Portobello

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Portobello S.A.

Quarterly information (ITR) at March 31, 2012 and report on review of quarterly information

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Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Portobello S.A., included in the Quarterly Information (ITR) Form for the quarter ended March 31, 2012, comprising the balance sheet as at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Portobello S.A.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, May 10, 2012

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

Mario Miguel Tomaz Tannhauser Junior
Contador CRC 1SP217245/O-8 "S" SC

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Information

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1. General Information

Corporate name	PORTOBELLO S/A
Date of adoption of the corporate name	12/17/1998
Type	Publicly-held Corporation
Previous corporate name	CERÂMICA PORTOBELLO S/A
Date of establishment	12/22/1977
Federal Corporate Taxpayers' Registration Number (CNPJ)	83.475.913/0001-91
Brazilian Securities Commission (CVM) code	1377-3
CVM registration date	1/4/1991
CVM registration status	Active
Date of effectiveness of status	1/4/1991
Home country	Brazil
Country in which the securities are held in custody	Brazil

Other countries in which the securities can be traded

Country	Date of admission

Activity sector	Civil Construction, Construction Materials and Decoration
Description of activities	Manufacture and sale of ceramic tiles
Issuer category	Category A
Date of registration in the current category	1/1/2010
Issuer status	Operating
Date of effectiveness of status	1/4/1991
Type of ownership control	Private
Date of last change in ownership control	12/22/1977
Date of last change of the fiscal year	12/31/2009
Month/day of the end of the fiscal year	12/31
Issuer's website on the Internet	www.portobello.com.br

Newspapers in which the issuer discloses its information

Name of newspapers in which the issuer discloses its information	State
Valor Econômico	SP
Diário Catarinense	SC
Diário Oficial do Estado	SC

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2. Address

Mail address	Rodovia BR 101 Km 163, Centro, Tijucas, SC, Brasil, CEP 88200-000, Telephone (48) 32792222, Fax (48) 32792223, E-mail dri@portobello.com.br
Headquarters' address	Rodovia BR 101 Km 163, Centro, Tijucas, SC, Brasil, CEP 88200-000, Telephone (48) 32792222, Fax (48) 32792223, E-mail dri@portobello.com.br

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4. Auditor

Does the Issuer have an auditor?	YES
CVM code	287-9
Type of auditor	Brazilian firm
Name/Corporate name	PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES
Individual Taxpayers' Registration Number (CPF)/ Federal Corporate Taxpayers' Registration Number (CNPJ)	61.562.112/0014-45
Period of services	1/1/2008

Partner responsible	Period of services	CPF
Mario Miguel Tomaz Tannhauser Junior	7/1/2011	149.917.078-54

5. Share Registrar

Does the company have a provider?	YES
Corporate name	BANCO ITAU S/A
CNPJ	60.701.190/0001-04
Period of services	11/21/1991
Service address	Rua: Boa Vista, nº 176, Centro, São Paulo, SP, Brasil, CEP 01014-000, Telephone (011) 32473138

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6. Investor Relations Officer or Equivalent

Name	Rildo Pinheiro
	Investor Relations Officer
CPF/CNPJ	421.278.079-87
Mail address	Rodovia BR 101, Km 163, Centro, SC, Brasil, CEP 88200-000, Telephone (48) 32792201, Fax (48) 32792223, E-mail dri@portobello.com.br
Date when the person assumed the position	9/20/2011
Date when the person left the position	

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Company information / Capital composition

Number of shares (In thousands)	Current quarter 3/31/2012
Paid-up capital	
Common shares	159,009
Preferred shares	0
Total	159,009
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

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Parent company financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2012	Prior year 12/31/2011
1	Total assets	615,104	611,465
1.01	Current assets	243,890	249,105
1.01.01	Cash and cash equivalents	5,297	8,091
1.01.03	Trade receivables	106,856	104,303
1.01.03.01	Customers	106,856	104,303
1.01.04	Inventories	88,628	90,553
1.01.06	Taxes recoverable	1,420	2,081
1.01.06.01	Current taxes recoverable	1,420	2,081
1.01.06.01.01	Income tax and social contribution recoverable	0	699
1.01.06.01.02	Other current taxes recoverable	1,420	1,382
1.01.07	Prepaid expenses	698	399
1.01.08	Other current assets	40,991	43,678
1.01.08.03	Other	40,991	43,678
1.01.08.03.01	Dividends receivable	0	477
1.01.08.03.02	Receivables from subsidiaries	37,306	38,405
1.01.08.03.03	Advances to suppliers	2,111	2,894
1.01.08.03.04	Other	1,574	1,902
1.02	Non-current assets	371,214	362,360
1.02.01	Long-term receivables	183,749	179,712
1.02.01.06	Deferred taxes	25,320	25,280
1.02.01.06.01	Deferred income tax and social contribution	25,320	25,280
1.02.01.08	Receivables from related parties	99,589	97,508
1.02.01.08.02	Receivables from subsidiaries	3,831	3,728
1.02.01.08.04	Receivables from other related parties	95,758	93,780
1.02.01.09	Other non-current assets	58,840	56,924
1.02.01.09.03	Judicial deposits	8,271	7,924
1.02.01.09.04	Receivables from Eletrobrás	32,417	31,059
1.02.01.09.05	Taxes recoverable	1,669	1,762
1.02.01.09.06	Tax assets	12,127	11,823
1.02.01.09.07	Actuarial assets	3,837	3,837
1.02.01.09.08	Other	519	519
1.02.02	Investments	3,915	678
1.02.02.01	Equity investments	3,915	678
1.02.02.01.02	Investments in subsidiaries	3,717	480
1.02.02.01.04	Other investments	198	198
1.02.03	Property, plant and equipment	176,871	177,312
1.02.04	Intangible assets	6,679	4,658

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Parent company financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2012	Prior year 12/31/2011
2	Total liabilities and equity	615,104	611,465
2.01	Current liabilities	273,944	279,357
2.01.01	Social and labor obligations	16,331	15,868
2.01.02	Trade payables	95,544	97,488
2.01.03	Tax obligations	28,744	24,555
2.01.03.01	Federal tax obligations	28,744	24,555
2.01.03.01.01	Income tax and social contribution payable	1,346	63
2.01.03.01.02	Tax liabilities payable in installments	21,004	20,731
2.01.03.01.03	Taxes and contributions	6,394	3,761
2.01.04	Loans and financing	70,796	79,600
2.01.04.01	Loans and financing	70,796	79,600
2.01.05	Other liabilities	23,899	22,276
2.01.05.02	Other	23,899	22,276
2.01.05.02.04	Advances from customers	15,313	17,245
2.01.05.02.07	Dividends advanced	1,580	0
2.01.05.02.08	Other	7,006	5,031
2.01.06	Provisions	38,630	39,570
2.01.06.02	Other provisions	38,630	39,570
2.01.06.02.04	Provision for loss on investment	37,478	38,582
2.01.06.02.05	Provisions for contingencies	1,152	988
2.02	Non-current liabilities	247,111	250,318
2.02.01	Loans and financing	35,753	39,354
2.02.01.01	Loans and financing	35,753	39,354
2.02.02	Other liabilities	123,513	126,354
2.02.02.02	Other	123,513	126,354
2.02.02.02.04	Private pension plan	3,033	3,118
2.02.02.02.05	Tax liabilities payable in installments	120,480	123,236
2.02.03	Deferred taxes	41,301	40,973
2.02.03.01	Deferred income tax and social contribution	41,301	40,973
2.02.04	Provisions	46,544	43,637
2.02.04.02	Other provisions	46,544	43,637
2.02.04.02.04	Provision for loss on investment	4,620	4,620
2.02.04.02.05	Provisions for contingencies	41,924	39,017
2.03	Equity	94,049	81,790
2.03.01	Paid-up capital	112,957	112,957
2.03.02	Capital reserves	267	267
2.03.05	Retained earnings (accumulated deficit)	-62,189	-73,738
2.03.08	Other comprehensive income	43,014	42,304

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Parent company financial statements / statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
3.01	Sales and/or services revenue	139,384	118,781
3.02	Cost of sales and/or services	-99,667	-88,581
3.03	Gross profit	39,717	30,200
3.04	Operating expenses/income	-20,530	-24,499
3.04.01	Selling expenses	-19,107	-17,951
3.04.02	General and administrative expenses	-4,348	-3,172
3.04.04	Other operating income	1,912	1,151
3.04.04.01	Other operating income	3,172	1,151
3.04.04.02	Other gains (losses), net	-1,260	0
3.04.05	Other operating expenses	-2,224	-6,939
3.04.05.01	Other operating expenses	-2,224	-6,009
3.04.05.02	Other gains (losses), net	0	-930
3.04.06	Equity in the earnings of subsidiaries	3,237	2,412
3.05	Profit before finance result and taxes	19,187	5,701
3.06	Finance result	-3,926	-4,453
3.06.01	Finance income	5,499	5,253
3.06.01.01	Finance income	4,263	4,263
3.06.01.02	Foreign exchange variations, net	1,236	990
3.06.02	Finance costs	-9,425	-9,706
3.06.02.01	Finance costs	-9,425	-9,706
3.07	Profit before taxation	15,261	1,248
3.08	Income tax and social contribution on net income	-4,106	375
3.08.01	Current	-3,818	-315
3.08.02	Deferred	-288	690
3.09	Profit for the period from continuing operations	11,155	1,623
3.11	Profit for the period	11,155	1,623
3.99	Earnings per share - (Reais / share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common share	0.07015	0.01021
3.99.02	Diluted earnings per share		
3.99.02.01	Common share	0.07015	0.01021

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Parent company financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
4.01	Profit for the period	11,155	1,623
4.02	Other comprehensive income	710	366
4.02.01	Realization of revaluation reserve	-394	-395
4.02.02	Exchange variation of subsidiary located abroad	1,104	761
4.03	Total comprehensive income for the period	11,865	1,989

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Parent company financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Current quarter - 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
6.01	Net cash provided by (used in) operating activities	12,836	-2,047
6.01.01	Cash provided by operating activities	24,750	7,411
6.01.01.01	Profit/loss for the period before taxation	15,261	1,248
6.01.01.02	Depreciation and amortization	4,025	3,933
6.01.01.03	Equity in the earnings of subsidiaries	-3,237	-2,412
6.01.01.04	Unrealized foreign exchange variations	281	246
6.01.01.05	Provision of inventories to market value	85	-705
6.01.01.06	Provision for doubtful trade receivables	63	-335
6.01.01.07	Provision for contingencies	1,958	-137
6.01.01.08	Provision for labor liabilities	1,145	1,158
6.01.01.09	Provision for profit sharing	1,506	0
6.01.01.10	Other provisions	305	602
6.01.01.11	Other operating income (expenses), net	-116	-5
6.01.01.12	Restatement of Eletrobrás compulsory loan	-1,358	-1,324
6.01.01.13	Restatement of tax assets	-304	-281
6.01.01.14	Restatement of receivables from other related parties	-1,974	-2,262
6.01.01.15	Finance charges on tax liabilities payable in installments	2,928	3,874
6.01.01.16	Discount of provision for contingencies	1,113	256
6.01.01.17	Provision for interest on loans	2,216	3,575
6.01.01.18	Other	853	-20
6.01.02	Changes in assets and liabilities	-7,415	-4,727
6.01.02.01	(Increase)/decrease in trade receivables	-2,964	5,627
6.01.02.02	Increase/(decrease) in advances from customers	-1,821	396
6.01.02.03	(Increase)/decrease in marketable securities	0	191
6.01.02.04	(Increase)/decrease in inventories	1,840	-5,612
6.01.02.05	(Increase)/decrease in other assets	-8	-102
6.01.02.06	(Increase)/decrease in judicial deposits	-345	-55
6.01.02.07	(Increase)/decrease in non-current assets	117	-53
6.01.02.08	Increase/(decrease) in trade payables	-2,037	-3,520
6.01.02.09	(Increase)/decrease in advances to suppliers	783	-207
6.01.02.10	Increase/(decrease) in tax liabilities payable in installments	-5,411	-2,850
6.01.02.11	Increase/(decrease) in tax liabilities	3,035	2,140
6.01.02.12	Increase/(decrease) in labor liabilities	-682	-525
6.01.02.13	Increase/(decrease) in other payables	163	-55
6.01.02.14	Increase/(decrease) in other non-current payables	-85	-102
6.01.03	Other	-4,499	-4,731
6.01.03.01	Interest paid	-2,262	-3,725
6.01.03.02	Income tax and social contribution paid	-2,237	-1,006
6.02	Net cash provided by (used in) investing activities	-3,629	8,330
6.02.01	Purchases of property, plant and equipment	-3,487	-1,970
6.02.02	Purchases of intangible assets	-2,118	-3
6.02.03	Dividends received	2,057	10,567
6.02.04	(Granted to)/Received from related parties	-81	-264
6.03	Net cash provided by (used in) financing activities	-12,001	13,610
6.03.01	Loans and financing	5,813	47,497
6.03.02	Payments of loans and financing	-17,814	-27,696
6.03.03	Received from (payment to) related companies	0	-6,191
6.05	Increase (decrease) in cash and cash equivalents	-2,794	19,893
6.05.01	Opening balance of cash and cash equivalents	8,091	8,719
6.05.02	Closing balance of cash and cash equivalents	5,297	28,612

Parent company financial statements / statement of changes in equity - 1/1/2012 to 3/31/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5.01	Opening balance	112,957	267	0	-73,738	42,304	81,790
5.03	Adjusted opening balance	112,957	267	0	-73,738	42,304	81,790
5.05	Total comprehensive income	0	0	0	11,549	710	12,259
5.05.01	Profit for the period	0	0	0	11,155	0	11,155
5.05.02	Other comprehensive income	0	0	0	394	710	1,104
5.05.02.06	Realization of revaluation reserve	0	0	0	394	-394	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	1,104	1,104
5.07	Closing balance	112,957	267	0	-62,189	43,014	94,049

Parent company financial statements / statement of changes in equity - 1/1/2011 to 3/31/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5.01	Opening balance	112,957	267	0	-99,661	47,301	60,864
5.03	Adjusted opening balance	112,957	267	0	-99,661	47,301	60,864
5.05	Total comprehensive income	0	0	0	2,018	366	2,384
5.05.01	Profit for the period	0	0	0	1,623	0	1,623
5.05.02	Other comprehensive income	0	0	0	395	366	761
5.05.02.06	Realization of revaluation reserve	0	0	0	395	-395	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	761	761
5.07	Closing balance	112,957	267	0	-97,643	47,667	63,248

(A free translation of the original in Portuguese)

Parent company financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Current quarter - 1/1/2012 to 3/31/2012	Same quarter of - prior year 1/1/2011 to 3/31/2011
7.01	Revenue	178,463	150,877
7.01.01	Sale of products and services	174,401	148,591
7.01.02	Other income	4,125	1,951
7.01.04	Change in the provision for doubtful trade receivables	-63	335
7.02	Inputs acquired from third parties	-90,609	-84,085
7.02.01	Cost of sales and services	-72,667	-61,529
7.02.02	Materials, energy, outsourced services and other	-17,950	-22,566
7.02.03	Impairment/recovery of assets	8	10
7.03	Gross value added	87,854	66,792
7.04	Retentions	-4,025	-3,933
7.04.01	Depreciation, amortization and depletion	-4,025	-3,933
7.05	Net value added generated	83,829	62,859
7.06	Value added received through transfer	12,889	9,042
7.06.01	Equity in the earnings of subsidiaries	3,237	2,412
7.06.02	Finance income	9,652	6,630
7.07	Total value added to distribute	96,718	71,901
7.08	Distribution of value added	96,718	71,901
7.08.01	Personnel	24,264	22,201
7.08.01.01	Direct remuneration	20,603	18,992
7.08.01.02	Benefits	2,111	1,815
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	1,550	1,394
7.08.02	Taxes and contributions	44,495	34,532
7.08.02.01	Federal	24,345	17,263
7.08.02.02	State	20,025	17,122
7.08.02.03	Municipal	125	147
7.08.03	Remuneration of third party capital	16,804	13,545
7.08.03.01	Interest	14,838	12,013
7.08.03.02	Rentals	1,966	1,532
7.08.04	Remuneration of own capital	11,155	1,623
7.08.04.03	Profits reinvested/loss for the period	11,155	1,623

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2012	Prior year 12/31/2011
1	Total assets	579,481	575,502
1.01	Current assets	214,400	215,923
1.01.01	Cash and cash equivalents	6,987	10,065
1.01.03	Trade receivables	112,132	107,867
1.01.03.01	Customers	112,132	107,867
1.01.04	Inventories	88,628	90,553
1.01.06	Taxes recoverable	2,023	2,682
1.01.06.01	Current taxes recoverable	2,023	2,682
1.01.06.01.01	Income tax and social contribution recoverable	452	1,152
1.01.06.01.02	Other current taxes recoverable	1,571	1,530
1.01.07	Prepaid expenses	1,776	491
1.01.08	Other current assets	2,854	4,265
1.01.08.03	Other	2,854	4,265
1.01.08.03.03	Advances to suppliers	975	1,685
1.01.08.03.04	Other	1,879	2,580
1.02	Non-current assets	365,081	359,579
1.02.01	Long-term receivables	180,495	176,563
1.02.01.06	Deferred taxes	25,320	25,280
1.02.01.06.01	Deferred income tax and social contribution	25,320	25,280
1.02.01.08	Receivables from related parties	95,758	93,780
1.02.01.08.04	Receivables from other related parties	95,758	93,780
1.02.01.09	Other non-current assets	59,417	57,503
1.02.01.09.03	Judicial deposits	8,308	7,961
1.02.01.09.04	Receivables from Eletrobrás	32,417	31,059
1.02.01.09.05	Taxes recoverable	1,669	1,762
1.02.01.09.06	Tax assets	12,127	11,823
1.02.01.09.07	Actuarial assets	3,837	3,837
1.02.01.09.08	Other	1,059	1,061
1.02.02	Investments	215	215
1.02.02.01	Equity investments	215	215
1.02.02.01.04	Other investments	215	215
1.02.03	Property, plant and equipment	177,602	178,052
1.02.04	Intangible assets	6,769	4,749

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2012	Prior year 12/31/2011
2	Total liabilities and equity	579,481	575,502
2.01	Current liabilities	240,538	245,403
2.01.01	Social and labor obligations	17,368	16,780
2.01.02	Trade payables	96,254	97,980
2.01.03	Tax obligations	31,307	26,627
2.01.03.01	Federal tax obligations	31,307	26,627
2.01.03.01.01	Income tax and social contribution payable	2,208	541
2.01.03.01.02	Tax liabilities payable in installments	22,008	21,773
2.01.03.01.03	Taxes and contributions	7,091	4,313
2.01.04	Loans and financing	70,796	79,600
2.01.04.01	Loans and financing	70,796	79,600
2.01.05	Other liabilities	23,622	23,401
2.01.05.02	Other	23,622	23,401
2.01.05.02.04	Advances from customers	15,413	17,325
2.01.05.02.07	Other	8,209	6,076
2.01.06	Provisions	1,191	1,015
2.01.06.02	Other provisions	1,191	1,015
2.01.06.02.05	Provisions for contingencies	1,191	1,015
2.02	Non-current liabilities	244,883	248,301
2.02.01	Loans and financing	36,626	40,210
2.02.01.01	Loans and financing	36,626	40,210
2.02.02	Other liabilities	125,026	128,056
2.02.02.02	Other	125,026	128,056
2.02.02.02.04	Private pension plan	3,033	3,118
2.02.02.02.05	Tax liabilities payable in installments	121,993	124,938
2.02.03	Deferred taxes	41,301	40,973
2.02.03.01	Deferred income tax and social contribution	41,301	40,973
2.02.04	Provisions	41,930	39,062
2.02.04.02	Other provisions	41,930	39,062
2.02.04.02.05	Provisions for contingencies	41,930	39,062
2.03	Consolidated equity	94,060	81,798
2.03.01	Paid-up capital	112,957	112,957
2.03.02	Capital reserves	267	267
2.03.05	Retained earnings (accumulated deficit)	-62,189	-73,738
2.03.08	Other comprehensive income	43,014	42,304
2.03.09	Non-controlling interests	11	8

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
3.01	Sales and/or services revenue	149,993	127,699
3.02	Cost of sales and/or services	-99,501	-88,496
3.03	Gross profit	50,492	39,203
3.04	Operating expenses/income	-29,314	-32,133
3.04.01	Selling expenses	-22,486	-21,252
3.04.02	General and administrative expenses	-5,484	-4,190
3.04.04	Other operating income	1,152	256
3.04.04.01	Other operating income	2,412	256
3.04.04.02	Other gains (losses), net	-1,260	0
3.04.05	Other operating expenses	-2,496	-6,947
3.04.05.01	Other operating expenses	-2,496	-6,017
3.04.05.02	Other gains (losses), net	0	-930
3.05	Profit before finance result and taxes	21,178	7,070
3.06	Finance result	-3,981	-4,388
3.06.01	Finance income	5,554	5,480
3.06.01.01	Finance income	4,318	4,490
3.06.01.02	Foreign exchange variations, net	1,236	990
3.06.02	Finance costs	-9,535	-9,868
3.06.02.01	Finance costs	-9,535	-9,868
3.07	Profit before taxation	17,197	2,682
3.08	Income tax and social contribution on net income	-6,039	-996
3.08.01	Current	-5,751	-1,686
3.08.02	Deferred	-288	690
3.09	Profit for the period from continuing operations	11,158	1,686
3.10	Profit/loss for the period from discontinued operations	0	-59
3.11	Consolidated profit for the period	11,158	1,627
3.11.01	Attributable to owners of the Company	11,155	1,625
3.11.02	Attributable to non-controlling interests	3	2
3.99	Earnings per share - (Reais / share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common share	0.07015	0.01022
3.99.02	Diluted earnings per share		
3.99.02.01	Common share	0.07015	0.01022

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
4.01	Consolidated profit for the period	11,158	1,627
4.02	Other comprehensive income	710	366
4.02.01	Realization of revaluation reserve	-394	-395
4.02.02	Exchange variation of subsidiary located abroad	1,104	761
4.03	Total consolidated comprehensive income for the period	11,868	1,993
4.03.01	Attributable to owners of the Company	11,865	1,991
4.03.02	Attributable to non-controlling interests	3	2

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Current quarter - 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
6.01	Net cash provided by (used in) operating activities	14,542	103
6.01.01	Cash provided by operating activities	30,632	11,096
6.01.01.01	Profit/loss for the period before taxation	17,197	2,682
6.01.01.02	Depreciation and amortization	4,035	3,951
6.01.01.04	Unrealized foreign exchange variations	393	-61
6.01.01.05	Provision of inventories to market value	51	-728
6.01.01.06	Provision for doubtful trade receivables	217	-352
6.01.01.07	Provision for contingencies	1,929	-131
6.01.01.08	Provision for labor liabilities	1,278	1,335
6.01.01.09	Provision for profit sharing	1,777	0
6.01.01.10	Other provisions	305	602
6.01.01.11	Other operating income (expenses), net	-116	-5
6.01.01.12	Restatement of Eletrobrás compulsory loan	-1,358	-1,324
6.01.01.13	Restatement of tax assets	-304	-281
6.01.01.14	Restatement of receivables from other related parties	-1,974	-2,262
6.01.01.15	Finance charges on tax liabilities payable in installments	2,979	3,956
6.01.01.16	Discount of provision for contingencies	1,115	256
6.01.01.17	Provision for interest on loans	2,255	3,478
6.01.01.18	Other	853	-20
6.01.02	Changes in assets and liabilities	-10,069	-4,781
6.01.02.01	(Increase)/decrease in trade receivables	-4,831	4,869
6.01.02.02	Increase/(decrease) in advances from customers	-1,802	267
6.01.02.03	(Increase)/decrease in marketable securities	0	191
6.01.02.04	(Increase)/decrease in inventories	1,874	-5,120
6.01.02.05	(Increase)/decrease in other assets	-626	588
6.01.02.06	(Increase)/decrease in judicial deposits	-347	-61
6.01.02.07	(Increase)/decrease in non-current assets	117	-53
6.01.02.08	Increase/(decrease) in trade payables	-1,821	-3,030
6.01.02.09	(Increase)/decrease in advances to suppliers	710	-187
6.01.02.10	Increase/(decrease) in tax liabilities payable in installments	-5,689	-3,043
6.01.02.11	Increase/(decrease) in tax liabilities	3,153	1,030
6.01.02.12	Increase/(decrease) in labor liabilities	-692	-709
6.01.02.13	Increase/(decrease) in other payables	-30	-363
6.01.02.14	Increase/(decrease) in other non-current payables	-85	840
6.01.03	Other	-6,021	-6,212
6.01.03.01	Interest paid	-2,262	-3,725
6.01.03.02	Income tax and social contribution paid	-3,759	-2,487
6.02	Net cash provided by (used in) investing activities	-5,605	-1,973
6.02.01	Purchases of property, plant and equipment	-3,487	-1,970
6.02.02	Purchases of intangible assets	-2,118	-3
6.03	Net cash provided by (used in) financing activities	-12,001	19,815
6.03.01	Loans and financing	5,813	47,511
6.03.02	Payments of loans and financing	-17,814	-27,696
6.04	Exchange variation on cash and cash equivalents	-14	-11
6.05	Increase (decrease) in cash and cash equivalents	-3,078	17,934
6.05.01	Opening balance of cash and cash equivalents	10,065	12,802
6.05.02	Closing balance of cash and cash equivalents	6,987	30,736

Consolidated financial statements / statement of changes in equity - 1/1/2012 to 3/31/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balance	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.03	Adjusted opening balance	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.05	Total comprehensive income	0	0	0	11,549	710	12,259	3	12,262
5.05.01	Profit for the period	0	0	0	11,155	0	11,155	3	11,158
5.05.02	Other comprehensive income	0	0	0	394	710	1,104	0	1,104
5.05.02.06	Realization of revaluation reserve	0	0	0	394	-394	0	0	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	1,104	1,104	0	1,104
5.07	Closing balance	112,957	267	0	-62,189	43,014	94,049	11	94,060

Consolidated financial statements / statement of changes in equity - 1/1/2011 to 3/31/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	equity	Non-controlling interests	Consolidated equity
5.01	Opening balance	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.03	Adjusted opening balance	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.05	Total comprehensive income	0	0	0	2,020	366	2,386	2	2,388
5.05.01	Profit for the period	0	0	0	1,625	0	1,625	2	1,627
5.05.02	Other comprehensive income	0	0	0	395	366	761	0	761
5.05.02.06	Realization of revaluation reserve	0	0	0	395	-395	0	0	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	761	761	0	761
5.07	Closing balance	112,957	267	0	-97,679	47,667	63,212	12	63,224

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Current quarter 1/1/2012 to 3/31/2012	Same quarter of prior year 1/1/2011 to 3/31/2011
7.01	Revenue	188,486	159,207
7.01.01	Sales of products and services	186,613	158,883
7.01.02	Other income	2,090	-28
7.01.04	Changes in the provision for doubtful trade receivables	-217	352
7.02	Inputs acquired from third parties	-92,562	-85,908
7.02.01	Cost of sales and services	-72,501	-61,305
7.02.02	Materials, energy, outsourced services and other	-20,069	-24,556
7.02.03	Impairment/recovery of assets	8	12
7.02.04	Other	0	-59
7.02.04.01	Loss from discontinued operations	0	-59
7.03	Gross value added	95,924	73,299
7.04	Retentions	-4,035	-3,951
7.04.01	Depreciation, amortization and depletion	-4,035	-3,951
7.05	Net value added generated	91,889	69,348
7.06	Value added received through transfer	9,708	6,858
7.06.02	Finance income	9,708	6,858
7.07	Total value added to distribute	101,597	76,206
7.08	Distribution of value added	101,597	76,206
7.08.01	Personnel	25,671	23,679
7.08.01.01	Direct remuneration	21,822	20,280
7.08.01.02	Benefits	2,227	1,931
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	1,622	1,468
7.08.02	Taxes and contributions	47,826	37,149
7.08.02.01	Federal	27,667	19,868
7.08.02.02	State	20,025	17,122
7.08.02.03	Municipal	134	159
7.08.03	Remuneration of third party capital	16,942	13,751
7.08.03.01	Interest	14,949	12,183
7.08.03.02	Rentals	1,993	1,568
7.08.04	Remuneration of own capital	11,158	1,627
7.08.04.03	Profits reinvested/loss for the period	11,155	1,625
7.08.04.04	Non-controlling interests in profits reinvested	3	2

Comments on Company Performance

COMMENTS ON THE CONSOLIDATED PERFORMANCE IN 1Q12

Portobello S.A. (BM&FBOVESPA - code: PTBL3), leader in the ceramic tile sector in Latin America, listed in the BOVESPA since 1991 and in the New Market since 2008, presents its results of operations for the quarter ended March 31, 2012. The Company's financial and operating information below is being presented on a consolidated basis and in reais, unless otherwise stated, in accordance with accounting practices adopted in Brazil, including the standards issued by the Brazilian Accounting Pronouncements Committee (CPCs) and the International Financial Reporting Standards (IFRS). The comparisons made in this analysis take into consideration the first quarter of 2011 and 2010.

1Q12 HIGHLIGHTS

- Net revenue reached R$ 150 million, 17% higher than in 2011.
- Sales revenue in the domestic market increased 18% when compared with 2011. The performance was 10% higher than the industry index (ABRAMAT), which grew 8%.
- Gross profit grew 29%, reaching R$ 50 million with a gross margin of 34%, 3 p.p. over 2011.
- Operating profit (EBIT) reached 22 million, 180% higher than in the same period of 2011.
- Cash generation (EBITDA) totaled R$ 26 million, with an increase of 122% as compared with 2011.
- Profit for the period amounted to R$ 11 million, representing 7% in relation to net revenue.
- Net debt / EBITDA ratio decreased 22.9% when compared with the same period of the prior year, reaching the multiple of 2.7.

Message from Management

Portobello S.A. presented excellent results in the first quarter of 2012 due to the sales growth and increase in margins. The good moment of the Brazilian civil construction maximized the effects of the measures adopted by Management, such has: (i) outsourcing of the production of items with lower margin; (ii) continuity of the plans for reduction of costs and manufacturing losses; (iii) sales growth in Portobello Shop stores that present improved profitability and mix; (iv) growing limitation of export, increasingly more focused on countries and products of greater profitability; and (v) reduction of working capital, as a result of optimized inventories in the last months, resulting in gains in the Company's operating margins and net profitability.

The measures adopted resulted, in 1Q12, in an increase of 17% in consolidated net revenue, totaling 150 million that, added to the operating improvements adopted, also resulted in a gain in EBITDA margin, which reached 26 million, 122% higher than in the same period of 2011. Profit for the period amounting to R$ 11 million was 586% higher than in the same period of 2011.

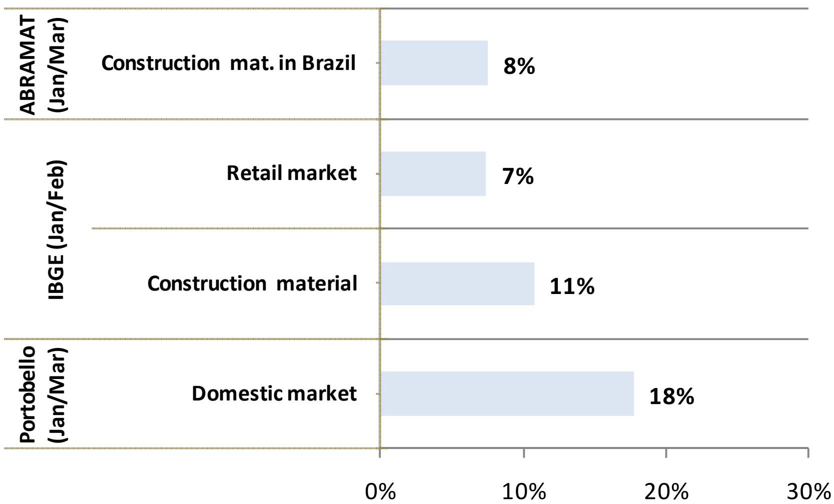
Comments on Company Performance

The continued growth of the domestic market led the Company to focus on that market. The development of new products, increased investments and aggressive sales operations translated into market share gains brought about by sales growth of 18% while the sector grew by 8%. Such performance has consolidated Portobello's position as innovation and design leader and contributed to ratify the excellent moment the Company is experiencing.

Operating adjustments put into practice in the last quarters created ideal conditions, overcoming the logistics challenges faced in 2011 and minimizing the extraordinary selling expenses. In the administrative area, there was an increase of 31% when compared with 2011 due to the expenses related to the possible merger with Eliane S.A.

Therefore, with the growth of gross operating profit, the Company posted earnings before interest and taxes (EBIT) of R$ 22 million, 180% higher than in 1Q11, as a result of the reduction of extraordinary and nonrecurring expenses incurred in 2011. In addition to sales increases, the Company presented working capital and indebtedness reductions.

Net Revenue Performance – 3/31/2012 x 3/31/2011



Outlook

- Portobello expects the continuity of the strong demand for construction materials, also influenced by the exemption from Excise Tax (IPI) up to the end of 2012, as an incentive of the Government for civil construction, although lower than in 2011.

- The Company believes and has been directing its efforts to focus on the domestic market, either increasing its range of services and portfolio for the real estate and commercial market of large construction companies or increasing investments in marketing and innovative products to meet the demand of retail chains and the main Brazilian home centers.

Comments on Company Performance

- In the segment of specialized stores, its network of franchises – Portobello Shop – has scheduled the opening of new stores already in the first half of 2012 in some of the main capital cities in Brazil, including Rio de Janeiro, Belo Horizonte and Greater São Paulo.

- Continuous productivity growth with consequent decreases in production costs and increase in quality. The probable inflationary pressures on the costs of inputs, mainly electric energy and labor, should be neutralized by gains in productivity that the Company expects to obtain with the administrative measures in progress and budgeted investments.

- The Company continues to implement commercial actions to reduce the need for working capital arising from inventories of work in process and finished goods, as well as in internal actions to minimize its challenges in the logistics area.

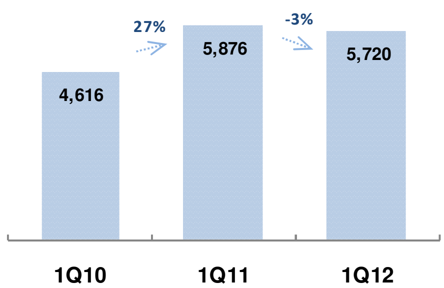
- Portobello believes that the measures already taken and others still under analysis by government agencies to revise the import tax for technical porcelains are fundamental to promote the competitiveness of the Brazilian industry in this specific segment of products.

- Return on investment in the business management system with full implementation up to the first quarter of 2013.

Production Performance

The volume produced of approximately 6 million m^2 in 1Q12 was focused on higher value added products in large formats. This change of mix caused a reduction of 3% when compared with the same period of 2011, largely offset by gains in average price and profitability.

Production (thousand m^2)



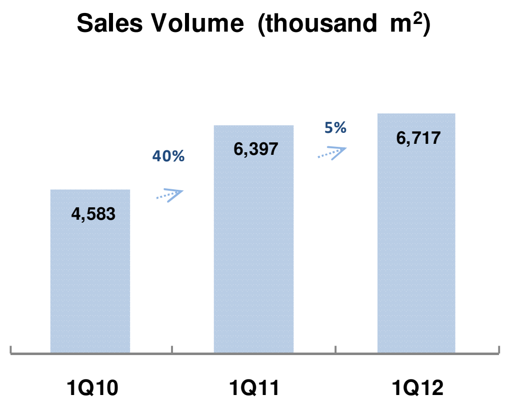
The strategy of complementing the line of products through purchases from third parties was maintained.
Of the total volume available for sale in 1Q12, own production accounted for 83% and third-party production accounted for 17%. In the same period of the prior year they corresponded to 81% and 19%, respectively.

Sales Performance

The total sales volume increased 5% due to the continuity of the good moment of the civil construction market and the Company's commercial strategy of focusing on the domestic market, which is more profitable, and in the

Comments on Company Performance

reduction of foreign market share. Therefore, sales in the domestic market in relation to total sales corresponded to 93% (92% in 1Q11). The physical volume of exports represented 7% of total sales for the quarter (8% in 1Q11).



(*) The increasing difference between production and sales volumes arises from the production outsourcing that the Company has been carrying out in the last 3 years.

Distribution

The Company's distribution network is based on four distinct channels with specific characteristics of products, services and commercial policy:

Domestic market: The three distribution channels are:

Portobello Shop Retail – Franchises that serve the Company's customers in the retail market through franchised stores under the Portobello Shop and Empório Portobello names. With 105 stores located in 91 cities, this channel is the largest Brazilian network of stores specialized in ceramic tiles.

Multi-brand Resale – Responsible for the customers who are resellers of construction material, distributing the Company's products in the retail market.

Engineering – Represented by specialized teams that serve civil construction companies and real estate development companies.

Foreign market: This is represented by sales to several countries through the Company's own teams or independent representatives. Exports continue limited to more profitable markets and decreased in percentage of total sales, in accordance with previously determined plans.

Comments on Company Performance

Economic and financial performance

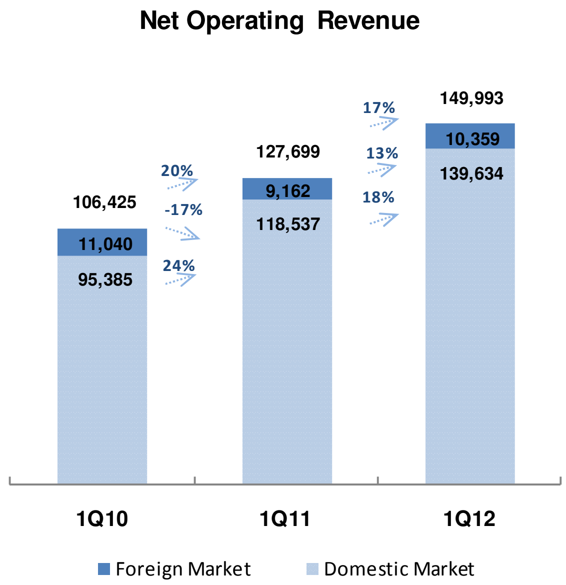
Consolidated results of operations	1Q10	1Q11	1Q12	Variation % 1Q12 x 1Q11
Net operating revenue	**106,425**	**127,699**	**149,993**	**17%**
Gross operating profit	**31,925**	**39,203**	**50,492**	**29%**
Gross margin	*30%*	*31%*	*34%*	*3 p.p.*
Selling expenses	(15,151)	(21,252)	(22,486)	6%
General and administrative expenses	(4,157)	(4,190)	(5,484)	31%
Other operating income (expenses), net	(333)	(5,761)	(84)	-99%
EBIT	**12,284**	**8,000**	**22,438**	**180%**
EBIT margin	*12%*	*6%*	*15%*	*9 p.p.*
Finance result and other gains (losses), net	(6,386)	(5,318)	(5,241)	-1%
Operating profit	**5,898**	**2,682**	**17,197**	**541%**
Income tax and social contribution	(1,103)	(996)	(6,039)	506%
Profit for the period from continuing operations	4,795	1,686	11,158	562%
Profit for the period from discontinued operations *	(20)	(59)	-	-100%
Profit for the quarter	**4,775**	**1,627**	**11,158**	**586%**
Net margin	*4%*	*1%*	*7%*	*6 p.p.*
EBITDA (*)	**16,516**	**11,951**	**26,473**	**122%**
EBITDA margin	*16%*	*9%*	*18%*	*9 p.p.*

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

Net Revenue

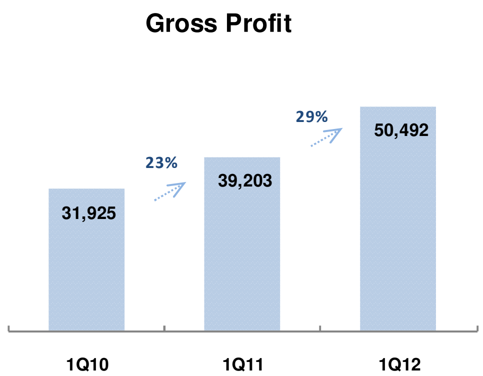
Net revenue grew 17% in 1Q12, when compared with the same period of the prior year, reaching R$ 150 million, 93% of which were obtained in the domestic market. The increase of 18% in the domestic market was equally shared by the Engineering, Multi-brand Resale and Portobello Shop channels.

Comments on Company Performance



Gross Profit

Gross profit reached R$ 50 million in the quarter ended March 31, 2012 and increased 29% over the same period of the prior year, as a result of sale of products with greater profitability, production gain actions that reflected in the cost improvement and maintenance of prices, and the increase in sales. Accordingly, the gross margin of 34% was higher than the 31% obtained in the same period of 2011.



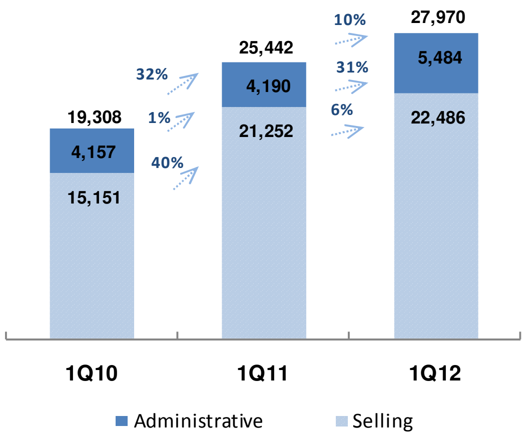
Operating Expenses

Selling expenses totaled R$ 22 million in 1Q12, corresponding to an increase of 6% as compared with the same period of 2011 as a result of: (i) greater sales volume, (ii) increase in sales force; and (iii) marketing actions to support the sales growth. Selling expenses accounted for 15% of net revenue in 1Q12, and 17% in the same period of 2011, representing a gain of scale.

Comments on Company Performance

Administrative expenses totaled R$ 5 million in 1Q12 and increased 31% when compared with the quarter ended March 31, 2011, resulting from expenses of R$ 882 thousand with consulting services and actions related to the plans for association with Eliane S.A. In percentage of net revenue, the increase was 0.39 p.p.

Selling and Administrative Expenses

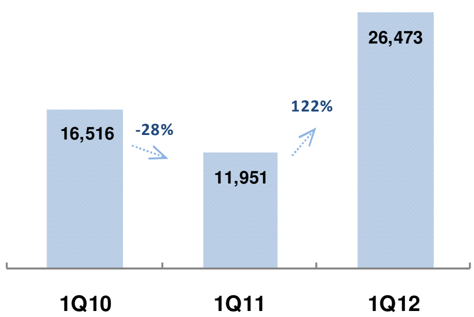


EBITDA

EBITDA, earnings before interest, taxes, depreciation and amortization, profit attributable to non-controlling interests and loss for the period from discontinued operations totaled R$ 26 million in 1Q12. As a result of the excellent performance in the quarter the EBITDA, which accounted for 9% of net revenue in the first quarter of 2011, increased to 18%.

Total net finance income (costs) includes other net gains and losses related to exchange rate effects on receivables and on accounts payable to suppliers

EBITDA



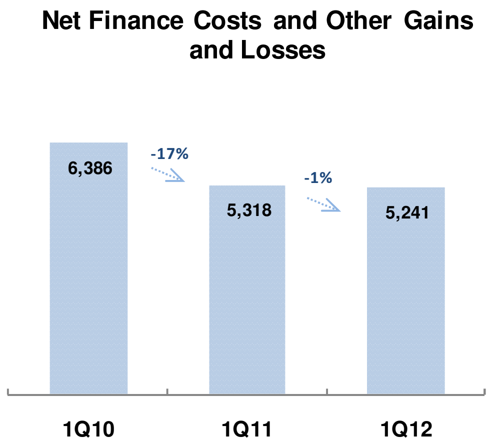
Comments on Company Performance

EBITDA	1Q10	1Q11	1Q12	Variation % 1Q12 x 1Q11
Profit attributable to the Company's stockholders	4,773	1,625	11,155	586%
Other gains (losses), net	(772)	930	1,260	35%
Net finance income (costs)	7,158	4,388	3,981	-9%
Depreciation, amortization and depletion	4,232	3,951	4,035	2%
Income tax and social contribution	1,103	996	6,039	506%
Profit attributable to non-controlling interests	2	2	3	50%
Loss for the period from discontinued operations	20	59	-	-100%
(=) EBITDA from continuing operations (*)	16,516	11,951	26,473	122%
% of net revenues	16%	9%	18%	9 p.p.

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

Finance income (costs) and other gains (losses), net

Finance income (costs) in the quarter ended March 31, 2012, plus net gains (losses) (composed of exchange variation on receivables and operating payables) presented a variation of 1% when compared with the same period of 2011. The gains from the lower indebtedness and reduction in the cost of debt were annulled by the indexation of provisions for contingencies, which this quarter presented higher balances than in the same period of 2011.



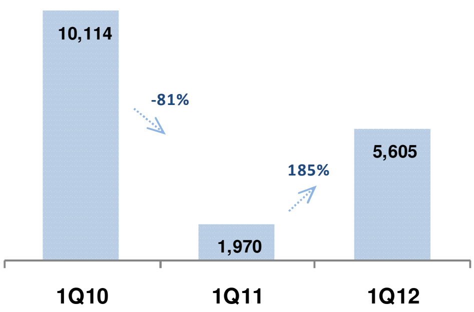
Investments

Investments were maintained at the levels defined by management and totaled R$ 6 million in the quarter ended March 31, 2012, focused on improvements in the manufacturing process aimed at higher productivity and investments in logistics, both related to storage and acquisition and implementation of management systems.

(A free translation of the original in Portuguese)

Comments on Company Performance

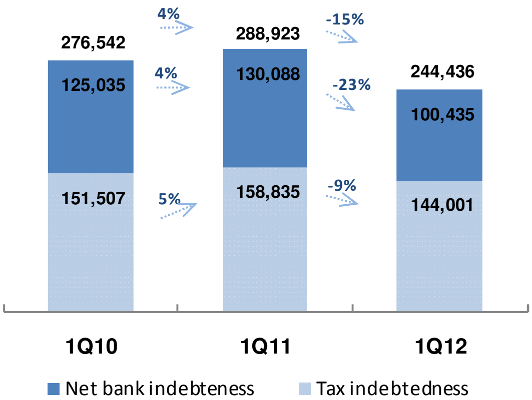
Investments



Indebtedness / Capital Structure

Total indebtedness in March 2012 decreased by R$ 44 million, 15% lower when compared with the same period of 2011, due to better operating income obtained in recent years, as well as the reduction of the need for working capital. At March 31, 2012 net bank indebtedness amounted to R$ 100 million, against R$ 130 million at March 31, 2011, while tax indebtedness decreased by 9% due to the payment of installments due.

Indebtedness



Comments on Company Performance

Net bank indebtedness	1Q10	1Q11	1Q12
Current	98,392	110,011	70,796
Non-current	38,248	51,742	36,626
(=) Total bank indebtedness	136,640	161,753	107,422
Cash and cash equivalents and marketable securities	11,605	31,665	6,987
(=) Total net bank indebtedness	125,035	130,088	100,435

Financial leverage	1Q10	1Q11	1Q12
Net bank indebtedness	125,035	130,088	100,435
Tax indebtedness	151,507	158,835	144,001
EBITDA (last 12 months)	67,319	82,944	92,160
(=) Net bank indebtedness / EBITDA	1.9	1.6	1.1
(=) Net bank and tax indebtedness / EBITDA	4.1	3.5	2.7

As mentioned in Note 12, the Company has receivables, backed by contract, from the related party Refinadora Catarinense S/A, arising from the favorable outcome on the lawsuit filed against the National Treasury (IPI Premium Credit). These receivables are guaranteed by a final and unappealable decision and have already been converted into bonds to pay court-ordered debts, paid annually for a period of 10 years. The first of the ten installments, in the amount of R$ 10,097, was received by Portobello in August 2011 and, as permitted by the contract, with application of discount. At March 31, 2012 these receivables amount to R$ 95,758 and, when deducted from total indebtedness, total R$ 148,678, or a Net Debt (bank and tax) / EBITDA ratio of 1.6.

Human Resources

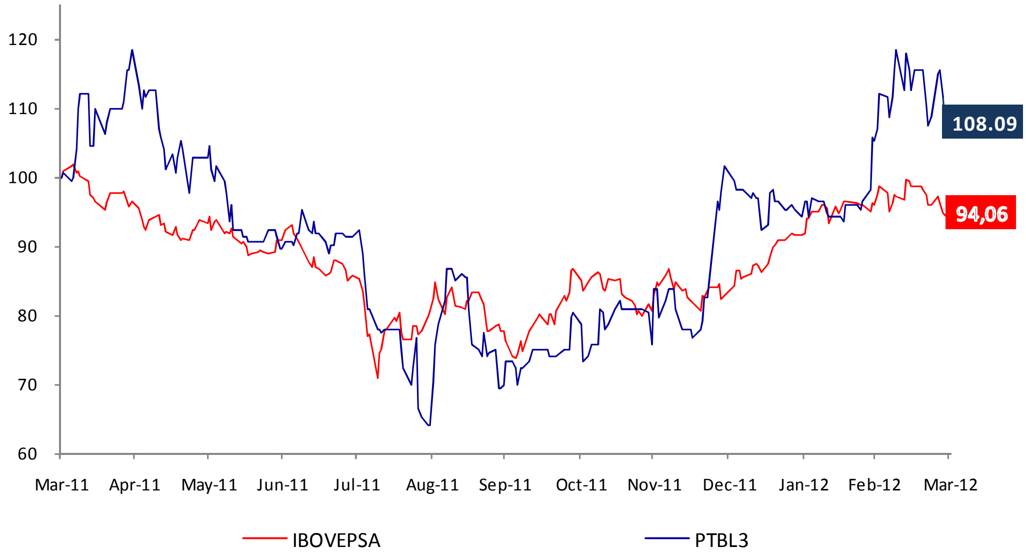
Consolidated personnel at March 31, 2012 comprised 2,172 staff, 2,109 of whom were own personnel, 126 outsourced, 32 interns and 31 temporary workers. In 2011 personnel comprised 2,437 staff, 2,291 of whom were own personnel, 108 outsourced, 14 interns and 24 temporary workers. The reduction of 265 staff was caused by the implementation of the lean manufacturing program and the optimization of workstations to increase productivity.

Capital Markets

The quotation for the common shares of Portobello (PTBL3) at March 31, 2012 was R$ 1.87, an increase of 8% in the last 12 months, while in the same period the Ibovespa recorded a devaluation of 6%. At March 31, 2012, the market value of Portobello was R$ 297 million (R$ 275 million at March 31, 2011).

Comments on Company Performance

PTBL3 x Ibovespa
From (base 100) 3/31/2011 to 3/31/2012



Revestir 2012

Portobello participated in *"Revestir 2012"*, one of the world's most representative events of finishing materials for the construction sector, which received over 42 thousand visitors from 52 countries at the beginning of March.

In a stand of 315m² the company showed the leading position in design and innovation to a specialized public and opinion leaders, comprising mainly architects, interior designers and store owners through the presentation of launches that will significantly affect the future results.

The innovation in products was marked by the launch of porcelains in large formats, 90x90 cm, decorated with digital printing, by the consolidation of porcelain production technology in reduced thickness, named Extra Fine Porcelain, with 5mm thickness, the use of which in large façades is leveraged by the advantages of weight reduction and ease of installation and by the leadership in the reproduction of wood in porcelain, a more sustainable version and more indicated technically for use in coatings than the natural material.

As an important step in the launch of trends, the company also invested in the development of solutions for wall decoration with tile and mosaic lines, thus reflecting the innovation in design and technology.

Significant Event

In compliance with CVM Instruction 358/02, Portobello S.A., a corporation based in the city of Tijucas, State of Santa Catarina, at Rodovia BR 101, Km 163 ("Portobello"), and Eliane S.A. - Revestimentos Cerâmicos, a corporation based in the city of Cocal do Sul, State of Santa Catarina, at Rua Maximiliano Gaidzinski, 245 ("Eliane") inform to the public, together with the controlling stockholders of Eliane, Max - Administradora de Bens e Participações Ltda., IARA-Participações Ltda., ARIELI Administração de Bens Ltda., B7 Participações Ltda., Tasso Participações Ltda. and Viga Participações Ltda., complementing the significant event notices dated December 23,

Comments on Company Performance

2011 and March 30, 2012, that they have mutually decided, after the completion of the diligences established in the Memorandum of Understanding, to discontinue the negotiations for association of the companies.

Portobello's Management Composition

Executive Board

Name	Position
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Vice-President
Rildo Pinheiro	Chief Financial and Investor Relations Officer
Mauro do Valle Pereira	Director

Board of Directors

Name	Position	Observation
Cesar Bastos Gomes	Chairman	
Cesar Gomes Júnior	Vice-Chairman	Chief Executive Officer
Cláudio Ávila da Silva	Member	Vice-President
Plínio Villares Musetti	Member	Independent
Francisco Amaury Olsen	Member	Independent
Glauco José Côrte	Member	Independent
Mário José Gonzaga Petrelli	Member	Independent
Maurício Levi	Member	Independent
Rami Naum Goldfajn	Member	Independent

Visit the Investor Relations Site: *www.portobello.com.br/ri*

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
(All amounts in thousands of reais, unless otherwise indicated)

1 General information

Portobello S.A., also herein referred to as "Company" or "Parent company", is a listed corporation whose shares are traded on the São Paulo Futures, Commodities and Securities Exchange (BM&FBOVESPA S.A.) New Market segment, under the code PTBL3. The Company is controlled by a group of stockholders, formalized in the agreement entered into on April 15, 2011, which holds 60.97% of the Company's shares at March 31, 2012. The remaining 39.03% of the shares is widely held.

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

The Company also holds investments in the following subsidiaries: (i) Portobello América, which was established to sell Portobello products in the North American market, and, at March 31, 2012, is classified as a discontinued operation, as described in note 35; (ii) Mineração Portobello, which supplies about 50% of the raw materials used in the production of ceramic tiles; (iii) PBTech, which was incorporated with the objective of providing civil construction companies a differentiated service, with sales of products and services; and (iv) Portobello Shop, which manages Portobello Shop and Empório Portobello franchised stores specialized in ceramic tiles, being the only franchised ceramic tile chain in Brazil, with 106 stores.

On December 23, 2011, Portobello S/A signed with the Eliane S/A - Revestimentos Cerâmicos company a Memorandum of Understanding establishing the terms and conditions for a possible merger intended to unite their businesses and integrate their operations. The diligences continue in course, according to the significant event notice sent to the Brazilian Securities Commission and BM&FBOVESPA on March 30, 2012. See note 41.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

The interim financial statements were prepared under the historical cost convention, as modified by the revaluation of land, buildings and improvements in 2006, and financial assets and liabilities measured at fair value through profit or loss.

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

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

a) Consolidated interim financial statements

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

The consolidated interim financial statements were also prepared and are being presented in accordance with International Financial Reporting Standard*s* (IFRS), issued by the International Accounting Standards Board (IASB).

b) Parent company interim financial statements

The parent company's quarterly interim financial statements were prepared in accordance with accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPCs), and are disclosed together with the consolidated interim financial statements.

2.2 Consolidated financial statements

2.2.1 Consolidated interim financial statements

a) Subsidiaries

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

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

	Percentage of voting capital	
	March 31, 2012	December 31, 2011
Portobello América, Inc.	100.00	100.00
PBTech Com. Serv. Revest. Cer. Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90
Mineração Portobello Ltda.	99.76	99.76

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

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

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

	Equity		Profit	
	March 31, 2012	December 31, 2011	March 31, 2012	March 31, 2011
Parent Company	94,049	81,790	11,155	1,623
Unrealized inventory profit	-	-	-	(36)
Reversal of unrealized profit	-	-	-	38
Consolidated excluding non-controlling interests	94,049	81,790	11,155	1,625

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

b) Transactions with and participation of non-controlling interests

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

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

2.2.2 Parent company interim financial statements

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

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
(All amounts in thousands of reais, unless otherwise indicated)

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

2.3 Segment information

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

2.4 Foreign currency translation

a) Functional currency and presentation currency

The items included in the interim financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The interim financial statements are presented in Brazilian reais, which is the Company's functional currency, and also the presentation currency of the consolidated financial information.

b) Transactions and balances

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

c) Subsidiaries

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

2.5 Cash and cash equivalents

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

2.6 Financial assets

2.6.1 Classification

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

a) Loans and receivables

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

b) Financial assets held to maturity

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

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

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

d) Available-for-sale financial assets

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

2.6.2 Recognition and measurement

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

2.6.3 Offsetting financial instruments

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

2.7 Derivative financial instruments and hedging activities

The Company and its subsidiaries do not have derivative financial instruments or hedging activities.

2.8 Impairment of financial assets

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

The criteria that the Company and its subsidiaries use to determine whether there is objective evidence of an impairment loss include:

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

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

2.9 Trade receivables

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

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

2.10 Inventories

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

2.11 Judicial deposits

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

2.12 Receivables from Eletrobrás

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

2.13 Investments

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

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

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

Other investments are recognized at historical cost and adjusted by a provision for impairment, if there is indication of any loss (note 18).

2.14 Property, plant and equipment

Property, plant and equipment are stated at deemed cost, less accumulated depreciation. The corresponding entries to these revaluations were recorded in a specific account in equity and in deferred taxes under non-current liabilities. As permitted by CPC Pronouncement 13 - First-time adoption of Law 11,638/07, the Company opted to maintain the revaluation reserve up to its total realization.

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

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

	Years
Buildings, constructions and improvements	33
Machinery and equipment	10
Furniture and fixtures	10
Computers	5

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

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

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

2.15 Intangible assets

Intangible assets relate to trademarks and patents, expenses with the implementation of the management system and software, rights to explore mineral resources and goodwill. Intangible assets are stated at acquisition or formation cost, net of accumulated amortization and impairment losses, when applicable. The amortization is calculated using annual rates applied on the straight-line method, as mentioned in note 20, based on the defined useful life for the assets, as follows:

	Years
Software	5
Right to explore mineral resources	5
Trademarks and patents	Indefinite
Goodwill	Indefinite
Management system	(a)

(a) Intangible asset under development. The useful life is still to be defined.

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

The Company and its subsidiaries test an intangible asset with an indefinite useful life for impairment, by comparing its recoverable amount with the corresponding carrying amount, on an annual basis or whenever there is an indication that the intangible asset may be losing its economic substance, as determined by CPC 01 - Impairment of Assets. The carrying amounts at March 31, 2012 are judged to approximate their fair values.

2.16 Leases

Leases of property, plant and equipment in which the Company and its subsidiaries assume all ownership risks and benefits are classified as finance leases under "Loans and financing". These finance leases are recorded as a financed purchase, recognizing at the beginning of the lease a property, plant and equipment item and a financing liability (lease) at fair value and subsequently at amortized cost. Property, plant and equipment acquired in finance leases are depreciated at the rates disclosed in note 19.

A lease in which the Company and its subsidiaries assume only part of the ownership risks and benefits is classified as an operating lease. Operating lease payments are charged to the statement of income on the straight-line basis over the term of the lease.

2.17 Impairment of non-financial assets

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

2.18 Trade payables

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

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

2.19 Loans and financing

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

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

2.20 Provisions for contingencies, contingent assets and liabilities

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

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

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

2.21 Current and deferred income tax and social contribution

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

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

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

2.22 Employee benefits

a) Private pension plan

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

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

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

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

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

b) Profit-sharing plan

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

2.23 Share capital

The Company's capital is exclusively represented by common shares and is classified in equity, as disclosed in note 29.

2.24 Share issue costs

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

2.25 Dividend distribution

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

2.26 Revenue recognition

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

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

a) Sales of goods - wholesale

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

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

b) Royalty income

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

c) Interest income

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

2.27 Result from discontinued operations

The result from discontinued operations is stated as a separate amount in the statement of income, comprising the total result after income tax of these operations less any impairment loss, as mentioned in note 35.

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

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

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2013 or later periods but the Company and its subsidiaries have not early adopted them.

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and supersedes the IAS 39 parts related to classification and measurement of financial instruments. IFRS 9 requires that financial assets be classified into two categories: measured at fair value and measured at amortized cost. Classification is determined at initial recognition. The classification basis is dependent on the entity's business model and on the contractual characteristics of the financial instruments' cash flows. Regarding financial liabilities, the standard maintains most of the requirements established by IAS 39.

The main change is that when the fair value option is adopted for financial liabilities, the portion of change in fair value due to the entity's credit risk is recorded in other comprehensive income or loss and not in the statement of income, unless it results in accounting mismatch.

- IFRS 10, "Consolidated financial statements", is supported by principles already existing, identifying the control concept as the preponderant factor in determining whether or not an entity should be included in the Parent Company's consolidated financial statements. The standard provides additional guidance to establish control.

- IFRS 11,"Joint arrangements", was issued in May 2011. The standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: (i) joint operations – which occurs when an operator has rights on the contractual assets and obligations and as a result will account for its portion of the assets, liabilities, revenues and expenses; and (ii) shared control – when an operator has rights on the contract's net assets and accounts for the investment on the equity method. The proportional consolidation method is no longer allowed in situations of joint control.

- IFRS 12, "Disclosures of interests in other entities", addresses disclosure requirements for all types of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet interests.

- IFRS 13, "Fair value measurement", issued in May 2011. The objective of IFRS 13 is to enhance fair value measurement consistency and reduce its complexity, providing a more precise definition and a single fair value measurement source and disclosure requirements for use in IFRS. The requirements, which are substantially aligned between IFRS and US GAAP, do not increase the use of fair value accounting, but provide guidance as how to apply it when its use is required or allowed by other IFRS or US GAAP standards.

Management is still to assess the full impact of these standards and amendments to standards, but no impacts on the parent company or consolidated interim financial statements are expected.

3 Critical accounting estimates and assumptions

3.1 Critical accounting estimates and assumptions

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

a) Review of useful life and impairment of assets

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

b) Provisions for contingencies

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

c) Provisions for inventory losses

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

d) Deferred income tax and social contribution

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

e) Private pension plan

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 28.

f) Discontinued operation

The Company recognizes the discontinuation of subsidiaries when this is approved by the Board of Directors, and records provisions based on expectations of the liquidation value, recording the estimated fair value of the loss on business discontinuation.

3.2 Critical judgments in applying the company's accounting policies

a) Receivables from Eletrobrás

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

b) Credits from related parties with guarantees

Receivables from Refinadora Catarinense are recognized based on the amount of the contract signed with the counterparty and the amount of guarantees given. Credits ceded as guarantee have already been converted into bonds to pay court-ordered debts and are included in the Federal Government's budget. Refinadora Catarinense S.A. has already paid, in August 2011, part of the amounts due to the Company, corresponding to the first of the 10 annual installments, as established in the agreement.

c) Payment in installments - MP 470

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

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

d) ICMS tax benefits

The Company has an ICMS tax incentive, the PRODEC - Program of Development for Companies of the Santa Catarina State, described in note 22(h). The Federal Supreme Court (STF) has handed down Direct Action decisions declaring that various state laws which have granted ICMS tax benefits without previous agreement between States are unconstitutional. Although the Company has no ICMS tax incentives being judged by the STF, it has been following, together with its legal advisors, the evolution of this issue in the courts to establish possible impacts in its operations and consequent effects on the financial statements.

4 Financial risk management

4.1 Financial risk factors

The activities of the Company and its subsidiaries expose them to a variety of financial risks: market risk, credit risk and liquidity risks. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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

a) Market risk

i) Foreign exchange risk

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

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

	In thousands of reais			
	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Trade receivables	13,399	13,782	13,399	13,782
Receivables from subsidiaries	37,306	38,405	-	-
Provision for loss on investments	(37,478)	(38,582)	-	-
Trade payables, net of advances	(7,484)	(9,631)	(7,484)	(9,631)
Loans and financing	(41,209)	(44,347)	(41,209)	(44,347)
Commissions	(678)	(703)	(678)	(703)
Net liability exposure	(36,144)	(41,076)	(35,972)	(40,899)

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		In foreign currency			
		Parent Company		Consolidated	
		March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Trade receivables	euro	225	77	225	77
Trade payables, net of advances	euro	(1,682)	(1,619)	(1,682)	(1,619)
Loans and financing	euro	(448)	(441)	(448)	(441)
Commissions	euro	(17)	(8)	(17)	(8)
		(1,922)	(1,991)	(1,922)	(1,991)
Trade receivables	U.S. dollar	6,289	6,451	6,289	6,451
Receivables from subsidiaries	U.S. dollar	20,474	20,474	-	-
Provision for loss on investments	U.S. dollar	(20,568)	(20,568)	-	-
Trade payables, net of advances	U.S. dollar	(1,863)	(3,036)	(1,863)	(3,036)
Loans and financing - FINIMP	U.S. dollar	(12,546)	(12,980)	(12,546)	(12,980)
Loans and financing - Other	U.S. dollar	(9,473)	(10,089)	(9,473)	(10,089)
Commissions	U.S. dollar	(358)	(386)	(358)	(386)
		(18,045)	(20,134)	(17,951)	(20,040)

The strategy adopted to mitigate foreign exchange exposure of the Company's assets and liabilities is to maintain a net liability exchange exposure at amounts that approximate the exports for around 14 months, and, accordingly, providing a natural cash flow hedge.

ii) Cash flow and fair value interest rate risk

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

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

b) Credit risk

The Company and its subsidiaries maintain strict control on credit limits granted to their customers and adjust these limits whenever significant changes in the risk levels are detected.

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

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

c) Liquidity risk

This is the risk of the Company and its subsidiaries not having liquid funds sufficient to meet their financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

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

At March 31, 2012, the Company has an excess of current liabilities over current assets of R$ 30,054 (R$ 30,252 at December 31, 2011) and of R$ 26,138 (R$ 29,480 at December 31, 2011) in the consolidated statements. Management plans to reverse this situation through:

- Restructuring of the debt, aiming at extending the indebtedness profile, obtaining a grace period for payments and the reduction of the financial cost of borrowing. The restructuring is in progress and, so far, has resulted in a decrease in the excess of current liabilities over current assets mentioned above.
- Implementation of measures to strengthen the operating and financial areas in order to improve profit margins, such as: (i) increase in productivity and reduction of costs; (ii) replacement of existing equipment by others with higher productivity; (iii) launching of innovative products; (iv) reduction of the product portfolio aiming at increased productivity; (v) concentration of exports in more profitable markets; (vi) outsourcing of the production of items with lower profit margin; and (vii) increase in the sales of franchised stores, all benefitting the Company's operating efficiency and profitability.

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

	Parent Company							
	At March 31, 2012				At December 31, 2011			
	Loans and financing	Trade payables	Tax liabilities payable in installments	Total	Loans and financing	Trade payables	Tax liabilities payable in installments	Total
Less than one year	70,796	96,084	15,681	182,561	79,600	98,105	20,731	198,436
Between 1 and 2 years	24,333	-	37,471	61,804	31,133	-	36,722	67,855
Between 2 and 5 years	13,283	-	26,949	40,232	10,860	-	26,394	37,254
Over 5 years	1,615	-	61,384	62,999	1,632	-	60,120	61,752
Total	110,027	96,084	141,485	347,596	123,225	98,105	143,967	365,297

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

	Consolidated							
	At March 31, 2012				At December 31, 2011			
	Loans and financing	Trade payables	Tax liabilities payable in installments	Total	Loans and financing	Trade payables	Tax liabilities payable in installments	Total
Less than one year	70,796	96,794	16,467	184,057	79,600	98,597	21,773	199,970
Between 1 and 2 years	24,282	-	38,719	63,001	31,068	-	37,953	69,021
Between 2 and 5 years	13,254	-	27,093	40,347	10,838	-	26,538	37,376
Over 5 years	2,568	-	61,723	64,291	2,575	-	60,447	63,022
Total	110,900	96,794	144,002	351,696	124,081	98,597	146,711	369,389

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

i) Sensitivity analysis of changes in interest rates

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

At March 31, 2012, Management defined for the probable scenario a CDI rate of 9.52% and TJLP of 6.00%. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

	Consolidated in Reais							
	March 31, 2012	Risk	Probable		Possible (25%)		Remote (50%)	
Transaction			%	R$	%	R$	%	R$
Investments	3,605	CDI decrease	9.52%	357	7.14%	268	4.76%	179
Total	3,605			357		268		179
Transaction								
Loans – working capital	(20,813)	CDI increase	9.52%	(1,981)	11.90%	(2,477)	14.28%	(2,972)
Loans – Export credit note	(6,695)	CDI increase	9.52%	(637)	11.90%	(797)	14.28%	(956)
Loans - 4131	(11,464)	CDI increase	9.52%	(1,091)	11.90%	(1,364)	14.28%	(1,637)
Loans - Exim Pre-shipment TJ 462	(2,011)	TJLP increase	6.00%	(121)	7.50%	(151)	9.00%	(181)
Total	(40,983)			(3,830)		(4,789)		(5,746)

ii) Sensitivity analysis of changes in foreign exchange rates

At March 31, 2012, the Company had assets and liabilities denominated in foreign currency and, for sensitivity analysis purposes, adopted as the probable scenario the future market rate in effect during the period of preparation of these interim financial statements. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

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

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	Consolidated in Reais						
	March 31, 2012	Probable		Possible (25%)		Remote (50%)	
		US$ rate	Gain (loss)	US$ rate	Gain (loss)	US$ rate	Gain (loss)
Trade receivables	13,399	1.7092	-	2.1365	3,350	2.5638	6,700
Trade payables, net of advances	(7,484)	1.7092	-	2.1365	(1,871)	2.5638	(3,742)
Loans and financing	(41,209)	1.7092	-	2.1365	(10,302)	2.5638	(20,605)
Commissions	(678)	1.7092	-	2.1365	(170)	2.5638	(339)
Net liability exposure	(35,972)	1.7092	-	2.1365	(8,993)	2.5638	(17,986)

4.2 Capital management

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

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

The gearing ratios at March 31, 2012 and December 31, 2011 were as follows:

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Loans and financing	106,549	118,954	107,422	119,810
Tax liabilities payable in installments	141,484	143,967	144,001	146,711
Less: Cash and cash equivalents	(5,297)	(8,091)	(6,987)	(10,065)
Receivables from other related parties	(95,758)	(93,780)	(95,758)	(93,780)
Net debt	146,978	161,050	148,678	162,676
Total equity	94,049	81,790	94,060	81,798
Total capital	241,027	242,840	242,738	244,474
Gearing ratio (%)	61	66	61	67

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The Company has available and unused credit facilities totaling R$ 24,355 at March 31, 2012.

4.3 Fair value estimation

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

The carrying values of trade receivables (net of provisions) and payables are assumed to reasonably approximate their fair values, and therefore a fair value estimation is not necessary.

The Company and its subsidiaries adopted CPC 40/IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

	Parent Company				Consolidated			
	Book value		Fair value		Book value		Fair value	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Assets								
Receivables								
Financial investments	2,491	-	2,491	-	3,604	-	3,604	-
Total	2,491	-	2,491	-	3,604	-	3,604	-
Liabilities								
Other financial liabilities								
Loans and financing	106,549	118,954	106,549	118,954	107,422	119,810	107,422	119,810
Total	106,549	118,954	106,549	118,954	107,422	119,810	107,422	119,810

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

5 Financial instruments by category

In the table below, the financial instruments of the Company and its subsidiaries are classified by category at the balance sheet dates:

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Assets as per balance sheet				
Receivables				
Cash and cash equivalents	5,297	8,091	6,987	10,065
Trade receivables	106,856	104,303	112,132	107,867
Total	112,153	112,394	119,119	117,932
Liabilities as per balance sheet				
Other financial liabilities				
Trade payables	95,544	97,488	96,254	97,980
Loans and financing	106,549	118,954	107,422	119,810
Tax liabilities payable in installments	141,484	143,967	144,001	146,711
Total	343,577	360,409	347,677	364,501

6 Credit quality of financial assets

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

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	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Trade receivables				
Counterparties without external credit rating				
Group 1	9,022	14,018	9,559	14,628
Group 2	96,821	87,350	102,578	91,148
Group 3	3,873	5,746	4,103	5,996
Total	109,716	107,114	116,240	111,772
Cash at bank and short-term bank deposits (not including cash on hand)				
AAA (bra)	4,315	6,169	5,537	7,654
AA+ (bra)	39	116	39	120
A+ (bra)	5	36	5	36
A (bra)	3	16	3	16
AA- (bra)	909	1,163	912	1,166
Other	26	591	491	1,073
Total	5,297	8,091	6,987	10,065
Loans to related parties				
Group 3	999	896	-	-
Total	999	896	-	-

The customer internal risk classification is described below:

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

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

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Counterparty	Rating	Agency
Banco ABC Brasil S/A	AA- (bra)	Fitch
Banco Alfa de Investimento S/A	AA- (bra)	Fitch
Banco Bradesco S/A	AAA (bra)	Fitch
Banco Citibank S/A	AAA (bra)	S&P
Banco Daycoval S/A	AA- (bra)	Fitch
Banco do Brasil S/A	AAA (bra)	Fitch
Banco do Estado do Rio Grande do Sul S/A	AA- (bra)	Fitch
Banco Fibra S/A	A (bra)	Fitch
Banco Industrial e Comercial S/A	A+ (bra)	Fitch
Banco Itaú BBA S/A	AAA (bra)	Fitch
Banco Safra	AA+ (bra)	Fitch
Caixa Economica Federal	AAA (bra)	Fitch
HSBC Bank Brasil S/A	AAA (bra)	Moody's

7 Derivative financial instruments

The Company and its subsidiaries do not have derivative financial instruments.

8 Cash and cash equivalents

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Checking account	2,806	8,091	3,383	10,065
Financial investments	2,491	-	3,604	-
Total	5,297	8,091	6,987	10,065

Financial investments designated as cash equivalents are applications in investment funds, which yielded 104.10% of the CDI interest rate in the first quarter of 2012 and can be redeemed at any time.

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9 Trade receivables

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Receivables from third parties:				
Customers – domestic market	94,599	92,074	101,123	96,732
Customers – foreign market	13,399	13,782	13,399	13,782
	107,998	105,856	114,522	110,514
Receivables from related parties:				
Entities related to management	1,718	1,258	1,718	1,258
	1,718	1,258	1,718	1,258
Impairment of trade receivables:				
Provision for doubtful trade receivables	(2,791)	(2,728)	(4,039)	(3,822)
Present value adjustment	(69)	(83)	(69)	(83)
	(2,860)	(2,811)	(4,108)	(3,905)
Total	106,856	104,303	112,132	107,867
Current	106,856	104,303	112,132	107,867

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

	Parent Company	Consolidated
At December 31, 2011	2,728	3,822
Provision for (reversal of) doubtful trade receivables (a)	63	217
At March 31, 2012	2,791	4,039

(a) The changes in the provision for doubtful trade receivables are presented at the net amount of provisions and reversals.

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

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

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

a) Aging of trade receivables – impaired and not impaired

	Parent Company							
	March 31, 2012	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired*	March 31, 2011	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired*
Not yet due – non-current	176	-	-	176	211	-	-	211
Not yet due – current	103,109	102,877	-	232	97,069	96,851	-	218
Overdue up to 30 days	3,456	-	3,434	22	6,551	-	6,529	22
Overdue from 31 to 60 days	494	-	483	11	300	-	289	11
Overdue from 61 to 90 days	152	-	124	28	309	-	213	96
Overdue from 91 to 180 days	84	-	-	84	311	-	307	4
Overdue from 181 to 360 days	219	-	7	212	606	-	197	409
Overdue for more than 360 days	2,026	-	-	2,026	1,757	-	-	1,757
Total	109,716	102,877	4,048	2,791	107,114	96,851	7,535	2,728

* The provision for impaired trade receivables is based on each customer's situation and guarantees.

	Consolidated							
	March 31, 2012	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired*	March 31, 2011	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired*
Not yet due – non-current	176	-	-	176	211	-	-	211
Not yet due – current	108,183	107,951	-	232	100,256	100,038	-	218
Overdue up to 30 days	3,532	-	3,510	22	6,622	-	6,600	22
Overdue from 31 to 60 days	495	-	484	11	300	-	289	11
Overdue from 61 to 90 days	157	-	129	28	309	-	213	96
Overdue from 91 to 180 days	84	-	-	84	311	-	307	4
Overdue from 181 to 360 days	1,152	-	127	1,025	1,668	-	503	1,165
Overdue for more than 360 days	2,461	-	-	2,461	2,095	-	-	2,095
Total	116,240	107,951	4,250	4,039	111,772	100,038	7,912	3,822

* The provision for impaired trade receivables is based on each customer's situation and guarantees.

The Company's receivables are pledged in guarantee of certain loans and financing, as described in note 22, as a percentage of the outstanding debt balance. At March 31, 2012, trade receivables pledged in guarantee were R$ 32,071 (R$ 38,606 at December 31, 2011).

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10 Inventories

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Finished products	75,644	76,693	76,805	77,888
Work in process	8,377	8,777	8,377	8,777
Raw and consumption materials	7,631	7,412	7,631	7,412
Provision for loss on inventories	(7,980)	(7,895)	(9,141)	(9,090)
Imports in transit	4,956	5,566	4,956	5,566
Total	88,628	90,553	88,628	90,553

11 Taxes recoverable

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Current				
ICMS	419	389	419	389
IPI (a)	854	892	854	892
IRRF/CSRF	36	-	44	4
Other	111	101	254	245
Total	1,420	1,382	1,571	1,530
Non-current				
ICMS on property, plant and equipment	1,669	1,762	1,669	1,762
Total	1,669	1,762	1,669	1,762

ICMS - Value-added Tax on Sales and Services
IPI - Excise Tax
IRRF/CSRF - Withholding Income Tax/Withholding Social Contribution

a) The reduction in the percentages of IPI rates charged on the products manufactured and sold by Portobello S.A., originally established by Decree 7,032 of December 14, 2009, was extended for the third time, in accordance with Decree 7,542 of August 2, 2011, and will be maintained up to December 31, 2012. This measure generates credits which are used quarterly to offset federal taxes payable.

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12 Receivables from other related parties

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

In 2009, the Federal Supreme Court (STF) issued a decision determining that this incentive ended on October 4, 1990, and therefore the credit can no longer be used. Consequently, the Company applied for the installment payment program established by Law 11,941/09, including the debt arising from the credit obtained from Refinadora.

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

Upon requesting the installment payment program established by Law 11,941/09, the Company and Refinadora entered into an agreement confirming these credits as guarantees and sufficient to settle all the tax debt installments. At March 31, 2012, these credits, which also arise from lawsuit 87.00.00967-9, total R$ 95,758 (R$ 93,780 at December 31, 2011) and are monetarily restated by the Special System for Settlement and Custody (SELIC) rate, as prescribed by the agreement.

It should be noted out that the credits given in guarantee have already been converted into a court-ordered debt and the Company received, in August 2011, R$ 8,505 related to the first of the total 10 annual installments, as established in the agreement.

Refinadora Catarinense S/A was a parent company in the past and currently has the same stockholders, and remains financially responsible for the payment of the obligation.

13 Judicial deposits

The Company and its subsidiaries are parties to labor, civil and tax litigation (see note 26) and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. These are recorded at the original amount plus the savings account basic remuneration rate, Reference Rate (TR) + 0.5% per month.

Judicial deposits are presented according to the nature of the related disputes, as follows:

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

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Labor	6,278	5,994	6,315	6,031
Tax	1,993	1,930	1,993	1,930
Total	8,271	7,924	8,308	7,961

14 Receivables from Eletrobrás

With the objective of obtaining reimbursement of a compulsory loan paid through invoices for electric energy from 1977 to 1993, based on Law 4,156/62, the Company filed a legal action against Centrais Elétricas Brasileiras S.A. – Eletrobrás.

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

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

The Federal Court accounting department reviewed the calculation and presented new amounts, determining the net amount of R$ 24,749. In September 2010, the Company recognized the difference between the amounts previously calculated and the current calculation made by the Federal Court accounting department, totaling R$ 9,136, recorded under "Other operating income". At March 31, 2012, the balance of the asset was R$ 32,417 (R$ 31,059 at December 31, 2011).

15 Income tax and social contribution

a) Income tax and social contribution

The Company adopts the annual taxable income tax method. Accordingly, during the year the prepayments are recorded in current assets and the provision in current liabilities, up to the annual calculation at the end of the year.

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

Income tax and social contribution recoverable and payable comprise the following:

	Current Assets				Current Liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Income tax	-	513	115	628	(989)	(63)	(1,622)	(435)
Social contribution	-	186	337	524	(357)	-	(586)	(106)
Total	-	699	452	1,152	(1,346)	(63)	(2,208)	(541)

b) Deferred income tax and social contribution

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

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

The deferred tax amounts are as follows:

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	Parent Company and Consolidated	
	March 31, 2012	December 31, 2011
Deferred income tax and social contribution - Assets	25,320	25,280
Tax losses	4,838	6,477
Temporary differences - assets	20,482	18,803
Portobello pension plan	(273)	(244)
Adjustment to present value of trade receivables	23	28
Provision for adjustment to market value	3,047	2,998
Provision for contingencies	5,746	5,446
Provision for PIS with ICMS reduction	1,587	1,454
Provision for COFINS with ICMS reduction	7,313	6,702
Provision for doubtful trade receivables	949	928
Provision for profit sharing	512	-
Other temporary differences - assets	1,578	1,491
Deferred income tax and social contribution - Liabilities	(41,301)	(40,973)
Temporary differences - liabilities	(41,301)	(40,973)
Revaluation reserve	(18,336)	(18,470)
Receivables from Eletrobrás	(11,022)	(10,560)
Recognition of IPI premium credit – phase II	(4,123)	(4,020)
Adjustment to present value – Prodec*	(1,182)	(1,452)
Adjustment to present value of trade payables	(184)	(210)
Depreciation adjustment (to the useful lives of assets)	(4,747)	(4,778)
Exchange rate adjustment	(1,707)	(1,483)
Deferred income tax and social contribution – net	(15,981)	(15,693)

*Prodec - Program of Development for Companies of the State of Santa Catarina

The deferred taxes on tax losses and temporary differences will be utilized or settled as follows:

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	Parent Company and Consolidated			
	Deferred taxes			
	Assets		Liabilities	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
2012	12,574	11,433	(568)	(537)
2013	1,013	2,669	(34,738)	(15,328)
2014	2,682	9,000	(568)	(537)
2015	1,013	1,089	(568)	(537)
2016	1,013	1,089	(568)	(537)
Over 5 years	7,025	-	(4,291)	(23,497)
	25,320	25,280	(41,301)	(40,973)

The net changes in the deferred taxes in the quarter ended March 31, 2012 are as follows:

	Parent Company and Consolidated
At December 31, 2011	(15,693)
Tax losses	(1,639)
Temporary differences - assets	1,678
Temporary differences - liabilities	(461)
Revaluation reserve	134
At March 31, 2012	(15,981)

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

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	Parent Company and Consolidated	
	March 31, 2012	March 31, 2011
	Effect on statement of income	
Deferred tax asset		
Tax losses	(1,639)	(138)
Portobello pension plan	(29)	(45)
Adjustment to present value	(5)	(8)
Provision for adjustment to market value	49	(110)
Provisions for contingencies	300	(541)
PIS calculation basis reduced as a result of ICMS elimination effects	133	103
COFINS calculation basis reduced as a result of ICMS elimination effects	612	478
Provision for doubtful trade receivables	21	(114)
Provision for profit sharing	512	-
Other temporary differences	86	(40)
Total	40	(415)
Realization of revaluation reserve	134	134
Provision for contingencies - Eletrobrás	(462)	(450)
Contingent assets – IPI premium credit – phase II	(103)	(96)
Adjustment to present value - liability	296	-
Depreciation adjustment (to the useful lives of assets)	31	(6)
Cash basis exchange rate variations	(224)	1,523
Total	(328)	1,105
Net	(288)	690

c) Income tax and social contribution expense or credit

The income tax and social contribution expense or credit for the quarters ended March 31, 2012 and 2011 is as follows:

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	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Current tax				
Current tax on profit for the period	(3,818)	(315)	(5,751)	(1,686)
Total current tax	(3,818)	(315)	(5,751)	(1,686)
Deferred tax				
Generation and reversal of temporary differences	(288)	690	(288)	690
Total deferred tax	(288)	690	(288)	690
Income tax and social contribution expense/credit	(4,106)	375	(6,039)	(996)

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Profit before tax	15,261	1,248	17,197	2,682
Tax calculated based on the standard tax rates	(5,189)	(424)	(5,847)	(912)
Equity in the earnings of subsidiaries	1,101	820	-	-
Non-deductible expenses for tax purposes	80	69	80	86
Depreciation of revalued assets	(134)	(134)	(134)	(134)
Tax credits on tax losses and temporary differences	324	(646)	150	(726)
Deferred income tax and social contribution	(288)	690	(288)	690
Tax expense/credit	(4,106)	375	(6,039)	(996)

16 Tax assets

The Company filed a lawsuit requesting the recognition of the IPI Premium credit for different calculation periods. Lawsuit 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, was decided in the Company's favor and is at the sentence execution phase, with the related amounts already determined by the Federal Court accounting department. Accordingly, in November 2009, the Company recognized the undisputed amount equivalent to R$ 12,127 restated through March 31, 2012 (R$ 11,823 at December 31, 2011).

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

17 Contingent assets

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

With respect to lawsuit 1998.34.00.029022-4, the Company is waiting for a final judgment for settlement of the decision. With respect to lawsuit 1984.00.020114-0, the Company will offset the amounts against the IPI due, as soon as the IPI rate is increased, according to Decree 7,394 of December 15, 2010.

18 Investments

a) Investments in subsidiaries

The Company controls four companies, recorded as investments in subsidiaries and in liabilities as provision for loss on investments.

	Investments	Provision for loss on investments
At December 31, 2011	480	(43,202)
Equity in results	3,237	-
Exchange variations	-	1,104
At March 31, 2012	3,717	(42,098)
Current	-	37,478
Non-current	3,717	4,620

In the first quarter of 2012, the provision for loss on investments (net capital deficiency) was not affected by any equity in results (R$ 104 at March 31, 2011) whereas the equity in earnings of subsidiaries arising from the interest in Portobello Shop S.A. of R$ 3,237 (R$ 2,516 at March 31, 2011), was recorded under "Equity in the earnings of subsidiaries" with a net effect of R$ 3,237 (R$ 2,412 at March 31, 2011).

In the same period the Company recorded gains of R$ 1,104 (R$ 761 at March 31, 2011) arising from the translation of the foreign currency financial statements of its subsidiary Portobello America, Inc., from the U.S. dollar to the Brazilian real. The gains are recorded as "Carrying value adjustments", in equity.

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The subsidiaries are closely-held companies, in which the parent company's share of the assets, liabilities and profit for the period are as follows:

	Country of incorporation	Ownership percentage	Assets	Liabilities	Revenue	Profit/(loss)
At December 31, 2011						
Portobello América Inc.	United States	100.00%	592	39,174	586	(548)
PBTech Ltda.	Brazil	99.94%	1,237	4,802	179	(255)
Portobello Shop S/A	Brazil	99.90%	6,076	5,596	42,907	10,940
Mineração Portobello Ltda.	Brazil	99.76%	451	1,506	1,981	(109)
At March 31, 2012						
Portobello América Inc.	United States	100.00%	575	38,053	-	-
PBTech Ltda.	Brazil	99.94%	1,231	4,830	-	(34)
Portobello Shop S/A	Brazil	99.90%	9,764	6,047	11,770	3,237
Mineração Portobello Ltda.	Brazil	99.76%	445	1,466	510	34

b) Other investments

At March 31, 2012, the Company has a balance of R$ 198 (R$ 198 at December 31, 2011), relating to its interest of 11.72% in Infragás - Infraestrutura de Gás para a Região Sul S.A., which has the specific purpose of enabling the implementation of infrastructure for the supply of natural gas to the states in the south region of Brazil. This balance, plus the Amazon Investment Fund (FINAM) recorded in subsidiary Mineração Portobello, represent the consolidated balance of R$ 215 (R$ 215 at December 31, 2011).

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

19 Property, plant and equipment

a) Analysis

		Parent Company				Consolidated	
		March 31, 2012			December 31, 2011	March 31, 2012	December 31, 2011
	Annual average depreciation rate	Cost	Accumulated depreciation	Net	Net	Net	Net
Land		11,111	-	11,111	11,111	11,488	11,488
Buildings, constructions and improvements	4%	93,966	(13,658)	80,308	80,366	80,464	80,523
Machinery and equipment	10%	273,225	(203,426)	69,799	70,314	69,799	70,314
Furniture and fittings	10%	8,176	(7,193)	983	1,026	1,106	1,156
Computers	20%	12,830	(11,492)	1,338	1,389	1,354	1,406
Other	20%	218	(175)	43	48	102	107
Construction in progress (a)		13,289	-	13,289	13,058	13,289	13,058
Total		412,815	(235,944)	176,871	177,312	177,602	178,052

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

Management opted not to adopt deemed cost but rather to maintain the revaluation of property, plant and equipment, since the last revaluation was in 2006 (see note 29b) and therefore approximates fair value.

As established by the Technical Interpretation ICPC 10 issued by the CPC and approved by CVM Deliberation 619/09, in 2008 the Company reviewed and changed the useful lives of its property, plant and equipment based on a technical appraisal of the engineering department, and these rates were maintained from 2009 to 2012.

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b) Changes in property, plant and equipment

	Parent Company							
	Land	Buildings, constructions and improvements	Machinery and equipment	Furniture and fittings	Computers	Other	Construction in progress	Total
At December 31, 2011	11,111	80,366	70,314	1,026	1,389	48	13,058	177,312
Additions*	-	-	184	10	47	-	3,246	3,487
Transfers	-	631	2,384	-	-	-	(3,015)	-
Depreciation	-	(689)	(3,083)	(53)	(98)	(5)	-	(3,928)
Disposals	-	-	-	-	-	-	-	-
At March 31, 2012	11,111 *	80,308 *	69,799 *	983 *	1,338 *	43 *	13,289 *	176,871

* Additions to property, plant and equipment were paid for with available cash and financing obtained from suppliers.

	Consolidated							
	Land	Buildings, constructions and improvements	Machinery and equipment	Furniture and fittings	Computers	Other	Construction in progress	Total
At December 31, 2011	11,488	80,523	70,314	1,156	1,406	107	13,058	178,052
Additions*	-	-	184	10	47	-	3,246	3,487
Transfers	-	631	2,384	-	-	-	(3,015)	-
Depreciation	-	(690)	(3,083)	(60)	(99)	(5)	-	(3,937)
Disposals	-	-	-	-	-	-	-	-
At March 31, 2012	11,488 *	80,464 *	69,799 *	1,106 *	1,354 *	102 *	13,289 *	177,602

* Additions to property, plant and equipment were paid for with available cash and financing obtained from suppliers.

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

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Cost of sales	3,597	3,566	3,597	3,566
Selling expenses	218	193	227	205
Administrative expenses	113	77	113	77
Total	3,928	3,836	3,937	3,848

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

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

	March 31, 2012			December 31, 2011		
	Cost	Accumulated depreciation	Net balance	Cost	Accumulated depreciation	Net balance
Computers	266	(146)	120	311	(149)	162
Total	266	(146)	120	311	(149)	162

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

20 Intangible assets

a) Analysis

		Parent Company				Consolidated	
		March 31, 2012			December 31, 2011	March 31, 2012	December 31, 2011
	Annual average amortization rate	Cost	Accumulated amortization	Net	Net	Net	Net
Software	20%	12,359	(11,954)	405	451	405	451
Right to explore mineral resources	20%	1,000	(400)	600	650	608	659
Trademarks and patents		150	-	150	150	152	152
Goodwill		-	-	-	-	80	80
Management system (a)		5,524	-	5,524	3,407	5,524	3,407
				-			
Total		19,033	(12,354)	6,679	4,658	6,769	4,749

(a) Refers to expenses on acquisition and implementation of business management systems, also named Value Chain Management System, comprising mainly the Oracle, WMS, Demantra and Inventory Optimization systems, and enhancements in the value chain management process. The expenses will be amortized through the conclusion of the acquisitions and implementations according to the future benefit period estimated by the Company's management.

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b) Changes in intangible assets

	Parent Company				
	Software	Right to explore mineral resources	Trademarks and patents	Management system	Total
At December 31, 2011	451	650	150	3,407	4,658
Additions*	1	-	-	2,117	2,118
Amortization	(47)	(50)	-	-	(97)
At March 31, 2012	405	600	150	5,524	6,679

* The additions to intangible assets were paid for with available cash.

	Consolidated					
	Software	Right to explore mineral resources	Trademarks and patents	Goodwill	Management system	Total
At December 31, 2011	451	659	152	80	3,407	4,749
Additions*	1	-	-	-	2,117	2,118
Amortization	(47)	(51)	-	-	-	(98)
At March 31, 2012	405	608	152	80	5,524	6,769

* The additions to intangible assets were paid for with available cash.

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

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Cost of sales	64	63	65	65
Selling expenses	-	1	-	5
Administrative expenses	33	33	33	33
		-		
Total	97	97	98	103

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

	2012	2013	2014	2015	2016	2017
Software	94	78	26	8	-	-
Right to explore mineral resources	155	203	200	50	-	-
Management system (a)	-	920	1,228	1,228	1,228	920
Total	249	1,201	1,454	1,286	1,228	920

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

The items Trademarks and patents and Goodwill, totaling R$ 232, are not being amortized since they have no defined useful life. Part of the software under development, totaling R$ 199, (not included in the above table) will be amortized after implementation.

21 Trade payables

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Suppliers	96,084	98,105	96,794	98,597
Domestic market	88,592	88,463	89,302	88,955
Foreign market	7,492	9,642	7,492	9,642
Present value adjustment	(540)	(617)	(540)	(617)
Total	95,544	97,488	96,254	97,980

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22 Loans and financing

	Maturity	2011 charges	Parent Company		Consolidated	
			March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Current						
Foreign currency						
Suppliers credit		VC+5.39% p.a.[1]	4,274	4,278	4,274	4,278
Prepayment (a)		VC+6.43% p.a.[1]	4,762	5,769	4,762	5,769
FINIMP (b)		VC+3.22% p.a.[1]	22,859	24,349	22,859	24,349
Total foreign currency		VC + 4.00% p.a.	31,895	34,396	31,895	34,396
Local currency						
Exim Pre-shipment TJ 462 (d)		12.80% p.a.	2,011	2,014	2,011	2,014
FINEP (d)		8.00% p.a.	1,991	1,992	1,991	1,992
Export credit note (e)		12.60% p.a.	6,695	7,053	6,695	7,053
4131 (f)		12.12% p.a.	11,464	11,111	11,464	11,111
Finance lease		28.63% p.a.	9	38	9	38
Advance on credit notes (g)		15.94% p.a.	68	5,489	68	5,489
Working capital		12.88% p.a.[1]	16,663	17,507	16,663	17,507
Total local currency		12.36% p.a.	38,901	45,204	38,901	45,204
Total current			70,796	79,600	70,796	79,600
Non-current						
Foreign currency						
Suppliers credit	Oct/2016	VC+5.67% p.a.[1]	7,040	7,610	7,040	7,610
Prepayment (a)	Dec/2013	VC+5.91% p.a.[1]	2,274	2,341	2,274	2,341
Total foreign currency		VC + 5.77% p.a.	9,314	9,951	9,314	9,951
Local currency						
Exim Pre-shipment TJ 462 (d)	Mar/2013	12.80% p.a.	-	500	-	500
PRODEC (h)	Aug/2015	4.00% p.a. + UFIR	12,367	9,952	12,367	9,952
FINEP (d)	Sep/2018	8.00% p.a.	10,795	11,285	10,795	11,285
Export credit note (e)	Mar/2013	12.60% p.a.	-	3,333	-	3,333
Working capital	Mar/2017	12.29% p.a.[1]	3,277	4,333	4,150	5,189
Total local currency		6.66 % p.a.	26,439	29,403	27,312	30,259
Total non-current liabilities			35,753	39,354	36,626	40,210
Total			106,549	118,954	107,422	119,810

[1] Average rate
VC - Exchange rate variation
UFIR - Fiscal Reference Unit

a) Prepayment - In 2010, the Company signed export prepayment agreements totaling US$ 4,780 thousand. The agreements have terms of up to 24 months and are collateralized by receivables of Portobello Shop S.A. and Portobello S.A. In 2011, the Company signed export prepayment agreements totaling US$ 5,651 thousand. The agreements have terms of up to 30 months and are collateralized by receivables of Portobello Shop S.A. and Portobello S.A.

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b) FINIMP (special credit lines for the import of capital assets, machinery, equipment and services) - From April 2011 to March 2012, the Company entered into several FINIMP contracts, amounting to US$ 12,546 thousand, with an average rate of 3.22% p.a., payable over 6 months, with payments made at the end of each contract. These contracts were collateralized by receivables of Portobello S.A. in the average amount of 37% of the debt due in conformity with the contract.

c) Exim Pre-shipment TJ 462 (type of financing with BNDES funds that is used as an advance for the manufacture of export products) - In April 2010, the Company signed a "BNDES - Exim Pre-shipment TJ-462" agreement of R$ 4,000 subject to TJLP plus 6.80% p.a. The amount is payable over 3 years, with a 1-year grace period and divided in 24 monthly and consecutive installments. This loan is collateralized by receivables of Portobello S.A., in the amount of 50% of the balance due in conformity with the contract.

d) FINEP - Fund for Financing of Studies and Projects - In May 2010, the Company entered into an agreement with FINEP in the amount of R$ 30,103, with interest of 5% p.a., payable over 80 months, with a 20-month grace period. The first installment of R$ 13,248 was fully released on September 2, 2010. A letter of guarantee at the cost of 3% p.a. was required for this agreement.

e) NCE – Export Credit Note – In September 2011, the Company entered into an export credit note agreement with Banco Itaú, in the amount of R$ 10,000, with interest of 3.04% p.a. and 100% of CDI, payable in 3 installments, the first of which on March 19, 2012, the second on September 17, 2012, and the last on March 21, 2013. Receivables of Portobello S.A. were pledged in guarantee for 60% of the debt balance.

f) 4131 (onlending of foreign currency funds) - In March 2011, the Company entered into a 4131 contract with Banco Itaú, in the amount of R$ 9,999 with interest of 2.57% p.a. and 100% of CDI, for 18 months, payable at the end of the contract. This loan is collateralized by receivables of Portobello S.A. in the amount of 60% of the balance due.

g) Private Agreement on Advance of Credit Notes - In December 2011, the Company entered into an Advance on Credit Notes agreement with Banco Fibra in the amount of R$ 5,489 with interest of 15.49% p.a. and a term of 5 months. This agreement has no restrictive clauses.

h) PRODEC - Program of Development for Companies of Santa Catarina State - In July 2009, the Company was granted a State of Santa Catarina Special Tax Financing Regime. The balance was adjusted to present value. The interest rate used for the present value adjustment calculation was the average for working capital, 13.71% per year.

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

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Loans and financing at March 31, 2012 do not have restrictive covenants.

The other loans are mainly guaranteed by mortgages on properties, pledges of equipment and receivables of the parent company (note 9) and a subsidiary (note 40), sureties of the controlling stockholders and of a subsidiary and finished product inventories of R$ 907.

The long-term loans fall due as follows:

	Parent Company		Consolidated	
Maturity up to April 1	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
2013	13,205	19,128	13,205	19,128
2014	8,971	8,957	8,971	8,957
2015	6,099	5,254	6,099	5,254
2016	4,043	2,580	4,043	2,580
2017	1,963	1,963	1,963	1,963
2018	1,472	1,472	2,345	2,328
Total	35,753	39,354	36,626	40,210

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

	Consolidated	
	March 31, 2012	December 31, 2011
Six months or less	47,089	33,485
From 6 to 12 months	10,989	19,164
From 1 to 5 years	23,241	37,550
Over 5 years	873	856
Total	82,192	91,055

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

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

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Reais	65,340	74,607	66,213	75,463
Euro	1,088	1,074	1,088	1,074
U.S. dollars	40,121	43,273	40,121	43,273
Total	106,549	118,954	107,422	119,810

The fair value of the outstanding borrowings approximates their book values as the impact of discounting to present value is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 5.86% (8.71% at December 31, 2011).

The present value of the lease obligations at March 31, 2012 is R$ 9 (R$ 38 at December 31, 2011). The future financing charges on the finance leases totaled R$ 1 at December 31, 2011 and were fully settled on March 31, 2012, as of which date the present value is equal to the gross value.

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23 Tax liabilities payable in installments

	Tax liabilities	Request for installment payment		March 31, 2012	December 31, 2011
		Date	Number of installments not yet due		
Portobello S.A.	INSS	Dec/09	32	8,360	8,987
	IPI	Dec/09	32	5,679	6,083
	PIS	Mar/09	23	279	310
	COFINS	Mar/09	23	1,287	1,426
	IRPJ	Mar/09	23	2,044	2,265
	CSLL	Mar/09	23	760	842
	LAW 11,941/09 (a)	Nov/09	151	123,075	124,054
Total parent company				141,484	143,967
Current				21,004	20,731
Non-current				120,480	123,236
PBTech Ltda.	LAW 11,941/09 (a)	Nov/09	7	121	169
Portobello Shop S.A.	INSS	Nov/09	31	675	735
	COFINS	Mar/09	23	96	107
	IRPJ	Mar/09	23	741	821
	CSLL	Mar/09	23	269	298
	LAW 11,941/09 (a)	Nov/09	151	615	614
Total subsidiaries				2,517	2,744
Total consolidated				144,001	146,711
Current				22,008	21,773
Non-current				121,993	124,938

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

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

The installments fall due as follows:

	Parent Company		Consolidated	
Maturity	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
2012	15,680	20,731	16,466	21,773
2013	21,295	20,869	22,181	21,742
2014	16,176	15,852	16,538	16,211
2015	8,983	8,798	9,031	8,846
2016	8,983	8,798	9,031	8,846
2017	8,983	8,798	9,031	8,846
2018	8,983	8,798	9,031	8,846
2019	8,983	8,798	9,031	8,846
2020	8,983	8,798	9,031	8,846
2021	8,983	8,798	9,031	8,846
2022	8,983	8,798	9,031	8,846
2023	8,983	8,798	9,031	8,846
2024	7,486	7,333	7,537	7,371
Total	141,484	143,967	144,001	146,711

a) Law 11,941/09 (REFIS - Tax Recovery Program)

In May and June 2011, the Company concluded the process of consolidation (final approval) of the installment program established by Law 11,941/09, started with the application for the Tax Recovery Program in November 2009.

Between the application date and the consolidation the Company paid the minimum installment of R$ 395, as permitted by legislation. During this period, and more precisely at the time of the consolidation, it made decisions that had a positive economic impact of R$ 3,013, of which R$ 3,613 in other operating income and R$ 600 in finance costs. The main impact was due to the non-confirmation of the transfer of debts denied in the installment program of Provisional Measure (MP) 470 to the installment program of Law 11,941 (see note 24).

After the consolidation, the Company is required to pay monthly installments of R$ 1,198 without delay exceeding three months and it must discontinue any lawsuit and waive any alleged right on which the referred lawsuits are based, under penalty of immediate cancellation of the installment payment program and the consequent loss of the benefits established by Law 11,941/09. The termination of lawsuits filed against the tax assessments does not affect the proceedings in course in the judicial sphere, mentioned in note 16.

24 Tax debts law 12,249/10 (MP 470 and MP 472)

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

In June 2010, when the Provisional Measure was converted into Law 12,249/10, the use of tax credits arising from tax losses existing at December 31, 2009 was authorized. The Company used this benefit and recorded R$ 3,252 in the second quarter of 2010 (see note 32), thus considering the installment payment program as concluded.

PGFN partially denied the request in June 2010 claiming the need of withdrawal from lawsuits challenging the credit. The Company requested the withdrawal/waiver of only the assessments received from SRF.

However, the Attorney General's Office of the National Treasury of the State of Santa Catarina understood that the withdrawal/waiver should be extended to the declaratory actions seeking the recognition of IPI premium credits, mentioned in note 16. The Company's legal department is adopting measures against the decision of the PGFN in order to dismiss the demand of withdrawal/waiver of these declaratory suits. This procedure is supported by an opinion issued by the law firm Demarest Almeida, defending that, in relation to debts included in the installment program established by Law 12,249/10, the Company is not obliged to withdraw the declaratory suits, which differs from the procedure established by Law 11,941/09. The Company's legal department understands as virtually certain a favorable outcome in the various legal levels available to reconsider the unfavorable decisions based on the merits of the case.

In the remote event that PGFN's decision will be upheld through the last level, the impact on the Company's results would be a loss of R$ 23,120 at March 31, 2012, considering the non-acknowledgement of the debt, the loss of the benefits and the maintenance of the debts as contingent liabilities. This possible tax liability will be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in note 17.

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25 Taxes and contributions

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
IRRF	664	1,034	830	1,225
ICMS	3,876	1,985	3,876	1,985
PIS	317	116	386	158
COFINS	1,459	533	1,776	727
Other	78	93	223	218
Total	6,394	3,761	7,091	4,313

26 Provisions for contingencies

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

The analysis of the provisions is as follows:

Provisions	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Civil	4,673	4,416	4,718	4,488
Labor	10,218	9,654	10,218	9,654
Tax	28,185	25,935	28,185	25,935
Total	43,076	40,005	43,121	40,077
Current	1,152	988	1,191	1,015
Non-current	41,924	39,017	41,930	39,062

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

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

Changes in the provisions are as follows:

	Parent Company			Total
	Civil	Labor	Tax	
At December 31, 2011	4,416	9,654	25,935	40,005
Charged (credited) to the statement of income:	281	735	2,250	3,266
Additional provisions	110	328	1,714	2,152
Reversal due to lack of use	(30)	(6)	-	(36)
Unwinding of discount	-	37	-	37
Monetary adjustment (note 34)	201	376	536	1,113
Reversal due to realization	(24)	(171)	-	(195)
At March 31, 2012	4,673	10,218	28,185	43,076

	Consolidated			Total
	Civil	Labor	Tax	
At December 31, 2011	4,488	9,654	25,935	40,077
Charged (credited) to the statement of income:	285	735	2,250	3,270
Additional provisions	120	328	1,714	2,162
Reversal due to lack of use	(38)	(6)	-	(44)
Unwinding of discount	-	37	-	37
Monetary adjustment (note 34)	203	376	536	1,115
Reversal due to realization	(55)	(171)	-	(226)
At March 31, 2012	4,718	10,218	28,185	43,121

Comments on civil, labor and tax proceedings:

Civil

The Company and its subsidiaries are defendants in 104 civil lawsuits (102 civil lawsuits at December 31, 2011) in common courts and special civil courts. Most of the lawsuits have been brought by customers and claim compensation for alleged pain and suffering and tangible damages. When applicable, judicial deposits were made (note 13).

The civil contingent liabilities are described in note 27.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 122 labor claims (70 claims at December 31, 2011) brought by former employees and third parties. The claims refer to the payment of termination amounts, premiums, overtime, salary equalization, monetary adjustment of the Government Severance Indemnity Fund for Employees (FGTS), compensation for pain and suffering and tangible damage from occupational accidents/disease. The provisions are reviewed by management based on the opinion of the legal advisors. Some lawsuits are backed by judicial deposits (note 13).

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

These contingent liabilities are disclosed in note 27.

Tax

a) INSS on Cooperatives

The Company filed lawsuits (injunction) against the INSS, which required the payment of the social contribution set forth in article 22, item IV of Law 8,212/91, with the wording provided by Law 9,879/99.

The Company alleges that in the course of its activities it contracts cooperatives of several labor areas to provide specialized services, which makes it subject to the payment of the contribution. The Company believes that the payment of the contribution is not constitutional, since it does not respect the principles of legality, equality and protection to the cooperatives. A preliminary injunction was requested to declare the right of not paying the social contribution, as well as offsetting the amounts that had been unduly paid. At March 31, 2012, the balance of the provision was R$ 2,009 (R$ 1,948 at December 31, 2011).

b) Exclusion of ICMS from the PIS and COFINS calculation basis

On April 16, 2008, the Company was granted Injunction 2008.34.00.011286-4, to exclude the ICMS from the calculation basis of the PIS and COFINS federal contributions. As from the date of this injunction, the Company calculates and pays PIS and COFINS without including the ICMS in the calculation basis.
The balances of the provisions for tax contingencies related to the exclusion of ICMS from the calculation basis of PIS and COFINS amount to R$ 26,176 at March 31, 2012 (R$ 23,987 at December 31, 2011).

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

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

27 Contingent liabilities

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

	Parent Company		Consolidated	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Civil	843	767	863	787
Labor	9,891	9,323	9,891	9,323
Total	10,734	10,090	10,754	10,110

The legal advisors classify these matters as contingent liabilities since an adverse judgment for the Company is not probable and, as a result, an outflow of resources to settle the obligation should not be necessary.

28 Employee benefits

28.1 Private pension plan

Since November 1, 1997, the Company and its subsidiaries sponsor the Portobello Prev benefit plans, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which includes 39 participants. The plan has the characteristics of a defined contribution plan; however, it provides a minimum retirement benefit for length of service or age.

At March 31, 2012, 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$ 3,033 (R$ 3,118 at December 31, 2011) 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 amounts in thousands of reais, unless otherwise indicated)

The main actuarial assumptions used were as follows:

	Parent Company	
	March 31, 2012	March 31, 2011
Economic assumptions:		
Discount rate	6% p.a. (real)	6% p.a. (real)
Expected rate of return on assets	6% p.a. (real)	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years	2% p.a. (real) up to 47 years
Growth in the benefits and limits of the Government Social Security	2% p.a. (real) as from 48 years	2% p.a. (real) as from 48 years
Inflation	Not considered	Not considered
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions:		
Mortality table	AT 83	AT 83
Disability mortality table	Exp. IAPC	Exp. IAPC
Disability table	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

28.2 Employee benefit expenses

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Remuneration	17,091	16,073	18,310	17,309
Benefits				
Private pension plan	149	157	205	216
FGTS	1,520	1,372	1,591	1,446
Other	1,934	1,634	1,994	1,687
Total	20,694	19,236	22,100	20,658

29 Equity

a) Share capital

(full amounts, figures not rounded)

The Company has a subscribed and paid-up capital of R$ 112,957,487 comprising 159,008,924 common shares with no par value.

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

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

At March 31, 2012, there were 61,992,547 shares outstanding in the market, corresponding to 38.99% of the total shares issued (61,992,547 at December 31, 2011, corresponding to 38.99% of the total). Shares outstanding in the market comprise all securities available for trading in the market, excluding those held by the controlling stockholders and members of the Board of Directors and the Executive Board.

b) Revaluation reserve

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

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

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of deferred income tax and social contribution on land revalued in 2006, when the legislation did not permit such tax deferral. ICPC 10 requires that entities record a provision for taxes on revaluation of land when "it is probable that the economic benefits associated with the non-depreciable asset will flow to the entity, derived either from current or future sales or own use of the asset". Deferred income tax and social contribution corresponding to the reserve for revaluation of land, constructions and improvements are classified in non-current liabilities, as mentioned in note 15(b).

Considering the surplus credited to the revaluation reserve approved by the Extraordinary General Meeting of stockholders held on December 29, 2006, the balance of the revaluation of the Company's assets, net of deferred taxes, amounted to R$ 44,898 at March 31, 2012 (R$ 45,292 at December 31, 2011). The depreciation charge on the revaluation, net of deferred IRPJ and CSLL liabilities, for the quarter ended March 31, 2012 was R$ 394 (R$ 395 at March 31, 2011), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 18,336 (R$ 18,470 at December 31, 2011). See note 15(b).

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

The Company opted to maintain the revaluation reserve recorded at December 31, 2006 up to its full realization, in accordance with Law 11,638/07.

c) Accumulated deficit

	Parent Company and Consolidated
At December 31, 2011	(73,738)
Realization of revaluation reserve	394
Profit for the year (excluding non-controlling interests)	11,155
At March 31, 2012	(62,189)

30 Revenue

The reconciliation between gross sales revenue and net revenue, presented in the statement of income for the quarters ended March 31, 2012 and 2011, is as follows:

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Gross sales revenue	177,539	152,374	189,321	162,286
Deductions from gross revenue	(38,155)	(33,593)	(39,328)	(34,587)
Taxes on sales	(35,018)	(29,810)	(36,191)	(30,804)
Returns	(3,137)	(3,783)	(3,137)	(3,783)
Net sales revenue	139,384	118,781	149,993	127,699
Domestic market	131,262	111,876	139,634	118,537
Foreign market	8,122	6,905	10,359	9,162

31 Expenses by nature

Cost of sales and selling and administrative expenses for the quarters ended March 31, 2012 and 2011, by nature, are as follows:

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

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Changes in inventories of finished products and work in process	(4,834)	(9,137)	(4,834)	(9,137)
Direct production costs (raw materials and inputs)	52,150	51,305	51,639	50,847
Overhead expenses (including maintenance)	7,056	7,612	7,056	7,612
Cost of goods resold	24,828	18,718	25,173	19,089
Transportation of goods sold	514	627	514	627
Salaries, social charges and employee benefits	25,415	23,835	27,118	25,557
Third-party labor and services	3,393	3,584	4,798	4,739
Amortization and depreciation	3,981	3,902	3,992	3,921
Rental and operating leasing	1,963	1,530	1,964	1,530
Sales commissions	3,193	2,730	3,193	2,730
Marketing and publicity	1,452	1,191	2,272	2,241
Other selling expenses	3,186	3,211	3,749	3,571
Other administrative expenses	825	596	837	611
Total	123,122	109,704	127,471	113,938

32 Other operating income and expenses, net

Other operating income and expenses in the parent company and consolidated financial statements, for the quarters ended March 31, 2012 and 2011, were as follows:

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Other operating income				
Related party service revenue	742	900	(22)	-
Third-party service revenue	215	133	215	133
Bank exclusivity contract	2,100	-	2,100	-
Other revenue	115	118	119	123
Total	3,172	1,151	2,412	256
Other operating expenses				
Provision for labor contingencies (note 26)	(359)	(3,848)	(359)	(3,848)
Provision for civil contingencies (note 26)	(81)	(1,659)	(82)	(1,665)
Taxes on other revenues	(259)	(115)	(259)	(115)
Provision for profit sharing	(1,506)	-	(1,776)	-
Other expenses	(19)	(387)	(20)	(389)
Total	(2,224)	(6,009)	(2,496)	(6,017)
Total, net	948	(4,858)	(84)	(5,761)

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

33 Other gains (losses), net

The net exchange variation recorded under "Other gains (losses), net" in the parent company and consolidated financial statements for the quarters ended March 31, 2012 and 2011 is as follows:

	Parent Company and Consolidated	
	March 31, 2012	March 31, 2011
Foreign exchange variations, net		
Trade receivables	(1,473)	(893)
Trade payables	213	(37)
Total	(1,260)	(930)

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
(All amounts in thousands of reais, unless otherwise indicated)

34 Finance result

The parent company and consolidated finance results for the quarters ended March 31, 2012 and 2011 are as follows:

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Finance income				
Interest	282	336	331	555
Discounts received	134	37	140	45
Restatement of Eletrobrás compulsory loan (note 14)	1,358	1,324	1,358	1,324
Restatement of tax assets (note 16(a))	304	281	304	281
Restatement of receivables from related parties (note 12)	1,974	2,262	1,974	2,262
Other	211	23	211	23
Total	4,263	4,263	4,318	4,490
Finance costs				
Interest	(4,210)	(4,697)	(4,250)	(4,757)
Finance charges on taxes	(2,970)	(3,921)	(3,027)	(4,004)
Discount of provision for contingencies (note 26)	(1,113)	(256)	(1,115)	(256)
Commissions and service fees	(335)	(347)	(340)	(352)
Discounts/bank expenses	(48)	(54)	(48)	(54)
Discounts granted	(369)	(220)	(371)	(224)
Tax on Financial Transactions (IOF)	(109)	(192)	(113)	(192)
Other	(271)	(19)	(271)	(29)
Total	(9,425)	(9,706)	(9,535)	(9,868)
Foreign exchange variations, net				
Financial investments	-	(9)	-	(9)
Loans and financing	1,236	999	1,236	999
Total	1,236	990	1,236	990
Total, net	(3,926)	(4,453)	(3,981)	(4,388)

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

35 Result from discontinued operations

On August 17, 2010, the Board of Directors approved the discontinuation of the operations of the subsidiary Portobello América, taking into account that the demand in the North American market is not expected to grow over the coming years. The sale of assets is in progress and the main assets and liabilities of this unit, as well as the result from discontinued operations for the quarter ended March 31, 2012, are summarized as follows:

Assets	March 31, 2012	December 31, 2011	Liabilities and equity	March 31, 2012	December 31, 2011
Current	576	592	Current	38,054	39,174
Cash and banks	464	477	Trade payables	9	9
Trade receivables	48	49	Social and labor obligations	17	17
Other	64	66	Rent payable	722	743
			Debts with related parties	37,306	38,405
			Equity	(37,478)	(38,582)
Total assets	576	592	Total liabilities and equity	576	592

No amounts were classified as held for sale at December 31, 2011 and 2010.

The result from discontinued operations is presented on a consolidated basis. Accordingly, in addition to the result of the subsidiary Portobello América, Inc., (note 18), it also considers the Company's share in the discontinued operations.

Result from discontinued operations	March 31, 2012	March 31, 2011
Net revenue	-	549
Cost of products (services)	-	(472)
Gross profit	-	77
Selling, general and administrative expenses	-	(134)
Finance result	-	(2)
Net result from discontinued operations	-	(59)

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
(All amounts in thousands of reais, unless otherwise indicated)

36 Earnings per share

a) Basic

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

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Profit attributable to the Company's stockholders	11,155	1,623	11,155	1,625
Weighted average number of common shares (thousands)	159,009	159,009	159,009	159,009
Basic earnings per share – R$	0.07	0.01	0.07	0.01
Profit from continuing operations	11,155	1,623	11,155	1,684
Loss from discontinued operations	-	-	-	(59)
Weighted average number of common shares (thousands)	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.07015	0.01021	0.07015	0.01059
Loss per share from discontinued operations	-	-	-	(0.00037)

The Company did not have during the first quarter of 2012 any shares held in treasury. The last share issue occurred in 2007. Therefore, the weighted average number of shares is equal to the total comprising the share capital (note 18), represented by a single class of common shares.

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

b) Diluted

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

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

37 Segment information

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

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

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

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

The segment information provided to the Executive Board on the reportable segments for the quarters ended March 31, 2012 and 2011 is as follows:

	March 31, 2012			March 31, 2011		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	139,634	10,359	149,993	118,537	9,162	127,699
Cost of sales	(91,500)	(8,001)	(99,501)	(79,562)	(8,934)	(88,496)
Gross profit	48,134	2,358	50,492	38,975	228	39,203
Operating income (expenses), net	(27,899)	(1,415)	(29,314)	(30,419)	(1,714)	(32,133)
Selling, general and administrative expenses	(26,647)	(1,323)	(27,970)	(24,190)	(1,252)	(25,442)
Other operating income (expenses), net	(79)	(5)	(84)	(5,366)	(395)	(5,761)
Other gains (losses), net	(1,173)	(87)	(1,260)	(863)	(67)	(930)
Operating profit before finance result	20,235	943	21,178	8,556	(1,486)	7,070
% on revenue	14%	9%	14%	7%	-16%	6%

The Company does not have customers that individually represent more than 10% of net sales revenue.

38 Commitments

a) Capital commitments

Expenditures contracted but not yet incurred referring to property, plant and equipment at March 31, 2012 amount to R$ 2,416.

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

b) Operating lease commitments

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

	Consolidated	
	March 31, 2012	December 31, 2011
Less than one year	453	530
More than one year and less than five years	214	290
Total	667	820

39 Insurance

At March 31, 2012, the insurance cover against fire, robbery, collision and sundry risks for property, plant and equipment and inventories as well as for loss of profits is considered sufficient by management to cover any losses.

	Parent Company and Consolidated
Insurance coverage	2012
Fire/lighting/explosion of any type	84,000
Electrical damages	3,600
Riots	1,000
Windstorms/smoke with vehicle impact	25,000
Civil liability - operations	500
Civil liability - employer	500
Loss of profits - windstorm with impact	16,000
Loss of profits - basic	35,115

The policy is effective from November 15, 2011 to November 15, 2012, when the Company intends to enter into a new insurance contract.

40 Related party transactions

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

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
(All amounts in thousands of reais, unless otherwise indicated)

	Nature	Parent Company Assets (liabilities) March 31, 2012	December 31, 2011
Transactions with subsidiaries			
Portobello América, Inc.	Receivables from subsidiaries – Trade receivables	37,306	38,405
Portobello Shop S.A.	Dividends receivable	-	477
	Dividends advanced	(1,580)	-
PBTech Com. Serv. Cer. Ltda.	Receivables from subsidiaries – Trade receivables	2,832	2,832
	Receivables from subsidiaries - Loan	999	896
Mineração Portobello Ltda.	Advances to suppliers	1,209	1,232
Transactions with related parties			
Refinadora Catarinense S.A.	Receivables	95,758	93,780
Solução Cerâmica Com. Ltda.	Receivables	892	478
	Advances from customers	(289)	(569)
Flooring Revest. Cer. Ltda.	Receivables	826	780
	Advances from customers	(407)	(198)
Gomes Participações Societárias Ltda.	Rent	(37)	(52)
		137,509	138,061

	Nature	Parent Company Income (expenses) March 31, 2012	March 31, 2011
Transactions with subsidiaries			
Portobello Shop S.A.	Service rendering	1,525	1,525
	Cost of services rendered	(763)	(627)
PBTech Com. Serv. Cer. Ltda.	Sale of products	-	53
Mineração Portobello Ltda.	Purchase of products	(512)	(457)
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Sale of products	3,631	2,425
Flooring Revest. Cer. Ltda.	Sale of products	1,591	1,093
Gomes Participações Societárias Ltda.	Rent	(51)	-
		5,421	4,012

The intercompany loan to subsidiary PBTech bears interest at 100% of the CDI interest rate, and falls due on December 31, 2016.

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
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Receivables from the subsidiary Portobello Shop were pledged in guarantee of the Company's loans totaling R$ 1,784 at March 31, 2012. The subsidiary is also guarantor of the Company in some financing transactions (see 22).

Related-party transactions

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

		Assets (liabilities)			Income (expenses)	
	Nature	March 31, 2012	December 31, 2011	Nature	March 31, 2012	March 31, 2011
Transactions with subsidiaries						
PBTech Com. Serv. Cer. Ltda.	Trade receivables	7	7	Royalties	-	15
Transactions with related parties						
Solução Cerâmica Com. Ltda.	Trade receivables	391	291	Royalties	958	622
Flooring Revest. Cer. Ltda.	Trade receivables	188	81	Royalties	413	284
		586	379		1,371	921

Key management remuneration

The remuneration of key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarters ended March 31, 2012 and 2011 is as follows:

	Parent Company		Consolidated	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Fixed remuneration				
Salaries	1,626	1,353	1,888	1,624
Fees	430	428	697	692
Variable remuneration	395	312	439	411
Short-term direct and indirect benefits				
Private pension plan	104	110	156	165
Other	241	201	296	256
Severance benefits	-	113	-	113
	2,796	2,517	3,476	3,261

The Annual General Meeting of stockholders held on April 30. 2012 approved for that year the global remuneration of the Board of Directors at the maximum amount of R$ 5,100, the same amount approved on April 28, 2011, and also determined the monthly remuneration of each member of the Statutory Audit Board as 10% of the directors' remuneration.

PORTOBELLO S/A

Notes to the quarterly information
at March 31, 2012
(All amounts in thousands of reais, unless otherwise indicated)

41 Significant event

In compliance with CVM Instruction 358/02, Portobello S.A., a corporation based in the city of Tijucas, State of Santa Catarina, at Rodovia BR 101, Km 163 ("Portobello"), and Eliane S.A. Revestimentos Cerâmicos, a corporation based in the city of Cocal do Sul, State of Santa Catarina, at Rua Maximiliano Gaidzinski, No. 245 ("Eliane"), inform to the public, together with the controlling stockholders of Eliane, Max - Administradora de Bens e Participações Ltda., IARA-Participações Ltda., ARIELI Administração de Bens Ltda., B7 Participações Ltda., Tasso Participações Ltda. and Viga Participações Ltda., complementing the significant event notices dated December 23, 2011 and March 30, 2012, that they have mutually decided, after the completion of the diligences established in the Memorandum of Understanding, to discontinue the negotiations for association of the companies.

42 Independent audit – CVM Instruction 381/2003

The Company's policy for the engagement of services not related to external audit from its independent accountants is aimed at evaluating conflicts of interests and is based on principles that preserve the independence of these professionals. These principles, which follow current international standards, consist in: (a) the auditor must not audit his/her own work; (b) the auditor must not perform managerial functions in the Company; and (c) the auditor must not promote the interests of the Company.

In compliance with CVM Instruction 381/2003, we inform that in the quarter ended March 31, 2012 we engaged our independent accountants for other services not related to external audit as described below:

Other services	Contracting date	Effective period	Amount (R$ 000)	% on external audit contract
Audit related to the due diligence process in connection with the possible merger between Portobello S/A and Eliane S/A.	1/9/2012	From 5 to 6 weeks	R$ 559	222%

<u>Justification of the independent accountants – PricewaterhouseCoopers</u>

The provision of other professional services not related to external audit does not affect the independence nor the objectivity in the conduct of audit at Portobello S/A and its subsidiaries. The policy of Portobello S/A in regard to the provision of services not related to external audit is based on principles that preserve the independence of the independent accountants, all of them complied with in such services.

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Opinions and representations/Report on review of quarterly information - without exceptions

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Portobello S.A., included in the Quarterly Information (ITR) Form for the quarter ended March 31, 2012, comprising the balance sheet as at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent
company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

(A free translation of the original in Portuguese)

Opinions and representations/Report on review of quarterly information - without exceptions

Conclusion on the consolidated
interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Interim statements
of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, May 10, 2012

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

Mario Miguel Tomaz Tannhauser Junior
Contador CRC 1SP217245/0-8 "S" SC

Opinions and Representations / Officers' Representation on the Financial Statements

Officers' Representation on the Quarterly Information and Report on Review of Quarterly Information

In compliance with CVM Instruction 480/09, item I of article 29, and items V and VI of article 25 of such instruction, the officers of Portobello S.A. state that:

(i) they have analyzed, and discussed and agreed with the Company's Quarterly Information for the quarter ended March 31, 2012; and

(ii) they have analyzed, and discussed and agreed with the conclusions expressed in the special review report of PricewaterhouseCoopers Auditores Independentes, related to the Company's Quarterly Information for the quarter ended March 31, 2012.

Executive Board

Cesar Gomes Júnior – Chief Executive Officer
Cláudio Ávila da Silva – Vice-President
Rildo Pinheiro – Chief Financial and Investor Relations Officer
Mauro do Valle Pereira – Director

São Paulo, May 10, 2012

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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Rildo Pinheiro

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Mauro do Valle Pereira

Opinions and Representations / Officers' Representation on the Independent Accountants' Report

Officers' Representation on the Quarterly Information and Report on Review
of Quarterly Information

In compliance with CVM Instruction 480/09, item I of article 29, and items V and VI of article 25 of such instruction, the officers of Portobello S.A. state that:

(i) they have analyzed, and discussed and agreed with the Company's Quarterly Information for the quarter ended March 31, 2012; and

(ii) they have analyzed, and discussed and agreed with the conclusions expressed in the special review report of PricewaterhouseCoopers Auditores Independentes, related to the Company's Quarterly Information for the quarter ended March 31, 2012.

Executive Board

Cesar Gomes Júnior – Chief Executive Officer
Cláudio Ávila da Silva – Vice-President
Rildo Pinheiro – Chief Financial and Investor Relations Officer
Mauro do Valle Pereira – Director

São Paulo, May 10, 2012

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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Rildo Pinheiro

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Mauro do Valle Pereira