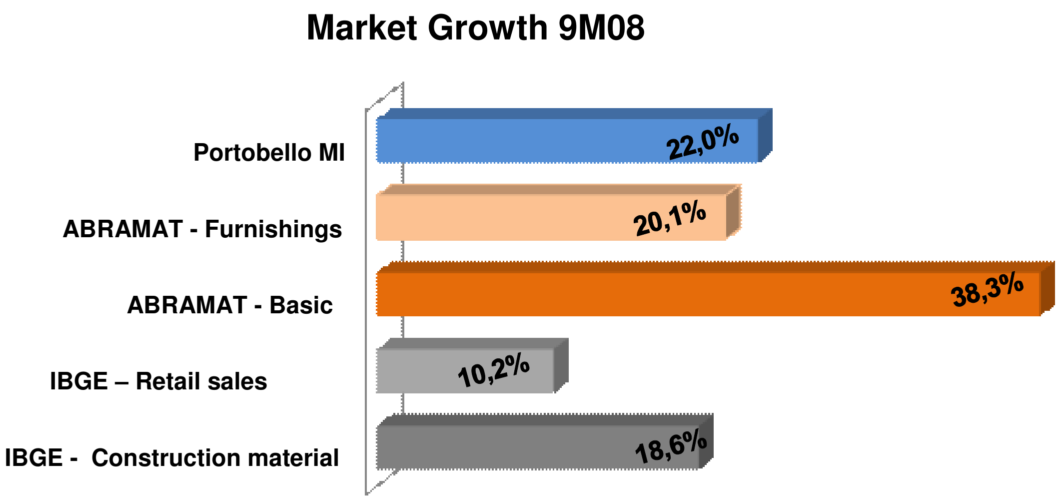
08.01 - Comments on Consolidated Performance During the Quarter



The Company concluded in the third quarter its program of capacity expansion resulting in an increase of 31% in relation to the existing capacity at the beginning of the year. The production capacity of technical porcelain was expanded, consolidating Portobello's leadership in this type of product in the Brazilian market, and the wall tile capacity has been expanded with the installation in May of a third production line. The other equipment for the expansion program was shipped from Italy in June for the assembly of another production line of enameled porcelain in the third quarter.

Financial expenses increased 6% compared with the same prior year period despite the growth of 2% in the balance of loans and financing. In the same period, financial income increased 16%. With the expressive devaluation of the exchange rate of the Brazilian real against the US dollar and euro in the quarter, the effect of the exchange variations on assets and liabilities in foreign currency was highly negative, exceeding R$ 8 million, the principal cause for the net loss of R$ 7 million in the quarter.

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08.01 - Comments on Consolidated Performance During the Quarter

Highlights

Fairs and Launches

In October, the Company participated in Cersaie, in Bologna, Italy, the largest fair of ceramic tiles in the world, in which it presented exclusive products. Among them, a highlight for the Goa and Bauhaus lines. The Goa line contemplates the smooth surface of Indian marble, with the *Soft Touch concept*, with a larger sensation of comfort and smoothness. Inspired in cement resin, Portobello presented the Bauhaus line, in the format 60x60 cm, to be used in the entire house.

Portobello also presented to the international market the launchings already shown in Brazil at Revestir 2008: the Onyx, Pietra di Belize and Ecoparquet lines. Further, the Company confirmed that it continues investing in large formats taking to Cersaie the 30x90 cm and 90x90 cm, in already highly regarded lines. In the 90X90 cm format, the highlights were Limestone, a tile inspired in the French limestone, the City, a line inspired in urban architecture and the Marmi, porcelain marble. The new products for wall 30x90 format were the lines that highlight the versatility of the color white and the creativity that may be exercised through this tone with the White Fashion, satined with contemporaneous textures, the White Chic, that exploits different drawings in off-white, and Glamour, especially developed to cover walls with glamour, in the colors Fog, Ice, Camel and Navy.

Awards

Best franchise in the category House, Decoration and Gifts, of the magazine Pequenas Empresas & Grandes Negócios; and “Most Highly Regarded Company on Ceramic Tiles in the Ranking of Concept and Image of the Industry, of the Grupo Revenda.

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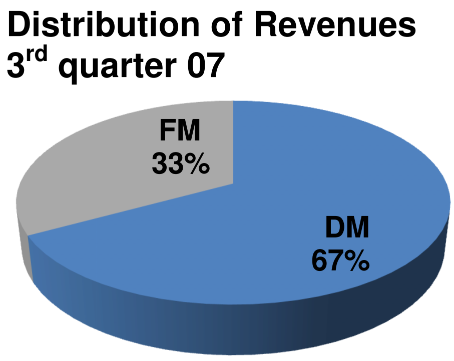
08.01 - Comments on Consolidated Performance During the Quarter

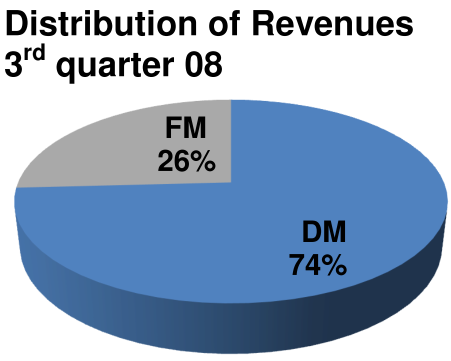
Distribution

The distribution strategy is based on five distinct channels with specific characteristics of products, services and commercial policy. Three of these channels are for the domestic market and two for the foreign market, including the American wholly-owned subsidiary.

Domestic Market: the distribution channels are: (i) multi-brands resale, responsible for the customers who are resellers of construction material that sell our products in the retail market; (ii) engineering, represented by specialized teams that serve civil construction companies and real estate development companies; and (iii) franchises that serve our customers in the retail market through franchised stores under the name Portobello Shop and Empório Portobello. With 104 stores located in 85 cities, it is the largest Brazilian network of stores specialized in ceramic tiles.

Foreign Market: comprises two channels, USA and Other Countries. In June 2007, the wholly-owned subsidiary Portobello America, Inc. had a staff of 120 employees that operated six warehouses spread throughout the United States. The Company decided to restructure/redimension the operation in the USA, and now only has one small warehouse with a staff of about 20 employees. Although the exports to Other Countries in the first six-month period were focused on the readjustment of prices in US dollars to compensate the depreciation of the American currency, as from September, with the appreciation of the US dollar, the focus was changed to increasing the volumes exported. This channel presented a decrease of 39% in volume and 12% in net revenues, but an increase of 28% in gross profit in relation to the third quarter of 2007.





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08.01 - Comments on Consolidated Performance During the Quarter

Sales Performance

The sales in the domestic market increased 13% in volume, 26% in net revenues and 34% in gross profit in comparison with the third quarter of 2007. The participation of the channels in the domestic market revenues is quite balanced and the three channels presented an increase in net revenues and sales volumes in comparison to the same 2007 period, with highlight to the Franchise channel, that is the most profitable one.

	3Q 06		3Q 07		3Q 08	
Sales Channel	Volume thousand m2	Net revenues	Volume thousand m2	Net revenues	Volume thousand m2	Net revenues
Enginnering	1,329	22,772	1,518	22,244	1,595	28,045
Resale	1,090	19,698	1,254	24,756	1,437	28,430
Portobello Shop	601	17,282	689	19,819	896	27,659
Export	1,622	46,206	1,292	32,912	788	29,321
Total	4,642	105,958	4,754	99,731	4,716	113,455

	9M06		9M07		9M08	
Sales Channel	Volume thousand m2	Net revenues	Volume thousand m2	Net revenues	Volume thousand m2	Net revenues
Enginnering	4,082	61,815	4,164	61,437	4,436	77,337
Resale	2,857	50,810	3,665	67,773	3,953	74,535
Portobello Shop	1,158	44,703	1,874	53,017	2,183	69,523
Export	5,279	178,382	3,865	122,110	2,861	83,315
Total	13,376	335,710	13,568	304,337	13,433	304,710

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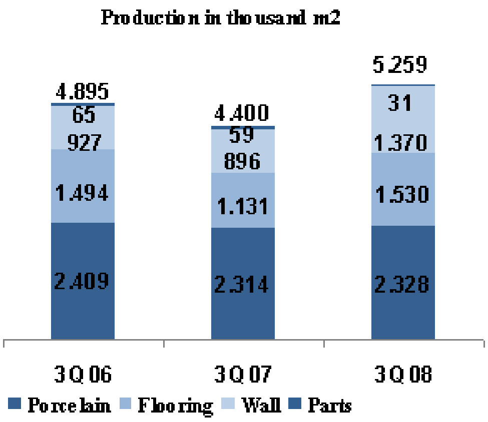
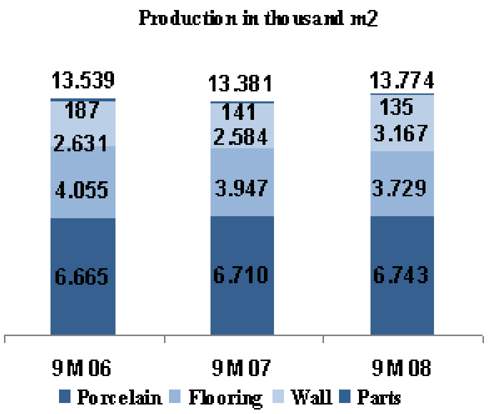
08.01 - Comments on Consolidated Performance During the Quarter

Operating Performance

The ceramic tiles production increased 19% in relation to the third quarter 2007, already reflecting part of the effect of the 2008 investment program that replaced two old lines of production for new equipment, more modern and more efficient. As the start of operation of this line occurred at the end of the quarter, the full effect of the capacity increase and cost reductions will only be felt as from the fourth quarter.





Analysis of Industrial Cost

	Average 2006	Average 2007	Average 9M08
Inputs	59.3%	59.8%	59.6%
Energy/Natural gas	20.4%	20.1%	19.7%
Labor	13.1%	13.4%	13.8%
Depreciation	7.2%	6.6%	6.9%
Total	**100.0%**	**100.0%**	**100.0%**

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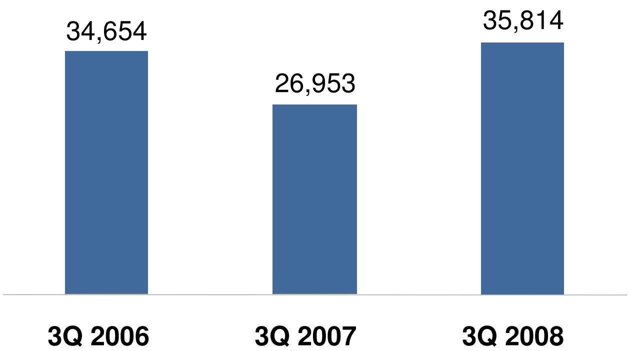
The added capacity permitted the launching of new product lines with more competitive prices to meet the demand of the civil construction companies for furnishings for properties for classes B and C.

The cost of products sold increased 7% in the quarter in comparison with the prior year due to the higher mix of products sold in 2008, since we had higher sales with the same volume as the prior year quarter. In this same period, net revenues increased 14% and the gross margin increased from 27% to 32%.

The gross profit for the third quarter reached R$ 36 million representing a gross margin of 32%, an increase of R$ 9 million and a gain of five percentage points in relation to the same prior year period. The main factors that positively influenced the GOP were a higher mix of sales, more productivity in the quarter and the increase in the US dollar price of exports.

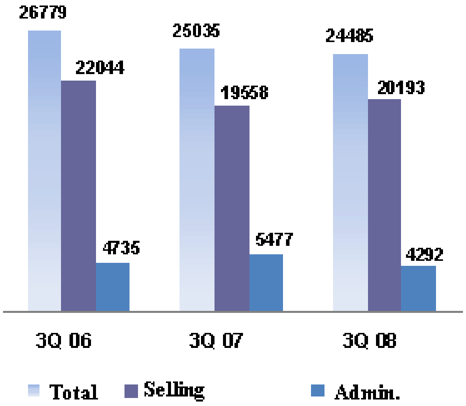
Gross Operating Profit

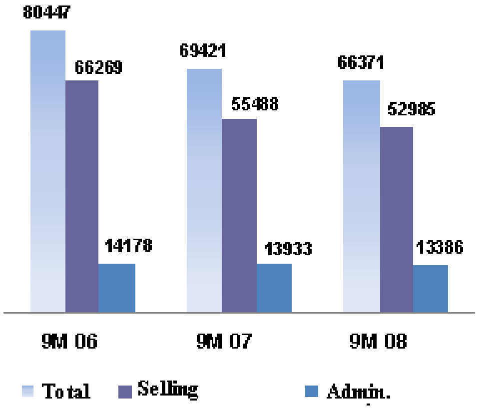


The Company continues to endeavor to reduce costs and expenses. As a result of this effort, the Company has succeeded in presenting significant percentage reductions in its expenses every quarter.

08.01 - Comments on Consolidated Performance During the Quarter

Selling and Administrative Expenses





Selling expenses totaled R$ 20 million in the third quarter of 2008, 3% above the same period of 2007. Despite the nominal increase, these expenses represented 18% of net revenues, a decrease of almost two percentage points when compared to the same prior year period. The increase in expenses arises mainly from the increase in sales which contributed to the increase in variable selling expenses and for the restructuring costs incurred in the quarter in Portobello America in the approximate amount of R$ 3 million. The Company expects to achieve, after concluding the restructuring of Portobello America in the fourth quarter of 2008, a monthly savings of approximately R$ 1 million in this caption.

Administrative expenses totaled R$ 4 million and represented 4% of net revenues, a reduction of R$ 1 million in relation to the same quarter of the prior year when administrative expenses represented 5% of net revenues. The decrease in expenses is the result of strong expenditure controls.

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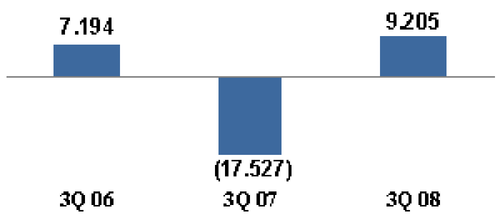
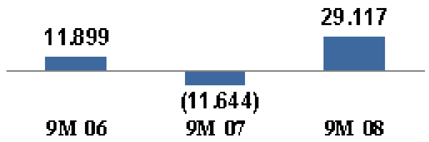
Other Operating Revenues amounted to R$ 2 million in the quarter due to the monetary restatement of the balance receivable from Eletrobrás arising from the lawsuit filled for the reimbursement of the compulsory loan as described in Notes 8 and 22, and for the reversals of costs of returns that proved to be incorrect.

Other Operating expenses amounted to R$ 4 million in the quarter, basically represented by the exchange loss of R$ 2 million in investments in subsidiaries (Portobello America).

EBIT - The earnings before interest and taxes of R$ 9 million in the quarter, represented a margin of 8% on net revenues and was R$ 27 million higher than the operating loss of R$ 18 million recorded in the same period of the prior year. The negative result in 2007 is mainly due to the recognition of about R$ 20 million in provisions for IPI and IR credit premium, as described in Notes 8 and 22.

Earnings Before Interest and Taxes





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08.01 - Comments on Consolidated Performance During the Quarter

Operating Cash Generation (EBITDA)

R$'000	3Q 06	3Q 07	3Q 08	9M06	9M07	9M08
Net income (loss) for the period	(4,103)	(23,626)	(7,209)	(19,019)	(40,175)	524
(+)Financial result, net	11,646	3,875	13,387	29,326	15,183	22,409
(+) Depreciation, amortization and depletion	5,351	4,835	4,683	16,054	14,506	13,909
(+) Income tax and Social contribution	9	(21)	3,014	900	12,177	5,882
(+) Minority interest	-	(12)	2	4	(57)	5
(+) Non-operating loss	467	1,558	11	688	1,228	297
(=) EBITDA	13,370	(13,391)	13,888	27,953	2,862	43,026
Other non-recurring operating revenues (a)						14,415
Other non-recurring operating expenses (b)		26,932			26,932	3,644
Exchange loss on Investments (c)	(27)	65	2,391	466	222	1,786
(=) ADJUSTED EBITDA (*)	13,343	13,606	16,279	28,419	30,016	34,041

(a) Amount cited in Notes 8 and 22 of the Quarterly Information(ITR) of September 2008;

(b) Amounts cited in Note 17 of the Quarterly Information(ITR) of June 2008 and in the Management Comment disclosed with the financial statements for 2007.

(c) Amount cited in Note 22 of the Quarterly Information(ITR) of September 2008

(*) ADJUSTED EBITDA: THE ADJUSTED EBITDA comprises the operating result plus the net financial (income) expenses and depreciation and amortization, less non-recurring effects, because we understand that such result is not linked to the business cycle of the Company. The non-recurring revenues are mentioned in Notes 8 and 22 and refer to ELETROBRÁS Compulsory Loans. The non-recurring expenses refer to tax assessment notices and the recognition of tax liabilities of prior years. The exchange loss refers to the foreign exchange variation on the net equity of the subsidiary Portobello America Inc. THE ADJUSTED EBITDA IS NOT a measure of the financial performance according to the accounting practices adopted in Brazil, nor should it be considered separately, or as an alternative to net income, as a measure of operating performance, or alternative to operating cash flows, or as a liquidity measure. THE ADJUSTED EBITDA IS NOT affected by restructuring of debt, fluctuations in interest rates, changes of tax burden or levels of depreciation and amortization.

The accumulated Operating Cash Generation **("ADJUSTED EBITDA")** for the year was R$ 34 million and represented 11% of net revenues, 13% higher than the same prior year period, already considering the adjustments stated in the prior chart.

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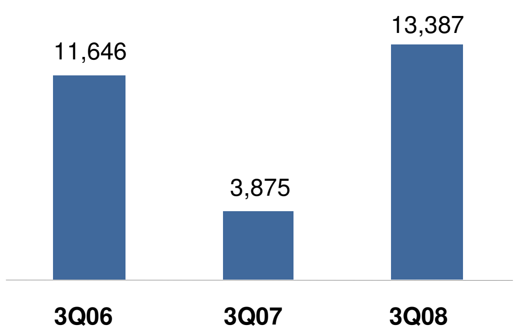
08.01 - Comments on Consolidated Performance During the Quarter

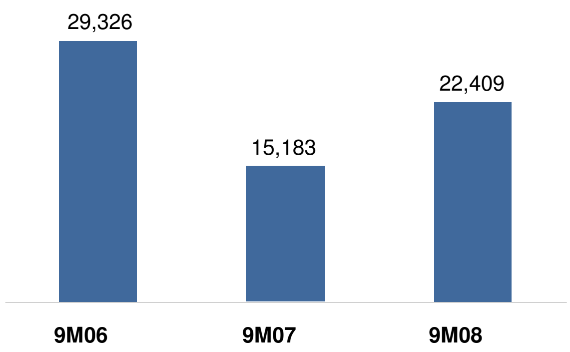
Financial Income and Expenses

The net negative financial result of R$ 13 million was R$ 10 million higher than the third quarter in the prior year. The increase in financial expenses is mainly due to two factors: increase of R$ 25 million in the financial indebtedness for this quarter in comparison to the same period of 2007 and a difference of R$ 9 million of foreign exchange variations in the two quarters compared, R$ 6 million of which are exchange losses in the 2008 quarter compared to R$ 3 million of exchange gains in the 2007 quarter. The accumulated net financial result for the year was an expense of R$ 22 million, 47% higher than the one in the same prior year period.

Net Financial Expenses (R$ thousand)



Net Financial Expenses



Loans and Financing

The balance of R$ 136 million in loans and financing at September 30, 2008 shows an increase of 15% in relation to June 30, 2008 and an increase of 23% in relation to September 30, 2007. The loans and financing denominated in US dollars amounted to US$ 40 million at September 30, 2008, 5% less than at June 30 of this year and 32% less than at September 30, 2007.

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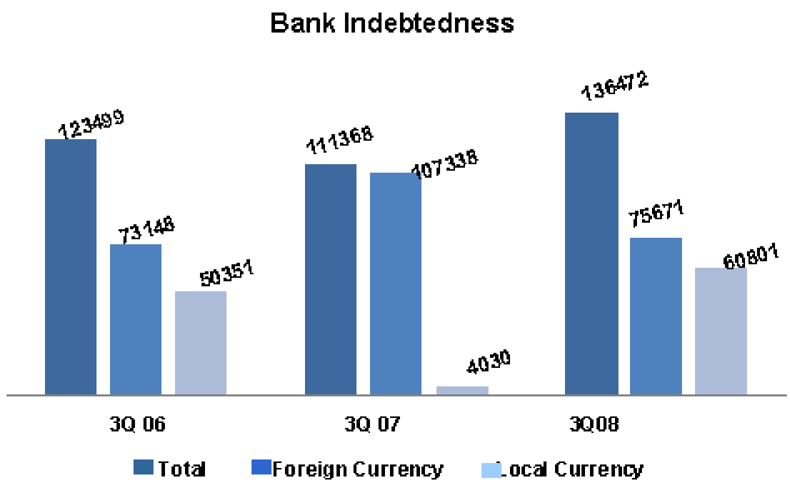

BANK INDEBTEDNESS

FOREIGN CURRENCY LOCAL CURRENCY

The debt in foreign currency (net exposure) is equivalent to about 8 months of exports based on the average for the year. Since almost all the loans in foreign currency are long-term, the foreign currency revenues over the payment period is approximately equivalent to the debt service, therefore, a natural hedge in the cash flow.

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08.01 - Comments on Consolidated Performance During the Quarter

Exchange Exposure Risk

	9.30.08	6.30.08	9.30.07
Accounts receivable	25,732	26,957	37,100
Marketable securities	5,515	2,686	0
Investments in subsidiaries	(15,847)	(8,608)	(840)
Suppliers	(4,302)	(6,100)	(4,343)
Loans and financing	(75,671)	(66,459)	(107,338)
Net exposure	(64,573)	(51,524)	(75,421)

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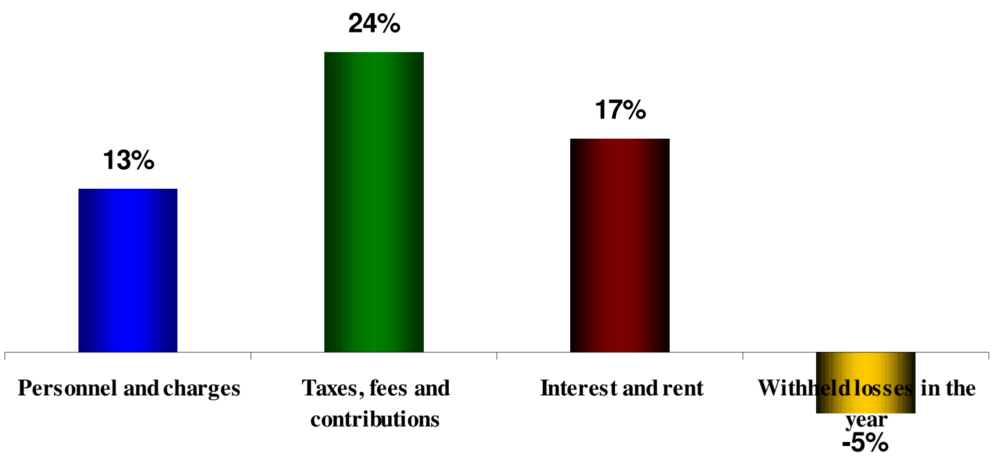
08.01 - Comments on Consolidated Performance During the Quarter

Added Value

The statement of added value is as follows:

ORIGIN/DESTINATION	%
Sales price	100
Inputs	51
Added value	49
Depreciation/Amortization	(4)
Added value received in transfer (financial income)	4
Added value to be distributed	49
To Employees (salaries, benefits and charges)	13
To Government (taxes, fees and contributions)	24
To Third party capital (interest and rent)	17
To the Company (Profits)	(5)

Statement of Added Value - 3Q2008



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08.01 - Comments on Consolidated Performance During the Quarter

The Company Management comprises the following members:

Executive Board

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

Board of Directors

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

Accountant

Geraldo Leonel Estevam da Silveira - CRC PR 040698/O -9 T SC

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16.01 - OTHER INFORMATION CONSIDERED SIGNIFICANT BY THE COMPANY

Stockholders with more than 5% of Each Type and Class of Share - ITR

Holding of Stockholders with more than 5% of Each Type and Class of Share, Down to Individual Holdings

Portobello S.A.	Position at 9/30/2008 (In thousand shares)			
	Common Shares		TOTAL	
Stockholder	**Number**	**%**	**Number**	**%**
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
International Finance Corporation (IFC)	10,457,926	6.58	10,457,926	6.58
Eduardo Ramos Gomes	10,850,364	6.82	10,850,364	6.82
Paulo Bastos Gomes	11,209,897	7.05	11,209,897	7.05
Funds managed by Fama Fundo de Investimentos em Ações	16,085,317	10.12	16,085,317	10.12
Valério Gomes Neto	9,362,780	5.89	9,362,780	5.89
Maria Gertrudes da Luz Gomes	8,987,465	5.65	8,987,465	5.65
Other	40,313,596	25.35	40,313,596	25.35
Total	159,008,924	100.00	159,008,924	100.00

1 - The stockholder International Finance Corporation is based overseas.

2 - The funds managed by Fama Fundo de Investimentos em Ações comprise several funds, none with a holding in excess of 5% of the total shares.

Holdings of Majority Stockholders, Management and Outstanding Shares

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16.01 - OTHER INFORMATION CONSIDERED SIGNIFICANT BY THE COMPANY

Consolidated Stockholding Position of the Majority Stockholders, Management and Outstanding Shares
Position at 09/30/2008

Portobello S.A.	**Position at 9/30/2008 (In thousand shares)**			
	Common Shares		**TOTAL**	
Stockholder	**Number**	**%**	**Number**	**%**
Controlling stockholder	55,256,991	34.75	55,256,991	34.75
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 stockholders	103,662,768	65.20	103,662,768	65.20
Total	159,008,924	100.00	159,008,924	100.00
Outstanding shares	103,662,768	65.20	103,662,768	65.20

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 solve, through arbitration before 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, related or originated especially from the application, validity, efficiency, interpretation, violation, and their effects, of the provisions comprised in Corporate Law, in the Company's by-laws, in the regulations issued by the National Monetary Council, by the Brazilian Central Bank and by the Brazilian Securities Commission, as well as in other regulations applicable to the capital markets in general, besides those comprised in the Regulations of the New Market, the Regulations of the Chamber of the Market Arbitration and the Contract for Participation in the New Market.

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17.01 - REPORT ON THE SPECIAL REVIEW - WITHOUT EXCEPTIONS

Portobello S.A. and Subsidiaries

Report of Independent Accountants on Review of Quarterly Information (ITR) September 30, 2008

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17.01 - REPORT ON THE SPECIAL REVIEW - WITHOUT EXCEPTIONS

Report of Independent Accountants on Review

To the Board of Directors and Stockholders
Portobello S.A.
Tijucas - SC

1 We have reviewed the accounting information included in the individual and consolidated Quarterly Information (ITR) of Portobello S.A. for the quarter ended September 30, 2008, comprising the balance sheet, the statements of operations and of cash flows ,the performance report and the explanatory notes. 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 the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of the Company.

3 Based on our review, we are not aware of any material modifications that should be made to the accounting information included in the Quarterly Information referred to above in order that it be stated in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information, including CVM Instruction 469/08.

4 The Company has current liabilities in excess of current assets at September 30, 2008 in the amount of R$ 63,630 thousand (R$ 64,003 thousand in the consolidated information). As described in Note 1, management has been implementing actions to modify the operating and financial conditions in order to improve profit margins, extend debt payments, reduce interest rates and obtain grace periods for payment, as well as the modernization of two production lines to reduce industrial costs, completed in September 2008, to obtain more

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17.01 - REPORT ON THE SPECIAL REVIEW - WITHOUT EXCEPTIONS

productivity and increase the installed capacity. The Quarterly Information has been prepared and is being presented assuming that the Company will continue as a going concern, supported by the effectiveness of the corporate projections.

5 As mentioned in Note 2, Law 11638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law amended, revoked and introduced new provisions to Law 6404 (Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Although this law is already effective, some of the changes introduced by it depend on regulations to be issued by the regulatory agencies for them to be implemented by the companies. Accordingly, during this phase of transition, the CVM, through its Instruction 469/08, did not require the implementation of all the provisions of Law 11638 in the preparation of Quarterly Information. As a result, the accounting information included in the Quarterly Information for the quarter ended September 30, 2008 was prepared in accordance with specific CVM instructions and does not contemplate all the changes in accounting practices introduced by Law 11638.

6 The Quarterly Information (ITR) mentioned in the first paragraph also includes comparative accounting information for the quarter and nine-month periods ended September 30, 2007. The limited review of the Quarterly Information (ITR) at that date was conducted by other independent accountants who issued a report thereon dated November 22, 2007, including: (i) an exception for the incorrect classification of debt of R$ 34,479 thousand in long-term liabilities, when it should have been classified in current liabilities due to non-compliance with certain restrictive contract clauses. Subsequently, the Company obtained temporary agreement from the creditor to remedy the circumstances which required prepayment of the debt, (ii) an emphasis paragraph on the continuity of operations similar to paragraph 4 of this report. Also, we have reviewed the balance sheets of Portobello S.A. (individual and consolidated) at June 30, 2008, presented for comparison purposes, and issued a report thereon dated June 30, 2008, with an emphasis paragraph on the continuity of operations similar to paragraph 4 of this report.

Joinville, November 10, 2008

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

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

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19.01 – DESCRPTION OF CHANGES IN INFORMATION

Spontaneous presentation of the group 16 (16.01) - Other information considered significant by the Company, i.e., the shareholding position at 9/30/2008.

Spontaneous presentation of the group 16 (16.01) - Other information considered significant by the Company, i.e., the shareholding position at 9/30/2008 in units.

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