Portobello

Portobello S.A.

Interim Financial statements
March 31, 2013

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Report on the review of quarterly information - ITR

To the Board Members, Directors and Shareholders of
Portobello S.A.
Tijucas - SC

Introduction

We have reviewed the individual and consolidated interim accounting information of Portobello S.A. ("Company") contained in the Quarterly Information Form for the quarter ended March 31, 2013, which comprise the balance sheet as of March 31, 2013 and related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, including explanatory notes.

The Company's Management is responsible for the preparation of the individual interim accounting information in accordance with Technical Pronouncement CPC 21(R1) - Interim Statement and of the consolidated interim accounting information in accordance with CPC 21 (R1) and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international review standards for interim 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 in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures 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 individual interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

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Conclusion on the consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other matters

Statements of added value

We also reviewed the individual and consolidated value-added statements for the three-month period ended on March 31, 2013, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Comparative Interim accounting information

The individual and consolidated accounting information contained in the quarterly information related to the balance sheet as of December 31, 2012 and statements of income and comprehensive income, cash flow statements, changes in shareholder's equity and value added for the quarter ended March 31, 2012, presented for comparison purposes, were previously audited and reviewed, respectively, by other independent auditors that issued an audit report dated March 26, 2013 and a review report dated May 10, 2012, which have not been changed.

Florianópolis, May 9, 2013.

KPMG Auditores Independentes
CRC SC-000071/F-8

Claudio Henrique Damasceno Reis
Accountant CRC SC-024494/O-1

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Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2013	Prior year 12/31/2012
1	Total assets	786,885	735,162
1.01	Current assets	351,663	363,766
1.01.01	Cash and cash equivalents	63,477	56,576
1.01.03	Accounts receivable	140,277	137,626
1.01.03.01	Trade accounts receivable	140,277	137,626
1.01.04	Inventories	133,054	119,932
1.01.06	Recoverable taxes	1,881	1,450
1.01.06.01	Current taxes recoverable	1,881	1,450
1.01.06.01.02	Other current taxes recoverable	1,881	1,450
1.01.07	Prepaid expenses	1,231	354
1.01.08	Other current assets	11,743	47,828
1.01.08.03	Other	11,743	47,828
1.01.08.03.01	Dividends receivable	2,073	2,073
1.01.08.03.02	Receivables with subsidiary	0	41,839
1.01.08.03.03	Advances to suppliers	7,528	2,156
1.01.08.03.04	Other	2,142	1,760
1.02	Non-current assets	435.222	371,396
1.02.01	Long term assets	203,454	169,757
1.02.01.08	Related party credits	137,092	105,767
1.02.01.08.02	Receivables with subsidiary companies	46,717	5,369
1.02.01.08.04	Otther related party credits	90,375	100,398
1.02.01.09	Other non-current assets	66,362	63,990
1.02.01.09.03	Legal deposits	8,635	8,457
1.02.01.09.04	Receivables - Eletrobrás	38,751	36,819
1.02.01.09.05	Recoverable taxes	1,732	1,682
1.02.01.09.06	Tax assets	13,084	12,872
1.02.01.09.07	Actuarial assets	3,641	3,641
1.02.01.09.08	Other	519	519
1.02.02	Investments	3,572	678
1.02.02.01	Equity interest	3,572	678
1.02.02.01.02	Interest in subsidiaries	3,374	480
1.02.02.01.04	Other equity interest	198	198
1.02.03	Property, plant and equipment	211,293	185,841
1.02.04	Intangible assets	16,903	15,120

Individual financial statements/ Balance sheet – Liabilities

(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2013	Prior year 12/31/2012
2	Total Liabilities	786,885	735,162
2.01	Current liabilities	272,433	331,645
2.01.01	Social and labor obligations	18,325	17,581
2.01.02	Suppliers	123,916	120,122
2.01.03	Tax liabilities	31,853	32,062
2.01.03.01	Federal tax liabilities	31,853	32,062
2.01.03.01.01	Income and social contribution tax payable	2,682	3,488
2.01.03.01.02	Installment payment of tax liabilities	22.113	22,029
2.01.03.01.03	Taxes, duties and contributions	7,058	6,545
2.01.04	Loans and financing	58,156	75,584
2.01.04.01	Loans and financing	58,156	75,584
2.01.05	Other liabilities	32,083	38,292
2.01.05.02	Other	32,083	38,292
2.01.05.02.04	Advances from clients	17,039	20,636
2.01.05.02.06	Dividends payable	8,747	8,799
2.01.05.02.07	Other	6,297	8,857
2.01.06	Provisions	8,100	48,004
2.01.06.02	Other provisions	8,100	48,004
2.01.06.02.04	Provision for loss in investments	0	41,496
2.01.06.02.05	Provisions for contingencies	1,810	1,288
2.01.06.02.06	Provision for profit sharing	6,290	5,220
2.02	Non-current liabilities	373,667	276,398
2.02.01	Loans and financing	147,821	90,016
2.02.01.01	Loans and financing	147,821	90,016
2.02.02	Other liabilities	108,320	112,479
2.02.02.02	Other	108,320	112,479
2.02.02.02.04	Private pension plan	2,825	2,918
2.02.02.02.05	Installment payment of tax liabilities	105,495	109,561
2.02.03	Deferred taxes	15,777	16,309
2.02.03.01	Deferred income and social contribution taxes	15,777	16,309
2.02.04	Provisions	101,749	57,594
2.02.04.02	Other provisions	101,749	57,594
2.02.04.02.04	Provision for loss in investments	47,669	5,834
2.02.04.02.05	Provision for contingencies	51.904	49,584
2.02.04.02.06	Provision for long-term incentive	2,176	2,176
2.03	Shareholders' equity	140,785	127,119
2.03.01	Realized capital	40,798	40,798
2.03.02	Capital reserves	267	267
2.03.04	Profit reserves	50,069	50,069
2.03.04.01	Legal reserve	3,283	3,283
2.03.04.10	Profit reserves to be allocated	46,786	46,786
2.03.05	Retained Earnings/Losses	13,457	0
2.03.08	Other comprehensive income	36,194	35,985

Individual financial statements / Statement of income

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
3.01	Income from sales of goods and/or services	164,979	139,384
3.02	Cost of goods and/or services sold	-115,878	-99,667
3.03	Gross income	49,101	39,717
3.04	Operating expenses/income	-26,575	-20,530
3.04.01	Sales expenses	-21,954	-19,107
3.04.02	General and administrative expenses	-4,683	-4,348
3.04.04	Other operating income	833	3,172
3.04.04.01	Other operating income	833	3,172
3.04.05	Other operating expenses	-2,722	-3,484
3.04.05.01	Other operating expenses	-1,740	-2,224
3.04.05.02	Other gains (losses), net	-982	-1,260
3.04.06	Equity income (loss)	1,951	3,237
3.05	Income (loss) before financial income (loss) and taxes	22,526	19,187
3.06	Financial income (loss)	-4,195	-3,926
3.06.01	Financial income	5,349	5,499
3.06.01.01	Financial income	4,659	4,263
3.06.01.02	Net exchange variation	690	1,236
3.06.02	Financial expenses	-9,544	-9,425
3.06.02.01	Financial expenses	-9,544	-9,425
3.07	Income (loss) before income tax	18,331	15,261
3.08	Income and social contribution taxes	-5,269	-4,106
3.08.01	Current	-5,801	-3,818
3.08.02	Deferred	532	-288
3.09	Net income (loss) of continued operations	13,062	11,155
3.11	Net Income (loss) for the period	13,062	11,155
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common (ON)	0.08215	0.07015
3.99.02	Diluted earning per share		
3.99.02.01	Common (ON)	0.08215	0.07015

Individual financial statements / Statement of comprehensive income

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
4.01	Net income for the period	13,062	11,155
4.02	Other comprehensive income	604	710
4.02.01	Realization of revaluation reserve	0	-394
4.02.02	Exchange variation of foreign subsidiary	604	1,104
4.03	Comprehensive income for the period	13,666	11,865

Individual financial statements / Statement of cash flows – Indirect method

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
6.01	Net cash from operational activities	-22	12,836
6.01.01	Cash generated in operations	28,576	24,750
6.01.01.01	Income/loss for the year before taxes	18,331	15,261
6.01.01.02	Depreciation and amortization	3,518	4,025
6.01.01.03	Equity in net income	-1,951	-3,237
6.01.01.07	Provision for contingencies	1,709	1,958
6.01.01.08	Provision of labor obligations	1.292	1,145
6.01.01.09	Provision for profit sharing	1,070	1,506
6.01.01.10	Other provisions	-1,780	453
6.01.01.12	Restatements of Eletrobrás Compulsory Loan	-1,932	-1,358
6.01.01.13	Restatements of tax assets	-212	-304
6.01.01.14	Restatements of credits with other related parties	-1,231	-1,974
6.01.01.15	Financial charges from taxes paid in installments	1.643	2,928
6.01.01.16	Breakdown of discount on provisions for contingencies	1,133	1,113
6.01.01.17	Accrued interest on loans	3,068	2,216
6.01.01.18	Discount on credits received from related parties	1,430	0
6.01.01.19	Other	2,488	1,018
6.01.02	Changes in assets and liabilities	-22,913	-7,415
6.01.02.01	(Increase)/decrease in other accounts receivable	-3,328	-2,964
6.01.02.02	Increase/(decrease) in advances from clients	-3,597	-1,821
6.01.02.04	(Increase)/decrease in inventories	-14,068	1,840
6.01.02.05	(Increase)/decrease in prepaid expenses	-877	-299
6.01.02.06	(Increase)/decrease in judicial deposits	-171	-345
6.01.02.07	(Increase)/decrease in receivables from related parties	9,824	0
6.01.02.08	(Increase)/decrease in other assets	-865	408
6.01.02.09	Increase/(decrease) in accounts payable	3,420	-2,037
6.01.02.10	(Increase)/decrease in advance to suppliers	-5,372	783
6.01.02.11	Increase/(decrease) in installments	-5,625	-5,411
6.01.02.12	Increase/(decrease) in tax and labor obligations	-2,362	2,353
6.01.02.13	Increase/(decrease) in other accounts payable	108	78
6.01.03	Other	-5,685	-4,499
6.01.03.01	Interest paid	-1,405	-2,262
6.01.03.02	Income and social contribution taxes paid	-4,280	-2,237
6.02	Net cash used in investment activities	-31,733	-3,629
6.02.01	Acquisition of property, plant and equipment	-30,361	-3,487
6.02.02	Acquisition of intangible assets	-1,865	-2,118
6.02.03	Dividends received	0	2,057
6.02.04	(Concession)/Receipt of credits with related parties	491	-81
6.02.05	Receipt in the sale of permanent assets	2	0
6.03	Net cash generated (consumed) in financing activities	38,656	-12,001
6.03.01	Funding loans and financing	71,049	5,813
6.03.02	Payment of loans and financing	-32,393	-17,814
6.05	Increase (decrease) in cash and cash equivalents	6,901	-2,794

6.05.01	Opening balance of cash and cash equivalents	56,576	8,091
6.05.02	Closing balance of cash and cash equivalents	63,477	5,297

Individual financial statements / Statement of changes in shareholders’ equity / DMPL – from 01/01/2013 to 03/31/2013

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119
5.05	Total comprehensive income	0	0	0	13,457	209	13,666
5.05.01	Net income for the period	0	0	0	13,062	0	13,062
5.05.02	Other comprehensive income	0	0	0	395	209	604
5.05.02.06	Realization of revaluation reserve	0	0	0	395	-395	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	604	604
5.07	Closing balances	40,798	267	50,069	13,457	36,194	140,785

Individual financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2012 to 03/31/2012

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790
5.03	Adjusted opening balances	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	Net income 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 foreign subsidiary	0	0	0	0	1,104	1,104
5.07	Closing balances	112,957	267	0	-62,189	43,014	94,049

Individual financial statements / Statement of added value

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
7.01	Income	205,875	178,463
7.01.01	Sale of merchandise, products and services	203,987	174,401
7.01.02	Other income	1,975	4,125
7.01.04	Allowance for /reversal of Doubtful accounts	-87	-63
7.02	Inputs acquired from third parties	-106,890	-90,609
7.02.01	Cost of goods, merchandise and services Sold	-88,000	-72,667
7.02.02	Materials, Energy, Third-party services and other	-19,479	-17,950
7.02.03	Loss/recovery of asset values	589	8
7.03	Gross added value	98,985	87,854
7.04	Retentions	-3,518	-4,025
7.04.01	Depreciation, amortization and depletion	-3,518	-4,025
7.05	Net added value produced	95,467	83,829
7.06	Added value received as transfer	8,822	12,889
7.06.01	Equity income (loss)	1,951	3,237
7.06.02	Financial income	6,871	9,652
7.07	Total added value payable	104,289	96,718
7.08	Distribution of added value	104,289	96,718
7.08.01	Personnel	27,340	24,264
7.08.01.01	Direct remuneration	23,682	20,603
7.08.01.02	Benefits	2,050	2,111
7.08.01.03	Severance Pay Fund (FGTS)	1,608	1,550
7.08.02	Taxes, duties and contributions	50,245	44,495
7.08.02.01	Federal	28,151	24,345
7.08.02.02	State	21,871	20,025
7.08.02.03	Municipal	223	125
7.08.03	Third-party capital remuneration	13,642	16,804
7.08.03.01	Interest	12,046	14,838
7.08.03.02	Rents	1,596	1,966
7.08.04	Remuneration of own capital	13,062	11,155
7.08.04.03	Retained earnings / Loss for the period	13,062	11,155

Consolidated financial statements / Balance sheet – Assets
(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2013	Prior year 12/31/2012
1	Total assets	747,398	695,321
1.01	Current assets	360,814	328,230
1.01.01	Cash and cash equivalents	67,097	58,870
1.01.03	Accounts receivable	145,830	142,678
1.01.03.01	Trade accounts receivable	145,830	142,678
1.01.04	Inventories	133,156	120,045
1.01.06	Recoverable taxes	2,514	2,064
1.01.06.01	Current taxes recoverable	2,514	2,064
1.01.06.01.01	Income and social contribution tax recoverable	463	459
1.01.06.01.02	Other current taxes recoverable	2,051	1,605
1.01.07	Prepaid expenses	2,764	815
1.01.08	Other current assets	9,453	3,758
1.01.08.03	Other	9,453	3,758
1.01.08.03.03	Advances to suppliers	6,423	954
1.01.08.03.04	Other	3,030	2,804
1.02	Non-current assets	386,584	367,091
1.02.01	Long term assets	156,789	164,501
1.02.01.08	Related party credits	90,375	100,398
1.02.01.08.04	Otther related party credits	90,375	100,398
1.02.01.09	Other non-current assets	66,414	64,103
1.02.01.09.03	Legal deposits	8,671	8,494
1.02.01.09.04	Receivables - Eletrobrás	38,751	36,819
1.02.01.09.05	Recoverable taxes	1,732	1,682
1.02.01.09.06	Tax assets	13,084	12,872
1.02.01.09.07	Actuarial assets	3,641	3,641
1.02.01.09.08	Other	535	595
1.02.02	Investments	198	215
1.02.02.01	Equity interest	198	215
1.02.02.01.04	Other equity interest	198	215
1.02.03	Property, plant and equipment	212,498	187,056
1.02.04	Intangible assets	17,099	15,319

Consolidated financial statements / Balance sheet – Liabilities

(In thousands of Reais)

Code of account	Account description	Current quarter 03/31/2013	Prior year 12/31/2012
2	Total Liabilities	747,398	695,321
2.01	Current liabilities	278,492	295,375
2.01.01	Social and labor obligations	19,357	18,459
2.01.02	Suppliers	124,397	121,113
2.01.03	Tax liabilities	34,028	34,348
2.01.03.01	Federal tax liabilities	34,028	34,348
2.01.03.01.01	Income and social contribution tax payable	3,277	4,142
2.01.03.01.02	Installment payment of tax liabilities	23,005	22,961
2.01.03.01.03	Taxes, duties and contributions	7,746	7,245
2.01.04	Loans and financing	58,156	75,584
2.01.04.01	Loans and financing	58,156	75,584
2.01.05	Other liabilities	32,831	38,707
2.01.05.02	Other	32,831	38,707
2.01.05.02.04	Advances from clients	17,604	20,813
2.01.05.02.06	Dividends payable	8,759	8,810
2.01.05.02.07	Other	6,468	9,084
2.01.06	Provisions	9,723	7,164
2.01.06.02	Other provisions	9,723	7,164
2.01.06.02.05	Provisions for contingencies	2,635	1,322
2.01.06.02.06	Provision for profit sharing	7,088	5,842
2.02	Non-current liabilities	328,110	272,819
2.02.01	Loans and financing	148,766	90,931
2.02.01.01	Loans and financing	148,766	90,931
2.02.02	Other liabilities	109,032	113,364
2.02.02.02	Other	109,032	113,364
2.02.02.02.04	Private pension plan	2,825	2,918
2.02.02.02.05	Installment payment of tax liabilities	106,207	110,446
2.02.03	Deferred taxes	15,777	16,309
2.02.03.01	Deferred income and social contribution taxes	15,777	16,309
2.02.04	Provisions	54,535	52,215
2.02.04.02	Other provisions	54,535	52,215
2.02.04.02.05	Provisions for contingencies	51,912	49,592
2.02.04.02.06	Provision for long-term incentive	2,623	2,623
2.03	Consolidated shareholders' equity	140,796	127,127
2.03.01	Realized capital	40,798	40,798
2.03.02	Capital reserves	267	267
2.03.04	Profit reserves	50,069	50,069
2.03.04.01	Legal reserve	3,283	3,283
2.03.04.10	Profit reserves to be allocated	46,786	46,786
2.03.05	Retained Earnings/Losses	13,457	0
2.03.08	Other comprehensive income	36,194	35,985
2.03.09	Interest of non-controlling shareholders	11	8

Consolidated financial statements / Statement of income
(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
3.01	Income from sales of goods and/or services	175,755	149,993
3.02	Cost of goods and/or services sold	-115,711	-99,501
3.03	Gross income	60,044	50,492
3.04	Operating expenses/income	-35,835	-29,314
3.04.01	Sales expenses	-26,121	-22,486
3.04.02	General and administrative expenses	-6,251	-5,484
3.04.04	Other operating income	267	2,412
3.04.04.01	Other operating income	267	2,412
3.04.05	Other operating expenses	-3,730	-3,756
3.04.05.01	Other operating expenses	-2,748	-2,496
3.04.05.02	Other gains (losses), net	-982	-1,260
3.05	Income (loss) before financial income (loss) and taxes	24,209	21,178
3.06	Financial income (loss)	-4,235	-3,981
3.06.01	Financial income	5,409	5,554
3.06.01.01	Financial income	4,719	4,318
3.06.01.02	Net exchange variation	690	1,236
3.06.02	Financial expenses	-9,644	-9,535
3.06.02.01	Financial expenses	-9,644	-9,535
3.07	Income (loss) before income tax	19,974	17,197
3.08	Income and social contribution taxes	-6,886	-6,039
3.08.01	Current	-7,418	-5,751
3.08.02	Deferred	532	-288
3.09	Net income (loss) of continued operations	13,088	11,158
3.10	Net income (loss) of discontinued operations	-23	0
3.10.02	Net gains/losses on assets from discontinued operations	-23	0
3.11	Income/loss for the period	13,065	11,158
3.11.01	Attributed to the Parent company's partners	13,062	11,155
3.11.02	Attributed to non-controlling partners	3	3
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common (ON)	0.00000	0.07015
3.99.02	Diluted earning per share		
3.99.02.01	Common (ON)	0.00000	0.07015

Consolidated financial statements / Statement of comprehensive income

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
4.01	Consolidated net income for the period	13,065	11,158
4.02	Other comprehensive income	604	710
4.02.01	Realization of revaluation reserve	0	-394
4.02.02	Exchange variation of foreign subsidiary	604	1,104
4.03	Consolidated comprehensive income for the period	13,669	11,868
4.03.01	Attributed to the Parent company's partners	13,666	11,865
4.03.02	Attributed to non-controlling partners	3	3

Consolidated financial statements / Statement of cash flows – Indirect method

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
6.01	Net cash from operational activities	1,798	14,542
6.01.01	Cash generated in operations	33,364	30,632
6.01.01.01	Income/loss for the year before taxes	19,974	17,197
6.01.01.02	Depreciation and amortization	3,532	4,035
6.01.01.07	Provision for contingencies	2,499	1,929
6.01.01.08	Provision of labor obligations	1,490	1,278
6.01.01.09	Provision for profit sharing	1,246	1,777
6.01.01.10	Other provisions	-1,789	573
6.01.01.12	Restatements of Eletrobrás Compulsory Loan	-1,932	-1,358
6.01.01.13	Restatements of tax assets	-212	-304
6.01.01.14	Restatements of credits with other related parties	-1,231	-1,974
6.01.01.15	Financial charges from taxes paid in installments	1,665	2,979
6.01.01.16	Breakdown of discount on provisions for contingencies	1,134	1,115
6.01.01.17	Accrued interest on loans	3,068	2,255
6.01.01.18	Discount on credits received from related parties	1,430	0
6.01.01.19	Other	2,490	1,130
6.01.02	Changes in assets and liabilities	-24,582	-10,069
6.01.02.01	(Increase)/decrease in other accounts receivable	-3,821	-4,831
6.01.02.02	Increase/(decrease) in advances from clients	-3,209	-1,802
6.01.02.04	(Increase)/decrease in inventories	-14,055	1,874
6.01.02.05	(Increase)/decrease in prepaid expenses	-1,949	-1,285
6.01.02.06	(Increase)/decrease in judicial deposits	-170	-347
6.01.02.07	(Increase)/decrease in receivables from related parties	9,824	0
6.01.02.08	(Increase)/decrease in other assets	-724	776
6.01.02.09	Increase/(decrease) in accounts payable	2,910	-1,821
6.01.02.10	(Increase)/decrease in advance to suppliers	-5,469	710
6.01.02.11	Increase/(decrease) in installments	-5,860	-5,689
6.01.02.12	Increase/(decrease) in tax and labor obligations	-2,795	2,461
6.01.02.13	Increase/(decrease) in other accounts payable	736	-115
6.01.03	Other	-6,984	-6,021
6.01.03.01	Interest paid	-1,405	-2,262
6.01.03.02	Income and social contribution taxes paid	-5,579	-3,759
6.02	Net cash used in investment activities	-32,227	-5,605
6.02.01	Acquisition of property, plant and equipment	-30,364	-3,487
6.02.02	Acquisition of intangible assets	-1,865	-2,118
6.02.04	Receipt in the sale of permanent assets	2	0
6.03	Net cash generated (consumed) in financing activities	38,656	-12,001
6.03.01	Funding loans and financing	71,049	5,813
6.03.02	Payment of loans and financing	-32,393	-17,814
6.04	Exchange variation on cash and cash equivalents	0	-14
6.05	Increase (decrease) in cash and cash equivalents	8,227	-3,078
6.05.01	Opening balance of cash and cash equivalents	58,870	10,065
6.05.02	Closing balance of cash and cash equivalents	67,097	6,987

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2013 to 03/31/2013

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.03	Adjusted opening balances	40,798	267	50,069	0	35,985	127,119	8	127,127
5.05	Total comprehensive income	0	0	0	13,457	209	13,666	3	13,669
5.05.01	Net income for the period	0	0	0	13,062	0	13,062	3	13,065
5.05.02	Other comprehensive income	0	0	0	395	209	604	0	604
5.05.02.06	Realization of revaluation reserve	0	0	0	395	-395	0	0	0
5.05.02.07	Exchange variation of foreign subsidiary	0	0	0	0	604	604	0	604
5.07	Closing balances	40,798	267	50,069	13,457	36,194	140,785	11	140,796

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – from 01/01/2012 to 03/31/2012

(In thousands of Reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.03	Adjusted opening balances	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	Net income 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 foreign subsidiary	0	0	0	0	1,104	1,104	0	1,104
5.07	Closing balances	112,957	267	0	-62,189	43,014	94,049	11	94,060

Consolidated financial statements / Statement of added value

(In thousands of Reais)

Code of account	Account description	Accumulated of the current year from 01/01/2013 to 03/31/2013	Accumulated of the prior year from 01/01/2012 to 03/31/2012
7.01	Income	216,294	188,486
7.01.01	Sale of merchandise, products and services	216,454	186,613
7.01.02	Other income	-81	2,090
7.01.04	Allowance for /reversal of Doubtful accounts	-79	-217
7.02	Inputs acquired from third parties	-110,393	-92,562
7.02.01	Cost of goods, merchandise and services Sold	-87,809	-72,501
7.02.02	Materials, Energy, Third-party services and other	-23,150	-20,069
7.02.03	Loss/recovery of asset values	589	8
7.02.04	Other	-23	0
7.02.04.01	Income from discontinued operations	-23	0
7.03	Gross added value	105,901	95,924
7.04	Retentions	-3,532	-4,035
7.04.01	Depreciation, amortization and depletion	-3,532	-4,035
7.05	Net added value produced	102,369	91,889
7.06	Added value received as transfer	6,928	9,708
7.06.02	Financial income	6,928	9,708
7.07	Total added value payable	109,297	101,597
7.08	Distribution of added value	109,297	101,597
7.08.01	Personnel	29,048	25,671
7.08.01.01	Direct remuneration	25,160	21,822
7.08.01.02	Benefits	2,191	2,227
7.08.01.03	Severance Pay Fund (FGTS)	1,697	1,622
7.08.02	Taxes, duties and contributions	53,376	47,826
7.08.02.01	Federal	31,263	27,667
7.08.02.02	State	21,871	20,025
7.08.02.03	Municipal	242	134
7.08.03	Third-party capital remuneration	13,808	16,942
7.08.03.01	Interest	12,148	14,949
7.08.03.02	Rents	1,660	1,993
7.08.04	Remuneration of own capital	13,065	11,158
7.08.04.03	Retained earnings / Loss for the period	13,062	11,155
7.08.04.04	Interest of non-controlling shareholders in retained earnings	3	3

COMMENT ON THE CONSOLIDATED PERFORMANCE IN 1Q13

The Company's operating and financial information, except as indicated otherwise, are presented with basis on consolidated numbers and in Brazilian reais, in conformity with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncement Committee, and International Financial Reporting Standards (IFRS). The comparisons made in this communication take into account the first quarter of 2012 and 2011.

HIGHLIGHTS

- Net revenue amounted to R$ 176 million in 1Q13, exceeding by 17% the same period in the previous year;
- Sales to the domestic market grew 15% when compared to 1Q12 and were 8 percentage points higher than the growth in the sector, as informed by the Brazilian Association of the Construction Material Industry;
- Gross profit amounted to R$ 60 million, 19% progress when compared to 1Q12 and a gain of 0.5 percentage points in gross margin;
- The EBITDA reached R$ 29 million, with a 16% margin and an 8% growth in relation to 1Q12;
- The net income was R$ 13 million, with the 7% margin and a 17% gross in the comparison with the same period of 2012.

Message from the Board

The net result of the first quarter of 2013 consolidates those attained in the previous years which were positively influenced by the conditions of the Brazilian civil construction market together with our capacity of capturing and potentializing those opportunities by optimizations and rationalizations which are part of our culture. The good performance achieved in this quarter becomes evident when we compare the data disclosed by the Brazilian Association of the Construction Material Industry.

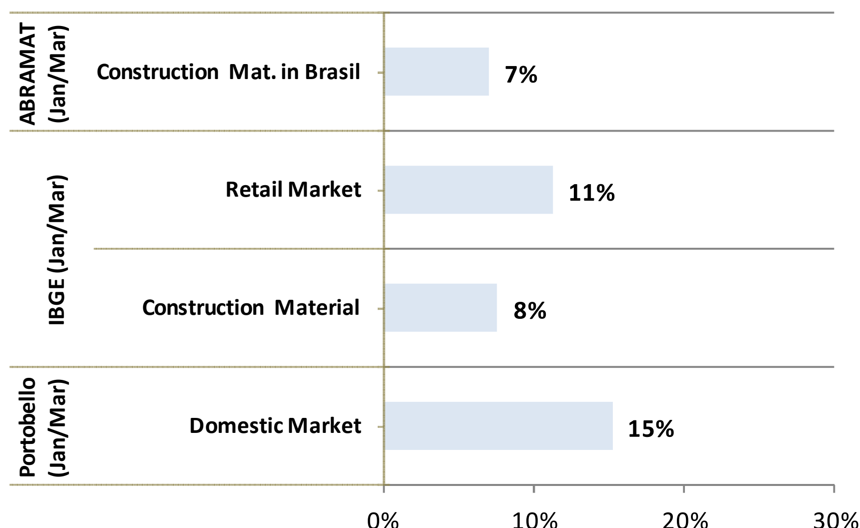
Making use of the opportunities provided by the market, management maintained its focus on the domestic market, although it also increased sales in the foreign market. The production was concentrated on higher added-value products and the hybrid production model, which combines own production and outsourcing, and that allowed the Company to meet, with flexibility and speed, the demand for commercial products, especially for the segment of construction and development companies.

The maturing of products launched, together with aggressiveness in commercial actions, contributed for the increase of the margin and for the growth above the market average.

Meritocracy processes, based on targets, evaluations and variable compensation, have been significantly contributing with our profit improvement process.

During the quarter, management started focusing on reviewing its strategic planning and expansion plans, the latter already started in the fourth quarter of last year with the expansion and modernization of the Tijucas manufacturing unit.

Net revenue performance – March 31, 2013 x March 31, 2012



Outlook

- Although the Brazilian economy has shown signs of a slowdown in 2012, the Company estimates to be able to maintain the sales growth levels in the domestic market, due to the launch of real estate enterprises and a perceived retail demand;

- Portobello expects to continue enjoying a greater demand for construction materials and higher value-added finishing materials, which is the segment where it operates, also influenced by the zero federal VAT tax rate for ceramic products, extended through the end of 2013. For that purpose, we will increase the offer with additional products acquired from third parties and implementation of a new production line of large formats in June 2013, with a 20% increase in capacity, and investments of about R$ 86 million;

- The Company believes in, and has directed its efforts to the domestic market, either by expanding the range of its products and services targeting the real estate market and the large construction company commercial market, whether expanding its investments in marketing and higher value-added products to meet the needs of retail networks and the main Brazilian home centers. Thus we expect to maintain the growth rate presented in the last few years;

- In the specialized store segment, its franchise network, Portobello Shop, has scheduled the opening of new stores in several states: Rio de Janeiro, Bahia, Pará, Paraíba, Acre, Amapá, São Paulo and Minas Gerais**;**

- The exporting market has shown high potential for growth, since it is the most profitable for the Company, even with the current exchange rate. The growing demand for higher value-added products allows Portobello to serve that market and potentialize its own profitability;

- The sales of new products in the collections launched in 2012 in our sector's most important exhibition – Revestir – have so far exceeded our initial expectations, which confirms that the policies adopted will continue increasing sales profitability;

- Continuous productivity gains, with consequent production cost reductions and quality improvements, the investments in logistics and our meritocracy process indicate the maintenance or even increases in profitability as compared to 2012 levels;

- The Company has suffered inflationary pressures in input costs, especially energy and labor, which will have to be neutralized through a continuous striving for productivity gains. The risk of increases in natural gas prices exists, and can affect the competitiveness of Portobello and the Santa Catarina state ceramic industry;

- Portobello regards as important the measures under analysis by governmental bodies aiming to review import tariffs for technical porcelains so as to regularize the competitiveness of the Brazilian industry in this specific product segment;

- Beginning April this year, the ceramic sector was benefited by the unburdening of payroll, and this will improve the competitiveness of the Brazilian ceramic sector.

Portobello distributes its products through four different channels, with specific features for the product portfolio, specialized professional teams, services, logistics and commercial policy:

Domestic market

There are three distribution channels:

Retail (multibrand) – the channel responsible for serving construction material dealers (home centers) which resell our products in the retail to final consumers or small builders.

Engineering – specialized teams and commercial structure to meet the needs of civil construction companies (construction companies and developers), for construction of homes, commercial buildings or public buildings.

Portobello Shop – a network of stores specializing in Portobello products that meet the needs of retail customers by means of franchises under the brands of Portobello Shop and Portobello Emporium, focusing on consumers demanding higher quality and service level. Reason 110 stores installed all over Brazil, Portobello shop became a success, thus allowing the development of new business formats, such as the Emporium model, which was adapted to several different types of cities, to allow expanding into regions that could not contain a traditional unit.

Foreign market

Portobello is an international brand and it sells its products in 60 countries, through its own team and independent representatives. The main export destinations in the first quarter of 2013 were Argentina, Paraguay, Chile, Uruguay, Peru, the US, Belgium, Mexico, South Africa and Canada.

Exports are restricted to the most profitable markets, and in this quarter they represented 8% of net revenue. With the exchange rates at current levels, the Company believes that sales in the foreign market, concentrated in higher value-added products, will continue providing a significant contribution to its profits.

The profitability level of pain in exports confirms the company's advances in seeking international competitiveness. That competitiveness ensures a higher balance of sales should difficulties arise in the domestic market.

Economic and Financial Performance

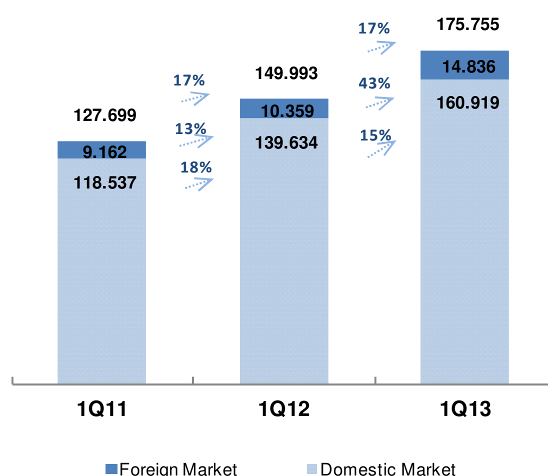
CONSOLIDATED INCOME (LOSS)	1Q11	1Q12	1Q13	% Change 1Q13 x 1Q12
Gross operating income	**162,286**	**189,321**	**220,446**	**16%**
Net operating income	**127,699**	**149,993**	**175,755**	**17%**
Gross operating income	**39,203**	**50,492**	**60,044**	**19%**
Gross margin	*30.7%*	*33.7%*	*34.2%*	*0.5 p.p.*
Sales	(21,252)	(22,486)	(26,121)	16%
General and administrative	(4,190)	(5,484)	(6,251)	14%
Other operating income (expenses)	(5,761)	(84)	(2,481)	-
EBIT	**8,000**	**22,438**	**25,191**	**12%**
EBIT margin	*6.3%*	*15.0%*	*14.3%*	*-0.6 p.p.*
Financial result (includes other gains and losses)	(5,318)	(5,241)	(5,217)	0%
Operating income	**2,682**	**17,197**	**19,974**	**16%**
Income taxes	(996)	(6,039)	(6,886)	14%
Result from continued operations	1,686	11,158	13,088	17%
Result from discontinued operations (*)	(59)	-	(23)	0%
Net income for the quarter	**1,627**	**11,158**	**13,065**	**17%**
Net Margin	*1.3%*	*7.4%*	*7.4%*	*0 p.p.*
EBITDA	**11,951**	**26,473**	**28,723**	**8%**
EBITDA margin	*9.4%*	*17.6%*	*16.3%*	*-1.3 p.p.*

(*) The operations of the subsidiary Portobello América were discontinued on December 31, 2010 and the data related to this operation was not combined according to CPC/IFRS standards. The comments presented herein follow this pattern.

Net income

Net revenues grew 17% in 1Q13 when compared to the same period in the previous year, amounting to R$ 176 million, of which 92% was from the domestic market. The performance in the domestic market, which was 15% higher, had the participation, in similar shares, of the Engineering, multi-brand Retail, and Portobello Shop channels That performance continues affected by a mix of higher value-added products and had an increase in the participation of products from third parties. In turn, the foreign market presented growth of 43% when compared to 2012, due to the higher sales volume and also the mix of higher value-added products (higher average price).

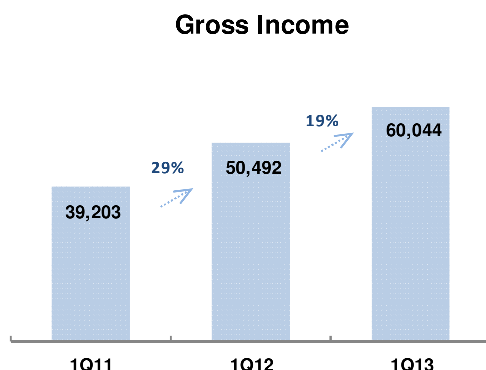
Net Operating Revenue



Gross income

Gross profit was R$ 60 million in the quarter ended March 31, 2013 and presented a 19% growth over the same period in the previous year. The gross margin presents growth of 0.5 percentage points in the first quarter of 2013 in comparison with 2012.

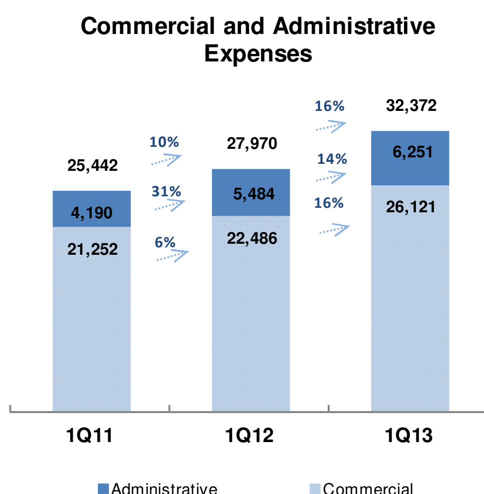
The high performance in this first quarter is due to, in addition to the higher value-added product mix, with a higher profitability per unit sold, the improvement in industrial performance resulting from actions and measures focused on productivity gains, cost reduction, quality gains and continuous improvement of industrial and logistic processes.



Operating income

Commercial expenses amounted to R$ 26 million in 1Q13, 16% above those in 1Q12, as a result of the increase in the sales force and marketing actions to sustain sales. As percentage of net revenue, they remained at 15%, as in 1Q12.

Administrative expenses added up to R$ 6 million, corresponding to an increase of 14% over the same period in 2012, as a result of expenses with consulting services and expenditures on studies related to expansion plans, and also maintained the same proportion of revenue.



Other operating expenses, net, of R$ 2.5 million in the quarter referrer mostly to reserves for contingencies and profit-sharing to be paid to employees after the end of the year and the amount referring to the long-term incentive program with full settlement five years after the initial recognition.

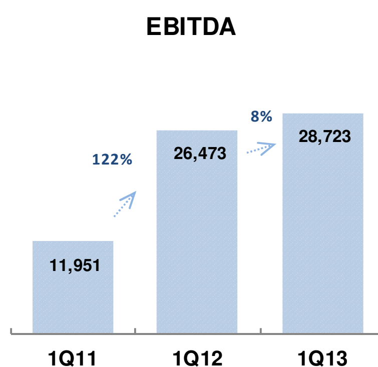
The operating income before financial items (EBIT) was R$ 25 million in 1Q13, showing 12% growth when compared to 1Q12. The EBIT to net revenue ratio presented a 14% margin.

Financial income (loss)

Net financial result of the first quarter 2013 presented a net financial expense of R$ 5 million, and continued similar to the financial result of the same period in the previous year. Although the indebtedness is higher, the Company has been obtaining loan facilities at lower costs.

EBITDA

EBITDA reached R$ 29 million, with growth of 8% over the result achieved in 2012. The EBITDA margin was 16%.



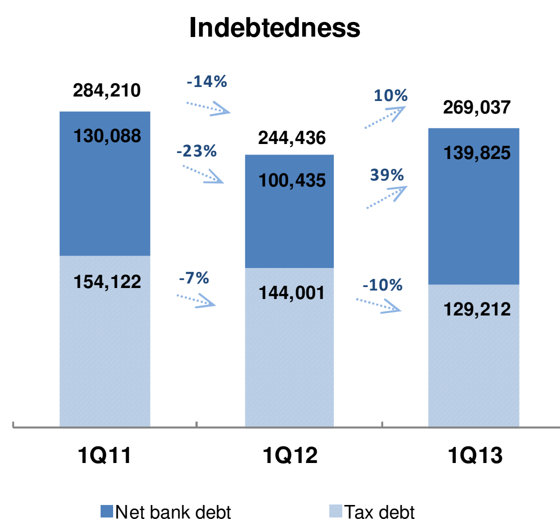
EBITDA	1Q11	1Q12	1Q13	% Change 1Q13 x 1Q12
Net income	1,625	11,155	13,062	17%
Financial result (includes other gains and losses)	5,318	5,241	5,217	0%
Depreciation and amortization	3,951	4,035	3,532	-12%
Income taxes	996	6,039	6,886	14%
Discontinued operations/minority interest	61	3	26	767%
(=) EBITDA from continued operations (*)	11,951	26,473	28,723	8%
Net revenue %	9.4%	17.6%	16.3%	-1.3 p.p.

(*) In accordance with CPC/IFRS, discontinued operations are not part of operating income.

Indebtedness/capital structure

As of March 31, 2013 net bank indebtedness was R$ 140 million, against R$ 100 million at the end of 1Q12, 39% higher than the balance in 2012 due to continuous investments in fixed assets. In turn, tax indebtedness showed a 10% reduction, as the effect of the payment of installments due.

The Company's indebtedness profile has been steadily improving through cost reductions and rescheduling. Also there was a significant reduction in the leveraging level to 2.0 times the EBITDA against 2.7 times in 1Q12.



Net bank debt	1Q11	1Q12	1Q13
Current	110,011	70,796	58,156
Non-current assets	51,742	36,626	148,766
(=) Total bank debt	161,753	107,422	206,922
Cash and cash equivalents and marketable securities	31,665	6,987	67,097
(=) Total net bank debt	130,088	100,435	139,825

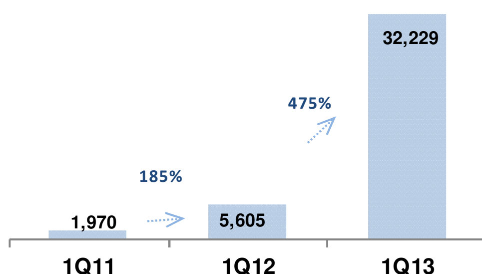
Financial leverage	1Q11	1Q12	1Q13
Net bank debt	130,088	100,435	139,825
Tax debt	154,122	144,001	129,212
EBITDA (last 12 months)	82,944	92,159	131,503
(=) Net bank debt / EBITDA	1.6	1.1	1.1
(=) Net bank and tax debt / EBITDA	3.4	2.7	2.0

As highlighted in Note 12, the Company holds contract-supported receivables from related party Refinadora Catarinense S/A, arising from a lawsuit won by the latter against the national treasury (federal VAT premium credit). We emphasized that those credits are guaranteed by a final court decision and they have been transformed into government debt bonds, which are paid on an annual basis over a 10-year period. The second installment, in the amount of R$ 11,254, was received by the Company in March 2013. As allowed by the contract, the discount in the total amount of R$ 1,430 has been applied. The balance of those receivables as of March 31, 2013 represents R$ 90,375 and, when deducted from the total indebtedness, the total is R$ 178,662, representing a Net Debt (bank and tax) / EBITDA ratio of 1.35 times.

Investments

The investment program for 2013 concentrates mostly in expansion and modernization of the Tijucas manufacturing unit by replacing a production line for producing large-format enameled porcelain, still in progress, in addition to investments for improving the logistic model, for both distribution and storage.

Investments



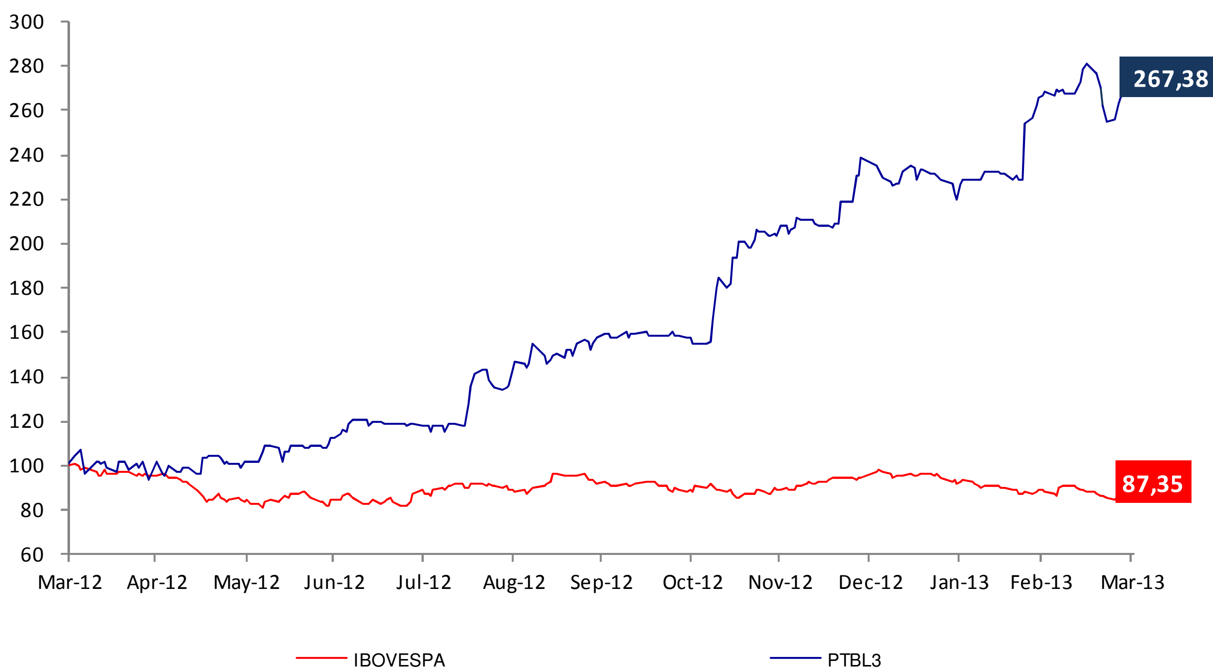
Dividends

The payment of the amount of R$ 8,637 as mandatory minimum dividends for 2012, was approved in the Annual Shareholders' Meeting held on April 30, 2013, and R$ 0.054321 per common share will be paid on May 21, 2013. That amount is net of the payments made on December 28, 2012.

Performance of Portobello shares at the Brazilian Securities, Commodities and Futures Exchange (BM&FBovespa)

In the first quarter of 2013 Portobello presented a market value equivalent to R$ 795 million (R$297 million as of March 31, 2012), the basis for which was the closing quotation of the share, of R$ 5.00. In the last 12 months the share had an appreciation of 167%, whereas the Bovespa Index had a 13% drop.

PTBL3 x Ibovespa
(base 100) 03/31/2012 a 03/31/2013



Human resources

The consolidated volume of personnel as of March 31, 2013 comprised 2448 professionals, including 2,176 own employees, 216 independent workers, 30 interns and 26 temporary workers. In turn, as of March 31, 2012, the personnel volume was 2,172 professionals, including 2,109 own employees, 126 independent workers, 32 interns and 31 temporary workers.

The Company has a formal Ethics Code, which is shared by all employees, for an environment of respect and harmony. Transparency in management acquires information democratization and open dialogue with shareholders, suppliers, employees and the community. Believing the development of its employees, the Company invests in training in the areas of safety, technical empowerment, interpersonal relationships and courses for accessibility.

Sustainability

As one of the important values of its brand, Sustainability is for the Company a permanent commitment with the future in the environmental, social and economic areas and is a top's practices that guarantee the continuity of the environment, the Company and the business.

In the environmental area the Company has a management system allowing the alignment of production and management with the legal requirements, prevention of pollution and continuous improvement. The use of natural gas in 100% of the production, and solid waste recycling, reuse and reforming, and the closed circuit for water used in the productive process are examples of that practice. In 2012 the Company invested over R$ 3 million in environmental actions such as performing environmental investigation studies in the monitoring of effluents and atmospheric emissions.

In the social area we must highlight that in 2012 the Company published the Social Balance Sheet and the second edition of the book Brazilian Architecture, which promotes the production of Brazilian architects, and maintained the Athlete of the Future program, which assists 300 children of the community, and the Internment and Trainee programs for forming future professionals and the social responsibility management, carried out by an employee committee.

Coating Exhibition 2013

One of the main global events in the finishing sector, the Coating Exhibition (“Feira Revestir”) is held in March in São Paulo and marks of the main launching time for the sector' s companies. With over 48,000 specialized visitors, the exhibition puts together architecture professionals, buyers and specifiers from different parts of the world. Portobello, which considers its launchings one of the main tools for exercising novation and design, organized a series of events during the period.
In the Coating Exhibition pavilion, the company had a 420 m² stand intending to show how to combine practical coating items and accessories to create comfortable and unique environments. The stand design, made by architect Giovanni Bonetti, inspired in the Brazilian contemporary architecture, reproduced the rooms of a house distributed on two floors. The stand's highlight were the large formats 90x90, 60x120, and 60x180, to be produced in the Company’s new production line and the reduced-thickness products also in large formats.
In addition to the Revestir Exhibition stand, the Company prepared a parallel fixed space, where it conducted several presentations of its collection and receive the public along the four days of the exhibition and the previous weekend. The “Habitat Space, Your Space” This exhibition, installed in the Burle Marx Park, was composed by an ample space the complete routing for the new collection, including rooms with the pieces applied on them. The purpose of the parallel was deepening the exposure of the Company's products and recording specifications in sales during the exhibition. Over 2400 people were received in the parallel space.

Recognitions in 2013

- Top Brands 2013 – a contest run by the magazine Projeto Design – ceramic tile category;
- Ecology Expression Award – 20th edition – ecological marketing category; Case Portobello presents the largest and most faithful collection of wood pattern porcelain tiles in the market;
- Partner Company 2012 – an award granted by the Adolpho Lindenberg construction company.

Independent Audit

In compliance with Securities Commission instruction No. 381/2003, we inform that in the quarter ended March 31, 2013, the Company did not hire independent auditors for services other than those related to external auditing.

Composition of Portobello management

Executive Board

Name	Position
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Executive Vice President
John Shojiro Suzuki	CEO and Investor Relations Officer
Mauro do Valle Pereira	Director

Board of Directors

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

Please visit the Investor Relations website: ***www.portobello.com.br/ri***

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 held 60.81% of the Company's shares at March 31, 2013. The remaining 39.19% of the shares is widely held.

With headquarters in Tijucas, State of Santa Catarina, the Company was formed in 1977 with the main objective 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 providing 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 which was classified as a discontinued operation at December 31, 2012, as described in Note 36; (ii) Mineração Portobello, which supplies about 50% of the raw materials utilized in the production of ceramic tiles; (iii) PBTech, which is responsible for managing the own Portobello Shop stores, which currently manages one store in Belo Horizonte; 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 110 stores.

2. Preparation basis

a) Statement of compliance (in relation to IFRS standards and CPC standards)

These financial statements include:

- The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP); and

- The individual financial interim statements of the subsidiary prepared according to the BR GAAP.

The individual financial interim statements of the Parent Company were prepared in accordance with BR GAAP, and, in the case of the Group, these practices differ from the IFRS applicable to separate financial statements due to the fact that investments in subsidiaries are valued under the equity method in BR GAAP, whereas, for IFRS purposes, these investments would be carried at cost or fair value.

However, there is no difference between the shareholders' equity and consolidated result presented by the Group and the shareholders' equity and result of the Parent company in the individual interim Financial Statements.
Accordingly, the consolidated interim financial statements of the Group and the Parent Company's individual financial statements are being presented side by side in a single set of financial statements.

Such Interim financial statements were prepared in accordance with the standards of the Brazilian Securities Commission (CVM), applicable to the preparation of Interim financial statements (ITR).

The issue of individual and consolidated interim financial statements was authorized by the Board of Directors on May 09, 2013.

b) Measuring basis

The individual and consolidated interim financial statements were prepared based on the historical cost, except for the following items recognized in the interim financial statements:

- the defined benefit actuarial assets are recognized as the plan assets, plus the cost of prior service and actuarial losses, net of actuarial gains and the present value of the defined benefit obligation and it is limited as Note 2.22 (a).

- derivative financial instruments measured at fair value; and

c) Functional currency and presentation currency

These individual and consolidated interim financial statements are being presented in Brazilian Reais, functional currency of the Company and its main subsidiaries, except the functional currency of the subsidiary Portobello America, Inc., which is the U.S. dollar, translated to Brazilian real on the reporting date, according to note 3.3 b).All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

d) Use of estimates and judgments

The preparation of individual and consolidated interim financial statements according to IFRS and CPCs standards requires management to make judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the year in which the estimates are reviewed and in any future years affected.

Information about critical judgment referring to the accounting policies adopted which impact significantly the amounts recognized in the individual and consolidated financial statements are included in the Note 4.1.

3. Significant accounting policies

The main accounting policies applied in the preparation of these consolidated interim financial statements are as follows: These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Consolidation

3.1.1 Consolidated interim financial statements

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to establish the financial and operating policies, generally accompanying an interest of more than one half of the voting rights (voting capital). The existence and effect of possible voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The subsidiaries are fully consolidated as of the date control is transferred to the Company, and stop being consolidated as of the date when control no longer exists.

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

	Percentage of voting	
	March 31, 2013	December 31, 2012
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

The transactions among the Company and its subsidiaries, as well as the balances and unrealized gains and losses in those transactions, were eliminated for preparation purposes of the consolidated interim financial statements.

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

b) Transactions and non-controlling interests

The Company and its subsidiaries treat transactions with non-controlling interests as transactions with owners of assets classified as related party transactions. For purchases of non-controlling ownership interest, the difference between any considerations paid and the acquired portion of the controlling subsidiary's net assets is recorded in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in shareholders' equity.

When the Company ceases to have control, any retained interest in the entity is remeasured at its fair value, with the change in the book value recognized in income (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. This means that amounts previously recognized in other comprehensive income are reclassified in income (loss).

3.1.2 Individual interim financial statements

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

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

3.3 Presentation of information per business segment

The operating segment information is shown consistently with the internal report supplied to the main operating decision maker. The main operating decision maker, in charge of allocating funds and

evaluating performance of operating segments is the Executive Board, also in charge of the strategic decision making of the Company and its subsidiaries.

3.4 Foreign currency translation

a) Transactions and balances

Transactions with foreign currencies are converted into Reais by using exchange rates prevailing on the transaction or valuation dates, when the items are remeasured. Exchange gains and losses resulting from the settlement of those transactions and from the conversion at year-end exchange rates referring to monetary assets and liabilities in foreign currencies, are recognized in the statement of income as other net gains and losses, except for the financing operations which are recognized in the financial income as described in Notes 33 and 34.

b) Subsidiaries

Assets and liabilities in foreign currency (US Dollar) recorded for the subsidiary located abroad were translated into Reais at the foreign exchange rate in effect at the balance sheet date. The exchange variation on the foreign investment was recorded as a cumulative translation adjustment in shareholders' equity under "Equity evaluation adjustments".

3.4 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other highly liquid short-term interest earning bank deposits with original maturities of 3 months or less, are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

3.5 Financial assets

3.5.1 Classification

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

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, but not quoted on any active market. They are included in current assets, except those maturing at least 12 months after balance sheet date (these are classified as non-current assets). The loans and receivables of the Company and of its subsidiaries includes "trade accounts receivable", as well as "cash and cash equivalents".

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 intention and financial capacity to hold them in the portfolio to maturity.

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

Financial assets measured at fair value through profit or loss are financial assets held for active and frequent trading. A financial asset is classified in this category if it is acquired mostly for short-term sale

and classified as current assets. Gains or losses resulting from fluctuations in the fair value are presented in statement of income under "financial income" for the period in which they occur.

3.5.2 Recognition and measurement

The regular purchases and sales of financial assets are recognized on the trading date, which is the date when the Company commits to buy or sell the asset. Investments are initially recognized at fair value plus transaction cost for all financial assets not classified at fair value through profit or loss. Financial assets classified at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to income. Financial assets are written off when rights to receive cash flows from the investments have been expired or transferred; in the latter case, as long as the Company has transferred virtually all ownership risks and benefits. Financial assets available for sale and financial assets measured at fair value through profit or loss as subsequently measured at fair value. After their initial recognition, loans and receivables and investments held to maturity are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

3.5.3 Offsetting of financial instruments

Financial assets and liabilities are offset and their net amounts in the balance sheet only when there is a legal right to offset the amounts recognized and there is an intent to settle them on net bases, or realize the asset and settle the liability simultaneously.

3.6 Impairment of financial assets

The Company and its subsidiaries, at the end of each reporting period, evaluate whether there is objective evidence that the financial asset or group of financial assets has been impaired. An asset or group of financial assets has been impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the assets (a "loss event") and such loss event(s) will have a reliably estimable impact on the estimated future cash flows of the financial asset or group of financial assets.

The criteria used to determine whether there is objective evidence of an impairment loss include:

i) Issuer or debtor's relevant financial difficulties;
ii) a breach of contract, such as a default or delay on payment of interest or the principal;
iii) it is likely that the debtor will declare bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset due to the financial difficulties; or
v) observable data indicating a measurable reduction in estimated future cash flows from a financial asset portfolio since the initial recognition of the assets, even if the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment situation of the portfolio's debtors;
- national or local economic conditions correlating with defaults on the portfolio's assets.

3.6.1 Financial assets measured by the amortized cost

The Group considers as evidence of impairment of assets measured by amortized cost both individually and on an aggregate basis. Individually significant receivables are assessed for impairment. All the receivables and investment securities held to maturity which are material on an individual basis, identified as non-impaired on an individual basis are collectively assessed for any impairment loss not yet identified. Assets that are not individually significant are assessed on an aggregate basis in relation to impairment by grouping the assets with similar risk characteristics.

When assessing impairment on an aggregate basis the Group makes use of historical trends of probability of default, the recovery term and the amounts of losses incurred, adjusted to reflect the

management's judgment if the current economic and credit conditions are such that the actual losses will probably be higher or lower than those suggested by historical trends.

An impairment of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The losses are recognized in an allowance in the income statement against loans and receivables or assets held to maturity. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of the impairment loss to decrease, the impairment loss is reversed through profit or loss.

3.7 Trade accounts receivable

Trade accounts receivable correspond to the amounts receivable from customers for sales of products and goods and provision of services in the normal course of the activities of the Company and its subsidiaries the accounts payable to suppliers are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts “PDD” (impairment). In practice, they are usually recognized at the billed amount, adjusted by provision for impairment, if necessary. If the payment term is equivalent to one year or less (or any other term that is in conformity with the normal cycle of the Company and its subsidiaries), accounts receivable are classified as current assets. Otherwise, they are presented under “non-current assets”.
The allowance for doubtful accounts (impairment) is formed when there is objective evidence that the Company and its subsidiaries will not be able to collect all amounts due according original terms of accounts receivable and the calculation of the allowance is based on an estimate sufficient to cover losses in the realization of accounts receivable, considering the situation of each client and respective guarantees provided.

3.8 Inventories

Inventories are presented at the lower value between the cost and net realizable value. Cost is calculated under the moving weighted average cost method. The cost of finished products and work in process comprises raw materials, direct labor, other direct costs and related general production expenses, always (based on the normal operating capacity), except for the costs of loans obtained. The net realizable value is the sales price estimated for the normal course of business, less the performance costs and selling expenses.

3.9 Judicial deposits

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

3.10 Receivables from Eletrobrás

Receivables from The Brazilian Electricity Company (Eletrobrás) arise from the undisputed amount involved in an ongoing lawsuit and are recognized based on calculations of the Federal Court’s accounting department, restated by the inflation index plus 12% p.a.

3.11 Investments

The investments in subsidiaries are stated under the equity method of accounting, and recognized in income for the year as operating income (or expense). In the case of the investment in the subsidiary Portobello America Inc., the changes in the book value of the investment arising exclusively from exchange variations are recorded in the account “Equity evaluation adjustments", in the Company's shareholders’ equity, and will be taken to the statement of income only when the investment is sold or written-off 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.
Other investments are recognized at historical cost and adjusted by a provision for impairment, if there is indication of any loss (Note18).

3.12 Property, plant and equipment

Property, plant and equipment are recorded at the deemed cost less accumulated depreciation. The corresponding entries to the revaluations are recorded in a specific account in equity and in deferred taxes under non-current liabilities. In 2010, upon the initial adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option of using the fixed asset revaluation carried out in 2006 as deemed cost, understanding that the same represented substantially the fair value on the transition date.

Subsequently incurred costs are added to the asset's book value or are recognized as a separate asset, as applicable, and only when it is likely that associated future economic benefits will flow and that the item's cost can be reliably measured. The book value of replaced items and parts is written off. All other maintenance and repair costs are recorded as production cost, when incurred.

Lands are not depreciated. Depreciation of other assets is calculated using the straight-line method, with the costs of other assets being allocated to their residual values over the estimated useful life, as follows:

	Years
Buildings, civil works and improvements	33
Machinery and equipment	14
Furniture and fixtures	10
Computers	5

Residual values and the useful lives of material assets are reviewed and adjusted, if adequate, at the end of each year. Based on the reviews to date, there was no need to record provisions for any permanent impairment.

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

Gains and losses from divestitures are determined by the comparison of results with the book value and are recognized in "Other net operating income (expense)" in the statement of income.

3.13 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 utilizing annual rates applied on the straight-line method, disclosed in Note 20, based on the defined useful lives for the assets, as follows:

	Years
Software	5
Right to exploration of outcrops	5
Trademarks and patents	Undefined
Goodwill	Undefined
Software under development	Undefined
Management system	(a)

(a) Intangible assets under formation and their useful life will still 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 recovery of an intangible asset with an indefinite useful life is tested by comparing its recoverable amount with its carrying amount. The procedure is carried out 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 and considers that the balances on March 31, 2013 are close to the fair value.

3.14 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 at fair value and subsequently at amortized cost. Property, plant and equipment items acquired in financial leases are depreciated at usual rates described in Note 19.

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company and its subsidiaries and are classified as operating leases. Operating lease payments are charged to the statement of income on the straight-line basis over the term of the lease.

3.15 *Impairment* of non-financial assets, (except for inventories, deferred income and social contribution taxes)

Assets subject to depreciation and amortization are reviewed to confirm their impairment annually and whenever events or changes in circumstances indicate that the book value may not be recoverable. Impairment loss is recognized in the amount by which the book value of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use. For impairment valuation purposes, 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.

3.16 Suppliers

Trade accounts payable are obligations due for assets or services acquired from suppliers in the normal course of businesses, and are classified as current liabilities if payment is due within one year. Otherwise, trade accounts payable are presented as non-current liabilities.

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

3.17 Loans and financing

Loans and financing obtained are initially recognized at fair value when funds are received net of transaction costs. Subsequently, loans taken are stated at amortized cost, i.e., with the addition of charges and interest proportional to the period elapsed (calculated on a pro rata temporis basis).

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 end of the year.

3.18 Provisions for contingencies, contingent liabilities and contingent assets

Provisions for contingencies are recognized when the Company has a present, legal or unformalized obligation, as a result of past events, and it is likely that an outlay of funds will be necessary to settle the obligation, and a reliable estimate of the amount can be made. The provisions are measured at the present value of the expenditures that shall be necessary to settle the obligation and are evaluated individually by the Company's legal counsel, which classifies them in accordance with the expectations of the outcomes. The increase in the obligation over time is recognized as a financial expense.

The contingent liabilities classified as possible losses are not recorded, and are only divulged in the interim financial statements, and those classified as remote are neither accrued nor divulged.

Contingent assets are not recognized, except when the Company considers the gain to be practically certain or when there are real guarantees or unappealable favorable judicial decisions.

3.19 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 as enacted under the current tax legislation. Offset of tax loss carryforwards and negative basis of social contribution is considered, limited to 30% of taxable income.

Deferred tax credits for income tax and social contribution are due to accumulated balances of tax losses, negative basis of social contribution and temporary differences active, as well as differed tax liabilities of income tax and social contribution arise from revaluation of fixed assets and temporary differences (liabilities). The credits took into account the expectation of future taxable income and are calculated based on rates established by current tax law and recorded up to the amount considered realizable based on estimates prepared by the Company.

A deferred income tax and social contribution asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the tax loss carryforwards and credits can be utilized.

3.20 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. 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. Defined benefit plans, usually establish a benefit amount that the employee will receive upon retirement, depending on one or more factors, such as age, time in company and salary.

The defined benefit liability is annually calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation was determined by discounting estimated future cash outlays, using interest rate yields prevailing in the market for the currency in which benefits will be paid, and having maturity periods similar to those in the related pension plan 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 the plan assets, together with adjustments for unrecognized past services. The calculation is made by a qualified actuary and when it results in a benefit for the Company, the asset to be recognized is limited to the total of any unrecognized prior service costs and the present value of the economic benefits available as future plan refunds or reduction in the future payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as other comprehensive results in equity, under “Equity evaluation adjustments".

Past-service costs are recognized immediately in the results, 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.

Regarding the defined contribution plans, the Company has no additional obligation to make payments after the contribution is made. 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.

The Company does not use the corridor method, so there was no impact regarding the amendment in CPC 33, IAS 19 (R1).

b) Profit sharing plan

The recognition is carried out monthly in current liabilities under the caption "Other" and in the statement of income under "Other operating expenses". Its calculation takes into consideration the achievement of 80% of the budgeted profit before interest and taxes.

c) Long-term incentive (ILP)

The Company has a long-term incentive plan under which the entity receives services from employees as consideration for the Company's cash or shares. The fair value of the employees' services, received in exchange for the granted stock options (cash and cash equivalents or share-based payment) is recognized as an expense. The total amount to be recognized as an obligation is determined annually considering the main aspects: the EBITDA growth and an EBITDA/net debt ratio (Note 29). The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be complied with. At the balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the nonmarket vesting conditions and recognizes

the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to shareholders' equity.

3.21 Capital

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

3.22 Issuance costs

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

3.23 Total Dividends and Interest on Own Capital of the period

Payment of dividends to Company's shareholders is recognized as a liability in the financial statements at the end of each year, with basis on the Company's by-laws. Any amount above the mandatory minimum is provisioned only on the date of its approval by the Shareholders' Meeting.

The fiscal benefit of interest on capital is recognized in the statement of income.

3.24 Revenue recognition

The revenue comprises the fair value of the consideration received or receivable for the sale of products in the normal course of activities of the Company and its subsidiaries, the revenue is presented net of taxes, goods returned, rebates and discounts, and elimination of intergroup sales of the Companies 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) Sale of goods - Wholesale

The Company manufactures and sells a range of ceramic tiles in the wholesale market. Sales of products 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 considered to be present as the sales are realized with a credit term which varies in accordance with the type of customer (home centers, real estate development companies, franchised stores), which is consistent with market practice. Sales are therefore 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) Financial income

Financial income is recognized in accordance with the elapsed time using the effective interest rate method and it is recognized upon an expectation to realize.

3.25 Income from discontinued operations

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

The classification as a discontinued operation is made upon its sale or when the operation fails to meet the criteria for being held for sale, if this occurs before. When an operation is classified as a discontinued operation, the comparative statement of income and the statement of comprehensive income are reissued as if the operation had been discontinued since the beginning of the comparative period.

3.26 Statement of added value

The Group prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent additional financial information.

3.27 Financial expenses

Financial expenses comprise interest expense on lons and financing, monetary variation on accounts payable to suppliers, exchange variation on loans and financing, updated installment of taxes and discounts granted to customers. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in in the income using the effective interest rate method.

3.28 New accounting standards

The following rules and changes in existing rules were disclosed and are mandatory for the accounting periods starting after January 1, 2013 or after that date or for subsequent periods. However, none of those standards or changes in standards was adopted by the Company and its subsidiaries.

- IAS 1 - “Presentation of the financial statements”. The main change is the separation of other components of comprehensive income into two groups: those that will be made realized against income (loss) and those who remain in shareholders' equity.

- IFRS 9 - “Financial instruments", covers the classification, measuring and the recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and supersedes the parts of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 requires the classification of financial assets into two categories: measured at fair value and those 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 where the option of fair value is adopted for financial liabilities, the portion of change in fair value due to credit risk of the entity undertaking shall be recorded

in other comprehensive income and not in the statement of income, except when it results in accounting mismatching. IFRS 9 is applicable only as from January 1, 2015

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

- IFRS 11 - "Joint arrangements". 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.

The adoption of these standards did not result in any changes in relation to the method used in the preparation of the Interim Financial Statements of the Company.

4. Estimates and critical accounting judgments

4.1 Estimates and critical accounting judgments

Based on assumptions, the Company and its subsidiaries make estimates about the future. By definition, resulting accounting estimates are seldom equal to the respective actual incomes. The estimates and assumptions which present a significant risk, likelihood of causing an important adjustment to the book value of assets and liabilities for the coming year are shown below.

a) Review of the useful life and recovery of the assets

The recovery capacity of assets which are used in Company's operations is valued whenever events or changes in the circumstances indicate that the book value of an asset or group of assets may not be recoverable based on 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 requires a high level of judgment on the matters involved.

c) Allowance for inventory losses

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

d) Deferred income and social contribution taxes

Deferred tax assets and liabilities are based on tax loss carryforwards 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 an increase in the effective tax rate.

e) Private pension plan

The current value of pension plan obligations depends on a series of factors that are determined with basis on actuarial calculations that use several assumptions. One of the assumptions used in the determination of pension plan net cost (revenue) is the discount rate. Any changes in these assumptions will affect the book value of pension plan 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 the 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.

4.2 Critical judgments in applying the Entity’s accounting polices

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 on the lawsuit, which is currently pending settlement. The amounts have already been calculated by the Federal Court’s accounting department, observing 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 with related parties with guarantees

Receivables from Refinadora Catarinense are recognized based on the contract signed with the counterparty and the amount of guarantees offered. The credits assigned 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 part of the amounts due to the Company in August 2011 and March 2013, corresponding to the first and the second of the 10 annual installments, as established in the agreement.

c) Payment in installments - PM 470

The amount of the 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 established by MP 470 and 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 well-known specialized legal firms (Demarest Almeida and Souza Cescon).

d) ICMS Tax benefits

The Company has a State Value-added Tax (ICMS) incentive, denominated 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 a previous agreement between the 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 assess possible impacts on its operations and consequent effects on the interim financial statements

5. Financial risk management

5.1 Financial risk factors

The activities of the Company and its subsidiaries expose it to various financial risks: market risk, credit risk and liquidity risk. The global risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the consolidated financial performance.
The management of risk is conducted by the Treasury and Financial Executive Board, under the 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 of Directors establishes principles, for global risk management and for specific areas such as exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and cash surplus investment.

a) Market risk

i) Exchange rate risk

The Company operates globally and is exposed to foreign exchange risk resulting from exposures to some currencies, basically US dollar and Euro. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities and net investments in transactions abroad:

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

	In Reais			
	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Accounts receivable	18,151	18,183	18,151	18,183
Receivables with subsidiary companies	41,231	41,839	-	-
Provision for loss in investments	(40,916)	(41,496)	-	-
Suppliers, net of advances	(27,639)	(22,205)	(27,639)	(22,205)
Loans and financing	(43,042)	(48,006)	(43,042)	(48,006)
Commissions	(938)	(815)	(938)	(815)
Exposed net liabilities	(53,153)	(52,500)	(53,468)	(52,843)

		In foreign currency			
		Parent company		Consolidated	
		March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Accounts receivable	euro	251	176	251	176
Suppliers, net of advances	euro	(1,894)	(1,305)	(1,894)	(1,305)
Loans and financing	euro	(269)	(265)	(269)	(265)
Commissions	euro	(25)	(23)	(25)	(23)
		(1,937)	(1,417)	(1,937)	(1,417)
Accounts receivable	dollar	7,477	6,907	7,477	6,907
Receivables with subsidiary companies	dollar	20,474	20,474	-	-
Provision for loss in investments	dollar	(20,318)	(20,306)	-	-
Suppliers, net of advances	dollar	(11,294)	(9,145)	(11,294)	(9,145)
Loans and financing - FINIMP	dollar	(16,111)	(16,143)	(16,111)	(16,143)
Loans and financing - Others	dollar	(4,919)	(7,000)	(4,919)	(7,000)
Commissions	dollar	(437)	(372)	(437)	(372)
		(25,128)	(25,585)	(25,284)	(25,753)

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 12 months.

ii) Cash flow or fair value risk associated to the interest rate

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

Based on various scenarios, the Company manages the cash flow risk associated with the interest rate using the interest rate swap, which receives floating rate interest and pays fixed rate interest and has the economic effect of converting loans at floating rates to fixed rates. The fixed rates, which are the result of this swap transaction, are lower than those available had the Company obtained the loans directly at fixed rates. By means of interest rate swap transactions, the Company agrees with other parties to swap, at specified periods, the difference between the contractual fixed rates and the amounts at floating interest rates, calculated through the notional amounts agreed between the parties.

The Company and its subsidiaries continuously monitor market interest rates in order to assess the possible need to contract new operations to protect against the risk of volatility in 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 realized in investment funds, as described in note 7.

c) Liquidity risk

It is the risk of the Company and its subsidiaries not having sufficient net funds to honor its financial commitments due to a time or volume mismatch between foreseen receipts and payments.

To manage cash liquidity in domestic and foreign currency, future disbursements and cash inflows assumptions are established and daily monitored by the Treasury and Financial Executive Board.

The chart below analyzes the non-derivative financial liabilities of the Company and its subsidiaries, by ranges of maturity, corresponding to the remaining period in the balance sheet up to the contractual date of maturity: The amounts disclosed in the table are the contractual undiscounted cash flows.

	Parent company							
	March 31, 2013				December 31, 2012			
	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities
Less than one year	57,216	940	124,069	16,661	74,667	917	120,541	22,029
Between one and two y	76,388	1,239	-	26,711	17,507	1,274	-	26,377
Between two and five ye	73,066	-	-	28,611	72,356	209	-	28,251
Over 5 years	-	-	-	55,625	2,290	-	-	54,933
Total	206,670	2,179	124,069	127,608	166,820	2,400	120,541	131,590

	Consolidated							
	March 31, 2013				December 31, 2012			
	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities	Loans and financing	Financial lease	Suppliers	Installment payment of tax liabilities
Less than one year	57,216	940	124,550	17,368	74,667	917	121,532	22,961
Between one and two y	76,379	1,239	-	27,151	17,500	1,274	-	26,809
Between two and five ye	74,020	-	-	28,767	72,328	209	-	28,404
Over 5 years	-	-	-	55,926	3,240	-	-	55,233
Total	207,615	2,179	124,550	129,212	167,735	2,400	121,532	133,407

d) Additional sensitivity analysis required by CVM

i) Sensitivity analysis of variations in the interest rates

In the quarter Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by changes in interest rates, such as TJLP and CDI.

On March 31, 2013, the Management considered CDI rate at 7.01% and TJLP of 5% as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

	Consolidated in Reais							
	March 31, 2013	Risk	Probable		Possible (25%)		Remote (50%)	
Operation			%	R$	%	R$	%	R$
Investments	64,574	Low CDI	7.01%	4,606	5.26%	3,454	3.51%	2,303
Total	64,574			4,606		3,454		2,303
Operation								
Loans – Working Capital	(502)	High CDI	7.01%	(35)	8.76%	(44)	10.52%	(53)
Loans - Export credit note	(20,340)	High CDI	7.01%	(1,426)	8.76%	(1,782)	10.52%	(2,139)
Loans - Trade 4131 Swap	(51,487)	High CDI	7.01%	(3,609)	8.76%	(4,512)	10.52%	(5,414)
Loans - BNDES	(30,311)	HighTJLP	5.00%	(1,516)	6.25%	(1,894)	7.50%	(2,273)
Total	(102,640)			(6,586)		(8,232)		(9,879)

ii) Sensitivity analysis of variations in the exchange rates

The Company has assets and liabilities linked to foreign currency in the balance sheet as of March 31, 2013 and adopted, for sensitivity analysis purposes, the future market rate in effect during the preparation of these interim financial statements as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.
Accordingly, the schedule below simulates the effects of currency fluctuations on income (loss).

	Consolidated in Reais						
	March 31, 2013	Probable		Possible (25%)		Remote (50%)	
		Rate - US$	Gain (loss)	Rate - US$	Gain (loss)	Rate - US$	Gain (loss)
Accounts receivable	18,151	2.0138	-	2.5173	4,538	3.0207	9,076
Suppliers, net of advances	(27,639)	2.0138	-	2.5173	(7,202)	3.0207	(14,404)
Loans and financing	(43,044)	2.0138	-	2.5173	(10,761)	3.0207	(21,522)
Commissions	(938)	2.0138	-	2.5173	(235)	3.0207	(469)
Exposed net liabilities	(53,470)	2.0138	-	2.5173	(13,660)	3.0207	(27,319)

5.2 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 capital.

The capital is monitored based on the ratio of consolidated financial leverage. That index corresponds to the ratio divided between net debt and total capital. Net debt is calculated as total loans and tax liabilities payable in installments less cash and cash equivalents, receivables from other related parties and marketable securities. The total capital is calculated through the sum of shareholders' equity, as shown in the consolidated balance sheet, with net debt.

The financial leverage ratios on March 31, 2013 can be summarized as follows:

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Loans and financing	205,977	165,600	206,922	166,515
Installment payment of tax liabilities	127,608	131,590	129,212	133,407
Less: Cash and cash equivalents	(63,477)	(56,576)	(67,097)	(58,870)
Credits with other related parties	(90,375)	(100,398)	(90,375)	(100,398)
Net debt	179,733	140,216	178,662	140,654
Total shareholders' equity	140,785	127,119	140,796	127,127
Total capital	320,518	267,335	319,458	267,781
Financial leverage index - %	56	52	56	53

On March 31, 2013, the Company has available credit facilities, unused, amounting to R$ 11,413.

5.3 Financial instruments by category

In the table below we performed the classification of financial instruments by category in each of the dates presented:

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Assets, according to the balance sheet				
Loans and receivables				
Cash and cash equivalents	63,477	56,576	67,097	58,870
Trade accounts receivable	140,277	137,626	145,830	142,678
Total	203,754	194,202	212,927	201,548
Liabilities, according to the balance sheet				
Other financial liabilities				
Suppliers	123,916	120,122	124,397	121,113
Loans and financing	205,977	165,600	206,922	166,515
Installment payment of tax liabilities	127,608	131,590	129,212	133,407
Total	457,501	417,312	460,531	421,035

6. Financial assets credit quality

The credit quality of financial assets that are not past due or impaired can be assessed by reference to external credit ratings (if any) or to historical information about counterparty default indexes: For the 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):

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Trade accounts receivable				
Counterparties without external credit rating				
Group 1	13,637	13,673	14,173	14,173
Group 2	123,793	121,291	128,662	125,725
Group 3	3,860	3,571	4,012	3,701
Total	141,290	138,535	146,847	143,599
Current account and short-term bank deposits (Do not consider cash in hand)				
AAA (bra)	62,438	56,080	65,695	58,044
AA- (bra)	146	238	146	238
BBB	189	141	199	151
Other	703	117	1,032	421
Total	63,476	56,576	67,072	58,854
Loans to related parties				
Group 3	1,976	1,945	-	-
Total	1,976	1,945	-	-

The internal risk classification for customers is as follows:

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

7. Cash and cash equivalents

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Current account	2,014	3,155	2,523	3,655
Interest earning bank deposits	61,463	53,421	64,574	55,215
Total	63,477	56,576	67,097	58,870

Financial investments designated as cash equivalents are investments in investment funds, whose average return of the fund in the first quarter of 2013 was equivalent to 101.75% of the CDI (interbank deposit certificate) and the investment can be redeemed at any time without penalties.

8. Derivative financial instruments

The derivatives for trading are classified as current assets or liabilities. The total fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Company conducted a transaction in December 2012 following the rules of Law 4,131 (Trade Exporter) amounting to R$ 50,000 at a fixed cost of 9.8%, but with a swap for CDI, detailed in item (a), and a repayment term of 60 months, with a grace period of 24 months. This transaction is classified in non-current liabilities, linked to loans and financing. Repayments are semiannual, beginning in December 2014.

a) Interest rate swap

The notional amounts of the interest rate swap contract at the end of 2012 corresponded to R$ 50,000 at the CDI rate +1.60% p.a. Repayments are semiannual, and they have therefore not occurred to date.

The operation risk was recorded under current assets in the amount of R$ 167 and the installment recognized in the statement of income on March 31, 2013 totals a gain of R$ 128 (R$ 39 on December 31, 2012).

9. Trade accounts receivable

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Receivables from third parties:				
Clients - domestic Market	122,173	118,935	127,730	123,999
Clients - Foreign market	18,151	18,183	18,151	18,183
	140,324	137,118	145,881	142,182
Accounts receivable from related parties				
Entities related to the Management	966	1,417	966	1,417
	966	1,417	966	1,417
Impairment of trade accounts receivable:				
Allowance for doubtful accounts	(969)	(882)	(973)	(894)
Recomposition of nominal value to present value	(44)	(27)	(44)	(27)
	(1,013)	(909)	(1,017)	(921)
Total	140,277	137,626	145,830	142,678

Changes in the provision for *impairment* of accounts receivable is as follow*:*

	Parent company	Consolidated
December 31, 2012	882	894
Provision (reversal) of*impairment* of accounts receivable	87	79
March 31, 2013	969	973

Management considers that the allowance for doubtful accounts is adequate to cover probable losses on settlement of accounts receivable considering the situation of each client and respective guarantees provided. Its value represents the estimated risk of non-realization of receivables due under the analysis of the responsible manager.
The formation and write-off of the provision for doubtful receivables are recorded in income for the year as commercial expenses.

a) Breakdown of accounts receivable by maturity age with *impaired* classification and not *impaired*

	Parent company							
	March 31, 2013	Non-impaired trade notes falling due	Non-impaired trade notes overdue	Impaired trade notes*	December 31, 2012	Non-impaired trade notes falling due	Non-impaired trade notes overdue	Impaired trade notes*
Falling due	130,441	130,265	-	176	125,911	125,700	-	211
Overdue up to 30 days	9,096	-	8,930	166	10,846	-	10,834	12
Overdue from 31 to 90 days	459	-	440	19	759	-	727	32
Overdue from 91 to 360 days	1,024	-	589	435	819	-	307	512
Overdue for more than 360 days	270	-	97	173	200	-	85	115
Total	141,290	130,265	10,056	969	138,535	125,700	11,953	882

* For recognition of impaired trade notes, consider the situation of each client and guarantees provided.

	Consolidated							
	March 31, 2013	Non-impaired trade notes falling due	Non-impaired trade notes overdue	Impaired trade notes*	December 31, 2012	Non-impaired trade notes falling due	Non-impaired trade notes overdue	Impaired trade notes*
Falling due	135,960	135,784	-	176	130,850	130,639	-	211
Overdue up to 30 days	9,120	-	8,954	166	10,918	-	10,906	12
Overdue from 31 to 90 days	459	-	440	19	760	-	728	32
Overdue from 91 to 360 days	1,033	-	594	439	871	-	347	524
Overdue for more than 360 days	275	-	102	173	200	-	85	115
Total	146,847	135,784	10,090	973	143,599	130,639	12,066	894

* For recognition of impaired trade notes, consider the situation of each client and guarantees provided.

The Company's receivables are pledged in guarantee of certain loans, as disclosed in Note 22, as a percentage of the outstanding debt balance. Trade receivables pledged in guarantee amounted to R$ 58,353 at March 31, 2013 (R$ 63,229 at December 31, 2012)

10. Inventories

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Finished goods	112,570	96,460	112,733	96,636
Work in process	7,435	7,826	7,435	7,826
Raw materials and consumption materials	10,836	11,174	10,836	11,174
Provision for inventory valuation at realizable value	(6,451)	(5,505)	(6,512)	(5,568)
Imports in transit	8,664	9,977	8,664	9,977
Total	133,054	119,932	133,156	120,045

11. Recoverable taxes

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Current				
ICMS	674	530	697	540
IPI (a)	985	820	985	820
IRRF/CSRF	77	23	80	23
IRPJ/CSLL	-	-	463	459
Other	145	77	289	222
Total	1,881	1,450	2,514	2,064
Non-current assets				
ICMS on property, plant and e(	1,732	1,682	1,732	1,682
Total	1,732	1,682	1,732	1,682

a) The reduction in the percentages of IPI rates charged on the products manufactured and sold by Portobello S.A., originally permitted by Decree 7,032 of December 14, 2009, was extended for the fourth time, in accordance with Decree 7,796 of August 30, 2012, and will be maintained up to December 31, 2013. This measure generates credits which are utilized quarterly to offset federal taxes payable.

12. Credits with 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 the refund of the IPI credit premiums. The Company utilized these credits to settle federal taxes. According to the terms of the agreement between the parties, Refinadora must reimburse the Company if the credits are not validated by the National Treasury

In 2009, the Federal Supreme Court (STF) issued a decision determining that this incentive ended on October 4, 1990, and, therefore, the credit could no longer be utilized. 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, in respect of which a final and unappealable decision from the Federal Court in the Federal District had already been issued.

On requesting its enrollment in the installment payment program established by Law 11,941/09, the Company and Refinadora entered into an agreement confirming these credits as guarantees as well as being sufficient to settle all the tax debt installments. These credits, which also arose from lawsuit 87,00,00967-9, totaled R$ 90,375 at March 31, 2013 (R$ 100,398 at December 31, 2012) and are monetarily restated by the Special System for Settlement and Custody (SELIC) rate, as determined in 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 10 annual installments, as established in the agreement. **The Company received the second installment, amounting to R$ 9,824, in March 2013.**

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

13. Judicial deposits

The Company and its subsidiaries are parties to labor, civil and tax lawsuits (see Note 26) and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. The deposits are recorded at the original amounts plus the basic remuneration rates for savings accounts, Reference Rate (TR) + 0.5% per month.

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

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Civil	43	43	43	43
Labor	6,579	6,450	6,615	6,487
Tax	2,013	1,964	2,013	1,964
Total	8,635	8,457	8,671	8,494

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 only recognized the undisputed portion of R$ 6,286 (amount at March 1, 2008 price levels), which was settled through (i) a bank deposit of R$ 4,964 on April 1, 2008 and (ii) the transfer of 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 its accounting department calculate the amount due to the Company, which calculated the amount of R$ 12,064 on February 1, 2006. The Company recognized the amount calculated and maintained the amount restated based on the National Consumer Price Index (INPC) plus 12% p.a. The balance originally recorded at September 30, 2010 was R$ 15,613, before restatement.

The Federal Court's 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 previously calculated amount and the updated calculation, totaling R$ 9,136, which was recorded in "Other operating income". On March 31, 2013, the amount of the assets is R$ 38,751 (R$ 36,819 on December 31, 2012).

15. Income tax and social contribution

a) Income tax and social contribution

The Company adopts the annual taxable income tax method. Consequently, the estimated payments effected during the year are recorded in current liabilities, in reduction accounts of IRPJ and CSLL payable. This accounting method was adopted as from 2012 and, in 2011, the estimated payments were recorded in current assets

Recoverable and payable deferred income and social contribution is broken down as follows:,

	Current assets				Current liabilities			
	Parent company		Consolidated		Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Income tax	-	-	416	413	(1,972)	(2,564)	(2,406)	(3,045)
Social contribution	-	-	47	46	(710)	(924)	(871)	(1,097)
Total	-	-	463	459	(2,682)	(3,488)	(3,277)	(4,142)

b) Deferred income and social contribution taxes

The deferred income and social contribution taxes are calculated on income tax losses and the negative basis of social contribution and the corresponding temporary differences between the calculation basis of tax on assets and liabilities, and book values of interim financial statements. Such tax rates, currently defined to find the deferred taxes, are of 25% for income tax and 9% for social contribution.
Deferred tax liabilities are recognized inasmuch as it is likely that the future taxable income is available for use to offset temporary differences, based on projections of future income prepared and based on internal assumptions and on future economic scenarios that may, however, be subject to change.

The amounts of deferred income tax and social contribution are as follows:

	Parent company and Consolidated	
	March 31, 2013	December 31, 2012
Deferred and current income tax and social contribution – asse	25,676	24,867
Tax losses	-	-
Temporary credit differences	25,676	24,867
Portobello pension	(278)	(246)
Provision for adjustment to market value	2,586	2,377
Provision for contingencies	6,388	6,126
Provision for PIS on reduced ICMS tax base	2,118	1,992
Provision for COFINS on reduced ICMS tax base	9,758	9,179
Allowance for doubtful accounts	330	300
Provision for PPR	2,139	1,775
Long-term incentive (ILP)	740	740
Other temporary credit differences	1,895	2,624
Deferred income and social contribution taxes – Liabilities	(41,453)	(41,176)
Temporary liability differences	(41,453)	(41,176)
Realization of revaluation reserve	(17,799)	(17,933)
Receivables - Eletrobrás	(13,175)	(12,518)
Asset contingency - IPI premium credit - phase II	(4,448)	(4,376)
Adjustment to present value - Prodec	(948)	(1,231)
Adjustment to present value of trade accounts payable	(52)	(142)
Adjustment of depreciation (for the useful life of assets)	(4,597)	(4,639)
Foreign exchange variation at cash basis	(434)	(337)
Deferred income and social contribution taxes - net	(15,777)	(16,309)

The schedule of the utilization of deferred taxes on tax losses and timing differences is as follows:

	Parent company and Consolidated			
	Deferred taxes			
	Assets		Liabilities	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
2012	-	5,007	-	(568)
2013	6,698	1,054	(19,665)	(17,604)
2014	13,094	12,557	(1,989)	(568)
2015	1,125	1,300	(1,989)	(568)
2016	1,125	1,300	(1,989)	(568)
2017	1,125	-	(1,989)	-
Over 5 years	2,509	3,649	(13,832)	(21,300)
	25,676	24,867	(41,453)	(41,176)

The net changes in income tax and social contribution at March 31, 2013 were as follows:

	Parent company and Consolidated
December 31, 2012	(16,309)
Tax losses	-
Temporary credit differences	810
Temporary liability differences	(411)
Revaluation reserve	133
March 31, 2013	(15,777)

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

	Parent company and Consolidated	
	March 31, 2013	March 31, 2012
	Debited (credited) to income (loss)	
Deferred tax asset:		
Tax losses	-	(1,639)
Portobello pension	(32)	(29)
Provision for adjustment to market value	209	49
Provision for contingencies	262	300
Provision for PIS on reduced ICMS tax base	126	133
Provision for COFINS on reduced ICMS tax base	579	612
Allowance for doubtful accounts	30	21
Provision for PPR	364	512
Other temporary credit differences	(729)	81
Total	809	40
Realization of revaluation reserve	134	134
Receivables - Eletrobrás	(657)	(462)
Asset contingency - IPI premium credit - phase II	(72)	(103)
Adjustment to present value - Prodec	283	-
Adjustment to present value of trade accounts payable	90	296
Adjustment of depreciation (for the useful life of assets)	42	31
Foreign exchange variation at cash basis	(97)	(224)
Total	(277)	(328)
	532	(288)

The Company did not have deferred income tax and social contribution credits derived from unrecognized tax losses.

c) Income tax and social contribution in the results

The income tax and social contribution expense can be analyzed as follows:

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Current tax				
Current tax on income for the year	(5,801)	(3,818)	(7,418)	(5,751)
Total current tax	(5,801)	(3,818)	(7,418)	(5,751)
Deferred tax				
Generation of temporary differences assets (liabilities)	532	(288)	532	(288)
Total deferred tax	532	(288)	532	(288)
Income and social contribution tax expense	(5,269)	(4,106)	(6,886)	(6,039)

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Income (loss) before tax	18,331	15,261	19,974	17,197
Tax calculated based on rates of local taxes	(6,233)	(5,189)	(6,791)	(5,847)
Income (loss) of subsidiaries by the equity method	664	1,101	-	-
Nondeductible expenses for tax purposes	366	80	366	80
Depreciation of revalued assets	(134)	(134)	(134)	(134)
Tax credits on tax losses and temporary differences	(464)	324	(859)	150
Formation of deferred income and social contribution taxes	532	(288)	532	(288)
Tax charge	(5,269)	(4,106)	(6,886)	(6,039)

16. Tax assets

The Company filed a lawsuit requesting the recognition of the Excise Tax (IPI) Credit Premium 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's accounting department. The Company expects to realize this asset in the medium term. Accordingly, the Company recognized in November 2009 the undisputed amount that monetarily updated up to March 31, 2013 is R$ 13,084 (R$ 12,872 at December 31, 2012).

17. Contingent assets

Contingent assets refer to lawsuits 1998,34,00,029022-4 and 1984,00,020114-0 and also to the recognition of tax benefits of the "IPI credit premium". These lawsuits are pending settlement. However, as the amounts owed by the Federal Government have not yet been calculated by the Federal Justice Department, they cannot be, and were not, recorded as assets. However, the Company requested the calculation of the lawyers involved, that estimate credits net of provisions amounting to R$ 54,605 and R$ 1,848, respectively.

18. Investments

a) Equity in income of subsidiaries and associated companies

The Company controls four companies and investments in fixed assets are recorded under "Investments in subsidiaries" and liabilities as "Provision for loss on investments."

	Investments	Provision loss in investments
December 31, 2012	480	(47,330)
Profit sharing	2,894	(943)
Exchange variation	-	604
March 31, 2013	3,374	(47,669)
Current portion	-	-
Non-current portion	3,374	47,669

In the quarter ended March 31, 2013 the Company had a provision for investment losses in the subsidiary Portobello America Inc. in non-current liabilities as management's intention is to capitalize the debt of the subsidiary.
The subsidiaries are closely-held companies, in which the parent company's share of the assets, liabilities and profit (loss) for the year were as follows:

	Organization Country	Ownership interest	Assets	Liabilities	Income	Income (loss)
December 31, 2012						
Portobello América Inc.	United States	100.00%	355	41,851	425	527
PBTech Ltda.	Brazil	99.94%	1,498	6,426	1,115	(1,363)
Portobello Shop S/A	Brazil	99.90%	8,813	8,333	51,530	11,073
Mineração Portobello Ltda.	Brazil	99.76%	457	1,363	2,168	149
March 31, 2013						
Portobello América Inc.	United States	100.00%	326	41,242	-	(24)
PBTech Ltda.	Brazil	99.94%	1,897	7,666	1,096	(841)
Portobello Shop S/A	Brazil	99.90%	11,253	7,879	11,418	2,894
Mineração Portobello Ltda.	Brazil	99.76%	533	1,517	531	(78)

19. Property, plant and equipment

a) Breakdown

		Parent company				Consolidated	
		March 31, 2013			December 31, 2012	March 31, 2013	December 31, 2012
	Annual average depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount	Net amount	Net amount
Land		11,111	-	11,111	11,111	11,488	11,488
Buildings, civil works and improvements	3%	98,626	(16,527)	82,099	82,836	82,245	82,985
Machinery and equipment	7%	290,780	(213,857)	76,923	78,986	76,923	78,986
Furniture and fixtures	10%	8,314	(7,408)	906	951	1,011	1,061
Computers	20%	13,502	(11,957)	1,545	1,616	1,594	1,668
Other fixed assets	20%	219	(194)	25	30	84	89
Construction in process (a)		38,684	-	38,684	10,311	39,153	10,779
Total		461,236	(249,943)	211,293	185,841	212,498	187,056

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

In 2010, upon the initial adoption of international CPC standards 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the fixed asset revaluation made in 2006 as deemed cost, understanding that the same represented substantially the fair value at the date of transition (see note 30c).

As established by the Technical Interpretation ICPC10 issued by the CPC and approved by CVM Deliberation 619/09, effective as from January 1, 2009, the Company reviewed and changed the useful lives of its property, plant and equipment in 2008, based on a technical appraisal of the engineering department, and these useful lives were maintained from 2009 to date.

b) Changes in property, plant and equipment

	Parent company							
	Land	Buildings, civil works and improvements	Machinery and equipment	Furniture and fixtures	Computers	Other fixed assets	Construction in process	Total
December 31, 2012	11,111	82,836	78,986	951	1,616	30	10,311	185,841
Additions	-	-	453	10	52	-	29,846	30,361
Depreciation	-	(737)	(2,516)	(55)	(123)	(5)	-	(3,436)
Write-offs	-	-	-	-	-	-	(1,473)	(1,473)
March 31, 2013	11,111	82,099	76,923	906	1,545	25	38,684	211,293

	Consolidated							
	Land	Buildings, civil works and improvements	Machinery and equipment	Furniture and fixtures	Computers	Other fixed assets	Construction in process	Total
December 31, 2012	11,488	82,985	78,986	1,061	1,668	89	10,779	187,056
Additions	-	-	453	12	52	-	29,847	30,364
Depreciation	-	(740)	(2,516)	(62)	(126)	(5)	-	(3,449)
Write-offs	-	-	-	-	-	-	(1,473)	(1,473)
March 31, 2013	11,488	82,245	76,923	1,011	1,594	84	39,153	212,498

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

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Cost of goods sold	3,029	3,597	3,029	3,597
Commercial expenses	274	218	281	227
Administrative expenses	133	113	139	114
Total	3,436	3,928	3,449	3,938

20. Intangible assets

a) Breakdown

		Parent company				Consolidated	
		March 31, 2013			December 31, 2012	March 31, 2013	December 31, 2012
	Annual average rate of amortization	Cost	Accumulated amortization	Net amount	Net amount	Net amount	Net amount
Software	20%	12,358	(12,073)	285	311	285	311
Right to exploration of outcrops	20%	1,000	(600)	400	450	406	457
Trademarks and patents		150	-	150	150	150	152
Goodwill		-	-	-	-	190	190
Management system (a)		16,087	(19)	16,068	14,209	16,068	14,209
Total		29,595	(12,692)	16,903	15,120	17,099	15,319

(a) Refers to expenditures on the 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 as from the conclusion of the acquisitions and implementations according to the future benefit period estimated by the Company's management. The portion of the management system referring to WMS is already being amortized.

b) Changes in intangible assets

	Parent company				
	Software	Right to exploration of outcrops	Trademarks and patents	Management system	Total
December 31, 2012	311	450	150	14,209	15,120
Additions	-	-	-	1,865	1,865
Amortizations	(26)	(50)	-	(6)	(82)
March 31, 2013	285	400	150	16,068	16,903

	Consolidated					
	Software	Right to exploration of outcrops	Trademarks and patents	Goodwill	Management system	Total
December 31, 2012	311	457	152	190	14,209	15,319
Additions	-	-	-	-	1,865	1,865
Amortizations	(26)	(51)	-	-	(6)	(83)
Write-offs	-	-	(2)	-	-	(2)
March 31, 2013	285	406	150	190	16,068	17,099

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

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Cost of goods sold	58	64	59	65
Commercial expenses	6	-	6	-
Administrative expenses	18	33	18	33
Total	82	97	83	98

c) Plan for amortization of consolidated intangible assets:

	2013	2014	2015	2016	2017
Software	94	64	48	40	39
Right to exploration of outcrops	152	202	52	-	-
Management system (a)	2,678	3,571	3,571	3,571	2,677
Total	2,924	3,837	3,671	3,611	2,716

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

The items trademarks and patents and goodwill, totaling R$ 342, are not being amortized since they have no defined useful life.

21. Suppliers

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Suppliers	124,069	120,541	124,550	121,532
Domestic market	95,658	98,292	96,139	99,283
Foreign market	28,411	22,249	28,411	22,249
Breakdown of the nominal value to present value	(153)	(419)	(153)	(419)
Total	123,916	120,122	124,397	121,113

22. Loans and financing

	Maturities	Charges	Parent company		Consolidated	
			March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Current						
Foreign currency						
"Suppliers credit"		VC+5.43% p.a.[1]	5,829	5,877	5,829	5,877
Prepayment and ACC (a)		VC+5.17% p.a.[1]	2,553	2,640	2,553	2,640
FINIMP (b)		VC+2.55% p.a.[1]	32,442	36,814	32,442	36,814
Total foreign currency		VC + 3.13% p.a.	40,824	45,331	40,824	45,331
Local currency						
Exim Pre-shipment TJ 462		12.80% p.a.	-	502	-	502
FINEP (c)		6.25% p.a.	2,967	2,966	2,967	2,966
Export credit note (d)		9.18% p.a.[1]	6,563	12,602	6,563	12,602
Law 4131 (e) - (Note 8)		1.60% p.a. + CDI	1,487	354	1,487	354
Financial lease (f)		10.07% p.a	940	917	940	917
Working capital		7.92% p.a.[1]	502	10,957	502	10,957
BNDES - Progeren (g)		8.59% p.a.[1]	1,978	-	1,978	-
PRODEC (h)		4.00% p.a. + UFIR	2,895	1,955	2,895	1,955
Total local currency		7.71% p.a.	17,332	30,253	17,332	30,253
Total current			58,156	75,584	58,156	75,584
Non-current assets						
Foreign currency						
"Suppliers credit"	Oct/2016	VC+6.20% p.a.[1]	2,218	2,675	2,218	2,675
Total foreign currency		VC + 6.20% p.a.	2,218	2,675	2,218	2,675
Local currency						
FINEP (c)	Sept/2018	6.25% p.a.	13,193	13,926	13,193	13,926
Export credit note (d)	Dec/2017	8.37% p.a.[1]	30,000	-	30,000	-
Law 4131 (e) - (Note 8)	Dec/2017	1.60% p.a. + CDI	50,000	50,000	50,000	50,000
Financial lease (f)	Mai/2015	10.01% p.a.	1,239	1,483	1,239	1,483
BNDES - Progeren (g)	Mar/2016	8.46% p.a.[1]	28,333	-	28,333	
PRODEC (h)	Mar/2016	4.00% p.a. + UFIR	22,838	21,932	22,838	21,932
Working capital	Mar/2017		-	-	945	915
Total local currency		7.61% p.a.	145,603	87,341	146,548	88,256
Total non-current			147,821	90,016	148,766	90,931
Total			205,977	165,600	206,922	166,515

[1] Average rate
VC - Foreign exchange variation
UFIR - Fiscal Reference Unit
ACC - Advance on exchange contract

a) Prepayments and advance on exchange contract – The Company signed export prepayment agreements totaling US$ 10,431 in 2010 and 2011. The agreements have terms of up to 30 months and are collateralized by receivables of Portobello Shop S.A. and Portobello S.A.

b) FINIMP (special credit lines for the import of capital assets, machinery, equipment and services) - The Company entered into several FINIMP contracts from October 2012 to March 2013, amounting to R$ 32,444, with an average rate of 2.55% p.a., and average terms of 6 months, with payments made at the end of each contract. These contracts were collateralized by receivables of Portobello S.A. in an average of 30% of the contractual debt due.

c) FINEP - Financing Agency for Studies and Projects The Company entered into an agreement with FINEP in the amount of R$ 30,103 in May 2010, 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. In December 2012, the second installment was released, in the amount of R$ 5,572. A letter of guarantee at the cost of 1.25% p.a. was required for this agreement

d) NCE – Export credit note – In May 2012, the Company entered into NCE agreement in the amount of R$ 15,000, maturing in five installments (July 14, 2012, October 14, 2012, January 14, 2013, April 15, 2013 and the last one on July 14, 2013). Receivables of Portobello S.A. were pledged in guarantee for 114% of the debt balance. In January 2013, the Company entered into another NCE agreement in the amount of R$ 20,000 maturing in seven semi-annual installments, the first on January 5, 2015. Receivables of Portobello S.A., in the amount of 50% on the unpaid balance of the agreement were offered as collateral. And in February 2013, the Company entered into a third NCE agreement in the amount of R$ 10,000 with principal maturing on February 10, 2016 and interest paid in 12 quarterly installments, being the first on May 10, 2013. For this agreement there are no restrictive covenants, representing a clean operation as regards guarantees.

e) Law 4,131 Trade Exporter with Swap for CDI – The Company entered into an agreement in the amount of R$ 50,000 in December 2012, with a repayment term of 60 months and a grace period of 24 months. Repayments are semiannual (Note 8) and receivables of Portobello S.A., in an amount equivalent to 50% of the contractual balance due, were pledged in guarantee.

f) Financial lease -The Company entered into a lease agreement with SG Equipment Finance S.A, in the amount of R$ 2,418 in May 2012, payable over 36 months. The Company also entered into a lease agreement with Hewlett Packard (HP) in July 2012, in the amount of R$ 450, payable over 36 months. For both agreements, the financed assets were pledged in guarantee.

g) BNDES (Progeren) - In January 2013, the Company entered into a BNDES (Progeren) agreement in the amount of R$ 20,000 with a grace period of one year and 24 consecutive monthly installments. For this agreement there are no restrictive covenants, representing a clean operation as regards guarantees. In March 2013, the Company entered into a BNDES (Progeren) agreement in the amount of R$ 10,000, also with a grace period of one year and 24 consecutive monthly installments. For this contract there are no covenants, but the receivables of Portobello S.A. in the amount of 40% on the unpaid balance of the agreement were pledged as guarantee.

h) PRODEC - Program for the Development of Companies from Santa Catarina In July 2009, the Company was granted a Special Tax Financing Regime by the State of Santa Catarina. The balance is subject to adjustment to present value. The rate utilized for the present value adjustment calculation was the average for working capital, 9.69% per year.

- 60% of the ICMS due monthly in excess of R$ 761 (average paid in 2007 and 2008);
- Grace period of 48 months;
- Term of 120 months;
- Monetary correction of 4% p.a. and UFIR rate.

The loans and financing operations with balances on March 31, 2013 do not present covenants.

For the other loans granted, real estate mortgages, equipment, receivables of the Company (Note 9) and of subsidiary (note 42), and sureties of the controlling shareholders and subsidiary were pledged in guarantee. No inventories of finished products were pledged in guarantee for the quarter.

The long-term loans fall due as follows:

	Parent company		Consolidated	
Maturities on April 1	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
2014	26,925	18,055	26,925	18,055
2015	49,223	25,580	49,223	25,580
2016	45,715	26,963	45,715	26,963
2017	23,759	17,217	23,759	17,217
2018	2,199	2,201	3,144	3,116
Total	147,821	90,016	148,766	90,931

The exposure of the Company's loans to interest rate changes and contractual repricing at the balance sheet dates were as follows:

	Consolidated	
	March 31, 2013	December 31, 2012
Six months or less	29,147	41,834
6–12 months	8,947	5,142
1-5 years	107,588	58,719
Over 5 years	946	915
Total	146,628	106,610

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

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Reais	162,935	117,594	163,880	118,509
Euros	694	714	694	714
US Dollars	42,348	47,292	42,348	47,292
Total	205,977	165,600	206,922	166,515

The fair value of the outstanding loans approximates their book values as the impact of discounting is not significant. The fair values are based on discounted cash flows utilizing a rate based on the borrowing rate of 6.71% (6.26% at December 31, 2012).

Finance lease payables are as follows:

	Parent company and Consolidated	
	March 31, 2013	December 31, 2012
Gross financial lease obligations - Minimum payments		
Less than one year	1,107	1,107
More than one year and less than 5 years	1,316	1,592
Total	2,423	2,699
Future finance charges on financial leases	(244)	(299)
Present value of financial lease liabilities	2,179	2,400
Present value of financial lease liabilities is as follows:		
Less than one year	940	917
More than one year and less than 5 years	1,239	1,483
Total	2,179	2,400

23. Installment payment of tax liabilities

	Obligations tax	Request of installment payment		March 31, 2013	December 31, 2012
		Date	Installments falling due		
Portobello S.A.	INSS	Dec/09	20	5,549	6,302
	IPI	Dec/09	20	3,769	4,281
	PIS	Mar/09	11	142	178
	COFINS	Mar/09	11	652	820
	IRPJ	Mar/09	11	1,035	1,301
	CSLL	Mar/09	11	385	484
	LAW 11941/09 (a)	Nov/09	139	116,076	118,224
Total parent company				127,608	131,590
Current portion				22,113	22,029
Non-current portion				105,495	109,561
Portobello Shop S.A.	INSS	Nov/09	19	444	507
	COFINS	Mar/09	11	49	61
	IRPJ	Mar/09	11	375	472
	CSLL	Mar/09	11	136	171
	LAW 11941/09 (a)	Nov/09	139	600	606
Total subsidiaries				1,604	1,817
Total consolidated				129,212	133,407
Current portion				23,005	22,961
Non-current portion				106,207	110,446

The payment schedule is as follows:

Maturity	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
2013	16,661	22,031	17,368	22,962
2014	17,172	16,958	17,561	17,341
2015 to 2023 (*)	85,828	84,753	86,293	85,214
2024	7,947	7,848	7,990	7,890
Total	127,608	131,590	129,212	133,407

(*) The aggregate annual installments in March 2013 and December 2012, respectively, amounted to R$ 9,537and R$ 9,417 in the Parent Company and R$ 9,589 and R$ 9,468 in the Consolidated.

a) Law 11941/09 (REFIS - Fiscal 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, which was initiated with the enrollment in the Tax Recovery Program in November 2009.

Between the enrollment and consolidation dates, theCompany paid the minimum installment of R$ 395, as permitted by legislation. During this period, and more precisely at the time of the consolidation, it took decisions that had a positive economic impact of R$3,013, of which R$ 3,613 was recognized in other operating income and R$ 600 in finance costs. The main impact was due to the non-confirmation of the transfer of debts which were 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$ 1,185 without any delay exceeding three months and it must discontinue any lawsuit and waive any alleged rights on which the referred lawsuits are based, under penalty of the 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 processes in course in the judicial sphere, mentioned in Note 16.

24. Tax debts - Law 12249/10 (MP 470 and MP 472)

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

When the Provisional Measure was converted into Law12,249/10 in June 2010, the utilization 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 33), thereby considering the installment payment program as concluded.
PGFN partially denied the request in June 2010 alleging the need to withdraw from lawsuits challenging the credit. The Company requested the withdrawal/waiver only in respect of the lawsuits contesting 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 the IPI credit premiums, mentioned in Note 16. The Company's Legal Department is adopting the necessary measures against the decision of the PGFN in order to dismiss the demand of withdrawal/waiver of these declaratory actions. 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 from the declaratory actions, which differs from the procedure established by Law 11,941/09. The Company's legal department understands that, based on the merits of the case, a favorable outcome is virtually certain at the various legal levels available to reconsider the unfavorable decisions.

In the remote event that PGFN's decision is maintained through the last legal level, the impact on the Company's results would be a loss of R$ 26,928 at March 31, 2013, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debits 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.

25. Taxes, rates and contributions

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
IRRF	747	1,188	918	1,397
ICMS	4,476	3,551	4,478	3,552
PIS	287	304	353	365
COFINS	1,309	1,399	1,613	1,680
Other	239	103	384	251
Total	7,058	6,545	7,746	7,245

26. Provisions for contingencies

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

The analysis of the provision is as follows:

Sum provisioned	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Civil	5,200	4,533	6,033	4,575
Labor	11,337	11,288	11,337	11,288
Tax	37,177	35,051	37,177	35,051
Total	53,714	50,872	54,547	50,914
Current	1,810	1,288	2,635	1,322
Non-current	51,904	49,584	51,912	49,592

The provisions are measured at the present value of the expenditures that shall be necessary to settle the obligation. And the civil and labor proceedings are assessed individually by the Company's legal advisors who classify them according to the expectations of outcome.
Statement of changes in provisions:

	Parent company			Total
	Civil	Labor	Tax	
December 31, 2012	4,533	11,288	35,051	50,872
Debited (credited) to the statement of income:	688	493	2,126	3,307
Additional provisions	473	82	1,668	2,223
Reversals for non-use	(5)	(44)	-	(49)
Monetary restatement (Note 33)	220	455	458	1,133
Reversals by realization	(21)	(444)	-	(465)
March 31, 2013	5,200	11,337	37,177	53,714

	Consolidated			Total
	Civil	Labor	Tax	
December 31, 2012	4,575	11,288	35,051	50,914
Debited (credited) to the statement of income:	1,489	493	2,126	4,108
Additional provisions	1,273	82	1,668	3,023
Reversals for non-use	(5)	(44)	-	(49)
Monetary restatement (Note 33)	221	455	458	1,134
Reversals by realization	(31)	(444)	-	(475)
March 31, 2013	6,033	11,337	37,177	54,547

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 114 civil lawsuits (112 civil lawsuits at December 31, 2012) in common and special civil courts. Most of the lawsuits have been brought by customers and claim compensation for alleged pain and suffering and tangible damages. Judicial deposits were made when applicable (Note 13).

The civil contingent liabilities are disclosed in Note 27.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 286 labor claims (281 claims at December 31, 2012) 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 damages from occupational accidents/disease. The provisions are reviewed by management based on the opinion of the legal advisors. Some lawsuits are supported 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)), interest and fines for late payment.

Contingent liabilities are evidenced in Note 27.

Tax

a) INSS on Cooperatives

The Company filed lawsuits (injunctions) against the INSS, which required the payment of the social contribution determined in article 22, item IV of Law 8,212/91, with the wording provided by Law 9,879/99.
The Company affirms 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 of the cooperatives. A preliminary injunction was requested to declare the right to not pay the social contribution, as well as to offset the amounts that had been unduly paid. On March 31, 2013, the balance of provision totals R$ 2,251 (R$ 2,197 on December 31, 2012).

b) Exclusion of ICMS rate excluded from calculation basis of PIS and COFINS

The Company was granted Injunction 2008,34,00,011286-4 on April 16, 2008 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 amounted to R$ 34,926 at March 31, 2013 (R$ 32,854 at December 31, 2012).

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

27. Contingent liabilities

In accordance with the assessment of the 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, in respect of contingencies classified as probable losses, the following civil and labor lawsuits were classified as possible losses:

	Parent company		Consolidated	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Civil	966	927	966	967
Labor	9,687	10,839	9,687	10,839
Total	10,653	11,766	10,653	11,806

These processes are classified 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

The Company and its subsidiaries sponsor the Portobello Prev benefit plans since November 1, 1997, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which includes 43 participants. The plan has the characteristics of a defined contribution plan; however, it provides a minimum retirement benefit for length of service or age.

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, amounted to R$ 2,825 at March 31, 2013 (R$ 2,918 at December 31, 2012) and is recognized in long-term liabilities. The Company will pay the related special reserve amount when each participant becomes eligible under the established conditions.

The main actuarial assumptions used:

	Parent company	
	March 31, 2013	March 31, 2012
Economic assumptions		
Discount rate	6% p.a. (real)	6% p.a. (real)
Estimated rate of return for 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 of private pension benefits and limits	2% p.a. (real) as of 48 years	2% p.a. (real) as of 48 years
Inflation	Disregarded	Disregarded
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions		
Mortality Table	AT 83	AT 83
Mortality table for invalids	Exp. IAPC	Exp. IAPC
Table Disability	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

28.2 Employee benefit expenses

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Remuneration	19,536	17,091	20,954	18,310
Benefits				
Pension plan	231	149	298	205
FGTS	1,576	1,520	1,666	1,591
Other	1,790	1,934	1,864	1,994
Total	23,133	20,694	24,782	22,100

29. Long-term incentive (ILP)

With the perspective of creating value for the business, the Company's Board of Directors introduced and approved on May 10, 2012 the long-term incentive (ILP). This incentive consists in a meritocracy program aimed at attracting, retaining and recognizing the performance of the Company's professionals, aligning the interests of the professionals to those of the shareholders and stimulating their permanence in the Company.

The officers eligible to the ILP are the directors and managers with performance classifications above the average, according to the internal performance assessment policy, and who on the signature of an enrollment agreement participate in the program.

The number of securities that each participant will receive is defined in the enrollment program. The securities are called “reference shares” and cannot be traded on the over-the-counter market.

The "valuation" of the securities annually is calculated by the EBITDA[1] performance and the EBITDA-net debt ratio[2]. The total expense is recognized over the vesting period, which is the period in which all of the specified vesting conditions are to be complied with. At the balance sheet date, the entity revises its estimates of the number and value of the securities and recognizes the impact of the revision to the original estimates, if any, in the statement of income, with a corresponding adjustment in liabilities.

The payment will be made in three annual installments (2015, 2016 and 2017), with a two-year deferral at the beginning of the period (2013 and 2014). The settlement will be complete after five years from the initial recognition (2017) and the Company will determine the form of payment, which can be realized through monetary values or the granting of the Company's shares in an amount proportional to the amounts calculated by the plan metrics.

If the payment is realized through granting of shares, the average value of the share in the three-month period prior to the incentive payment date will be considered. The Company may, at Board of Directors' discretion: (a) issue new shares within the authorized capital limit; or (b) sell treasury shares.

The first group of participants enrolled in 2012 and the present value of the obligation at March 31, 2013 was R$ 2,176, and R$ 2,623 consolidated.

[1]income before interest and net financial expenses, taxes, depreciation and amortization
[2] loans and financing plus installment payment of tax liabilities with discount of cash and cash equivalents, as well as securities.

30. Shareholders' equity

a) Capital

(full amounts, figures not rounded)

The Company has a capital subscribed and paid in the amount of R$ 40,798,244 comprising 159,008,924 common shares, nominative and with no par value.
In November 2012, the Company's capital was reduced by R$ 72,159,243.12 (seventy-two million, one hundred and fifty-nine thousand, and two hundred and forty-three reais and twelve centavos), from R$ 112,957,487.40 (one hundred and twelve million, and nine hundred and fifty-seven thousand, and four hundred and eighty-seven reais and forty centavos) to R$ 40,798,244.28 (forty million, and seven hundred and ninety-eight thousand, and two hundred and forty-four reais and twenty-eight centavos).

The voluntary reduction of the Company's capital approved by the Extraordinary General Meeting of November 22, 2012 occurred due to the loss in equity, resulting in the absorption of the accumulated deficit, supported by Art. 173 of Law 6,404/76, without a change in the total number of shares. As a consequence, any profits generated as from that date will no longer be allocated to the accumulated deficit account, remaining at the disposal of the Annual General Meeting.

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 upto 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.

There were 62,253,452 shares outstanding in the market at March 31, 2013, corresponding to 39.15% of the total shares issued (61,992,352 at December 31, 2012, corresponding to 38.99% of the total). The 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) Profit reserve

Legal reserve

The legal reserve is set up annually by the allocation of 5% of net income for the year, and may not exceed 20% of the Company's capital. The purpose of the legal reserve is to guarantee that the capital stock is paid up and it is used solely to offset losses and increase capital The Company constituted a legal reserve of R$ 3,283 in 2012, as established in article 193 of Corporation Law.

Profit reserves to be allocated

The distributable profits reserve of R$ 46,786 at March 31, 2013 refers to the retention of the remaining balance of retained earnings, after the allocation of 5% to the legal reserve and 25% to mandatory minimum dividends.

c) Equity evaluation adjustment

In 2010, upon the initial adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option of using the fixed asset revaluation carried out in 2006 as deemed cost, understanding that the same represented substantially the fair value on the transition date.

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

The revaluation reserve is being realized proportionally to the depreciation of revalued buildings and improvements, with a corresponding entry to retained earnings, net of tax effects. An amount equivalent to the realization of the equity evaluation adjustment is recorded in the statement of income for the year, relating to the 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 the revaluation of land, which, when the land was revalued in 2006, the legislation did not permit such tax deferral. ICPC 10 requires that entities constitute a provision for taxes on the 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 equity evaluation adjustment of land, constructions and improvements are classified in non-current liabilities, as mentioned in Note 15(b).

Considering the complement to the revaluation reserve, approved by the Extraordinary General Meeting of stockholders held on December 29, 2006, the balance of the equity evaluation adjustment of the Company's assets, net of deferred taxes, amounted to R$ 43,318 at March 31, 2013 (R$ 43,713 at December 31, 2012). The depreciation charge on the revaluation, net of the effect of deferred IRPJ and CSLL liabilities, in the year quarter March 31, 2013 was R$ 395 (R$ 1,579 at December 31, 2012), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 17,800 at March 31, 2013 (R$ 17,933 at December 31, 2012). See Note 15(b).

31. Revenues

The reconciliation between gross and net revenue, presented in the statement of income for the quarter ended March 31, 2013, is as follows:

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Gross sales	208,403	177,539	220,446	189,321
Deductions from gross income	(43,424)	(38,155)	(44,691)	(39,328)
Sales tax	(39,008)	(35,018)	(40,251)	(36,191)
Returns	(4,416)	(3,137)	(4,440)	(3,137)
Net sales	164,979	139,384	175,755	149,993
Domestic market	151,988	131,262	160,919	139,634
Foreign market	12,991	8,122	14,836	10,359

32. Expenses by nature

Cost of sales and selling and administrative expenses for the quarter ended March 31, 2013 can be summarized as follows:

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Changes in inventories of finished products and work in process	(7,735)	(4,834)	(7,735)	(4,834)
Direct production costs (raw materials and inputs)	57,805	52,150	57,272	51,639
General production expenses (including maintenance)	7,050	7,056	7,050	7,056
Cost of goods sold	37,357	24,828	37,722	25,173
Transportation of goods sold	573	514	573	514
Salaries, charges and benefits to employees	28,560	25,415	30,546	27,118
Third-party labor and services	4,379	3,393	5,812	4,798
Amortization and depreciation	3,472	3,981	3,484	3,992
Rentals and operating leases	1,594	1,963	1,625	1,964
Sales commissions	3,765	3,193	3,792	3,193
Marketing and adverstising expenses	1,225	1,452	2,379	2,272
Other commercial expenses	3,724	3,186	4,706	3,749
Other administrative expenses	746	825	857	837
Total	142,515	123,122	148,083	127,471

33. 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, 2013, were as follows:

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Other operating income				
Related party service revenue	544	742	(33)	(22)
Bank exclusivity contract	-	2,100	-	2,100
Other income	289	330	300	334
Total	833	3,172	267	2,412
Other operating expenses				
Provision for labor and civil contingencies (note 26)	(506)	(440)	(1,306)	(441)
Provision for profit sharing	(1,071)	(1,506)	(1,246)	(1,776)
Other expenses	(163)	(278)	(196)	(279)
Total	(1,740)	(2,224)	(2,748)	(2,496)
Net total	(907)	948	(2,481)	(84)

34. Other gains (losses), net

The net exchange variation, recorded under “Other gains (losses), net” in the parent company and consolidated financial statements for the quarter ended March 31, 2013, can be summarized as follows:

	Parent company and Consolidated	
	March 31, 2013	March 31, 2012
Net exchange variation		
Accounts receivable	(812)	(1,473)
Suppliers	(170)	213
Total	(982)	(1,260)

35. Financial income (loss)

The individual and consolidated financial income for the quarter ended March 31, 2013 is as follows:

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Financial income				
Interest	1,137	282	1,195	331
Restatement of Eletrobrás compulsory loan (note 14)	1,904	1,358	1,904	1,358
Restatement of tax assets (note 16 (a))	212	304	212	304
Restatement of receivables from related parties (note 9)	1,229	1,974	1,229	1,974
Other	177	345	179	351
Total	4,659	4,263	4,719	4,318
Financial expenses				
Interest	(3,993)	(4,210)	(4,054)	(4,250)
Finance charges on taxes	(1,664)	(2,970)	(1,686)	(3,027)
Decomposition of discount of provisions for contingencies (note 26)	(1,125)	(1,113)	(1,126)	(1,115)
Discounts/bank expenses (note 12)	(1,612)	(48)	(1,612)	(48)
Other	(1,150)	(1,084)	(1,166)	(1,095)
Total	(9,544)	(9,425)	(9,644)	(9,535)
Net exchange variation				
Loans and financing	690	1,236	690	1,236
Total	690	1,236	690	1,236
Net total	(4,195)	(3,926)	(4,235)	(3,981)

36. Income from discontinued operations

The Board of Directors approved the discontinuation of the operations of the subsidiary Portobello América on August 17, 2010, taking into consideration the fact 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, 2013, can be summarized as follows:

Assets	March 31, 2013	December 31, 2012	Liabilities	March 31, 2013	December 31, 2012
Current	326	355	Current	41,242	41,851
Cash and cash equi	326	272	Rentals	11	12
Trade accounts rec	-	22	Related party debts	41,231	41,839
Other	-	61	Shareholders' equity	(40,916)	(41,496)
Total assets	326	355	Total liabilities	326	355

There w ere no groups classified as held for sale in 2013 and 2012.

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), the result also considers the Company's share in discontinued operations. In the first quarter of 2013, income from discontinued operations was R$ 23, represented by some administrative expenses occurred during this period.

37. Earnings per share

a) Basic

In accordance with the CPC 41 (Earnings per share), the basic profit per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the year, excluding common shares purchased by the Company and maintained as treasury shares.

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Profit attributable to shareholders of the Company	13,062	11,155	13,062	11,155
Weighted average number of common shares	159,009	159,009	159,009	159,009
Basic earnings per share	0.08	0.07	0.08	0.07
Income from continued operations	13,062	11,155	13,085	11,155
Income from discontinued operation	-	-	(23)	-
Weighted average number of common shares	159,009	159,009	159,009	159,009
Result from discontinued operations per share	0.08215	0.07015	0.08229	0.07015
Result from discontinued operations per share	-	-	(0.00014)	-

In the first quarter of 2013, the Company does not have treasury shares. And the last issue of shares occurred in 2007. Thus the weighted average number of shares is equal to the total that comprises the own capital (Note 30). It is represented by a single class of common shares.

The consolidated profit attributable to shareholders does not include the non-controlling interest. The same criteria was used for net income (loss) of continued and discontinued operations.

b) Diluted

Diluted earnings per share is equal to basic, since the Company does not hold any financial instrument or contract that gives the holder the right to common shares.

38. Dividends

The Annual General Meeting held on April 30, 2013 approved the proposal of management to allocate a portion of income from 2012 as mandatory minimum dividends in the amount of R$ 15,595, net of the amount paid on December 28, 2012, as follows: R$ 1,853 as interest on own capital, net of income tax, and R$ 5,104 as dividends. The proposed balance payable during the year 2013 will be R$ 8,637, which corresponds to R$ 0.054321 per common share payable to shareholders on May 21, 2013.

39. Segment information

Management defined the operating areas based on reports employed to make strategic decisions, reviewed by Executive Board.

The Executive Board considers the business from the perspective of the markets in which the Company operates, as follows: Domestic (Domestic market - Brazil) and Exports (Foreign market- Other countries).

The 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 the assets into consideration for the analysis of segment performance, since the Company's assets are not segregated.

Information per business segment, reviewed by the Executive Board:

	March 31, 2013			March 31, 2012		
Continued operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Income	160,919	14,836	175,755	139,634	10,359	149,993
Cost of goods sold	(106,170)	(9,541)	(115,711)	(91,500)	(8,001)	(99,501)
Gross operating income	54,749	5,295	60,044	48,134	2,358	50,492
OPERATING INCOME (EXPENSES) - NET	(33,867)	(1,968)	(35,835)	(27,899)	(1,415)	(29,314)
Sales, general and administrative	(30,697)	(1,675)	(32,372)	(26,647)	(1,323)	(27,970)
Other operating income (expenses), net	(2,271)	(210)	(2,481)	(79)	(5)	(84)
Other gains (losses), net	(899)	(83)	(982)	(1,173)	(87)	(1,260)
Operating income (loss) before financial income (loss)	20,882	3,327	24,209	20,235	943	21,178
% on ROL	13%	22%	14%	14%	9%	14%

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

40. Commitments

a) Commitments for acquisition of assets

Expenditures contracted at the balance sheet date but not yet incurred, referring to property, plant and equipment, amounted to R$ 36,053 at March 31, 2013, which included investments in the large formats project.

b) Commitment with operational lease

Operational leases refer to vehicles. The minimum future payments on non-cancelable operating leases, in total and for each year, are as follows:

	Consolidated	
	March 31, 2013	December 31, 2012
Less than one year	471	367
More than one year and less than 5 years	367	277
Total	838	644

41. Insurance coverage

The insurance cover at March 31, 2013 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.

Coverages	Parent company and consolidated 2013
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 February 14, 2013 to February 14, 2014, when the Company intends to enter into a new insurance contract.

The adopted risk assumptions, in view of their nature, are not part of the scope of an audit of interim financial statements, and, therefore, were not audited by our independent auditors.

42. Related companies and parties

Products and raw materials purchase and sale and service contracting transactions, as well as loans and fund raising financial transactions between the Parent company and subsidiaries were realized as detailed below:

		Parent company	
		Assets (liabilities)	
	Nature	March 31, 2013	December 31, 2012
Transactions with subsidiaries			
Portobello América Inc.	Receivables from subsidiaries - Trade receivables	41,231	41,839
Portobello Shop S.A.	Dividends receivable	2,073	2,073
PBTech Com. Serv; Cer. Ltda.	Receivables from subsidiaries - Trade receivables	3,510	3,424
	Receivables from subsidiaries - Loan	1,976	1,945
Mineração Portobello Ltda.	Advances to suppliers	1,339	1,207
Transactions with related parties			
Refinadora Catarinense S.A.	Amounts receivable	90,375	100,398
Solução Cerâmica Com. Ltda.	Accounts receivable	127	7
	Advances from clients	(1,206)	(1,780)
Flooring Revest. Cer. Ltda.	Accounts receivable	839	1,410
	Advances from clients	(579)	(388)
Gomes Participações Societárias Ltda.	Rent	(20)	-
		139,665	150,135

	Nature	Parent company Income (expense) March 31, 2013	March 31, 2012
Transactions with subsidiaries			
Portobello Shop S.A.	Rendering of services	1,530	1,525
	Cost of services rendered	(957)	(763)
PBTech Com. Serv. Cer. Ltda.	Sale of goods	483	-
Mineração Portobello Ltda.	Purchase of products	(533)	(512)
Transactions with related parties			
Solução Cerâmica Com. Ltda.	Sale of goods	3,249	3,631
Flooring Revest. Cer. Ltda.	Sale of goods	1,618	1,591
Gomes Participações Societárias Ltda.	Rent	(70)	(51)
		5,320	5,421

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

No receivables from the subsidiary Portobello Shop were pledged in guarantee. The subsidiary is the guarantor of the Company in some financing transactions (see Note 22).

In this quarter, the Company presents the balance of accounts receivable from Portobello América Inc in non-current assets, considering the intention of Management to capitalize the debt of the subsidiary.

Related party transactions

Portobello Shop had 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 two related companies. The transactions are disclosed below:

		Assets (liabilities)			Income (expense)	
	Nature	March 31, 2013	December 31, 2012	Nature	March 31, 2013	March 31, 2012
Transactions with subsidiaries						
PBTech Com. Serv. Cer. Ltda.	Accounts receivable	7	7	Royalties	-	-
Transactions with related parties						
Solução Cerâmica Com. Ltda.	Accounts receivable	316	211	Royalties	841	958
Flooring Revest. Cer. Ltda.	Accounts receivable	160	137	Royalties	427	413
		483	355		1,268	1,371

Remuneration of key management personnel

The remuneration of the key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarter ended March 31, 2013, was as follows:

	Parent company		Consolidated	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Fixed Compensation				
Salaries	1,784	1,626	2,047	1,888
Fees	606	430	881	697
Variable compensation	332	395	382	439
Direct and indirect short-term benefits				
Pension plan	125	104	188	156
Other	260	241	320	296
	3,107	2,796	3,818	3,476

* The company has no long-term or post-employment benefits.

43. Annual and Extraordinary General Meeting

The Annual General Meeting held on April 30, 2013 approved the management proposal for allocation of income, as follows: R$ 3,283 to the Legal Reserve, R$ 15,595 to the mandatory minimum dividends, R$ 5,000 to Equity capital and R$ 41,786 to the Profit reserve for expansion as per the capital budget presented. The amount paid on December 28, 2012 will be deducted from the total allocated as minimum mandatory dividends, as described in note 38.

The shareholders approved by majority of votes the global remuneration of the Board of Directors for the year at the maximum amount of R$ 11,000, and also determined the monthly remuneration of each member of the Statutory Audit Board to be equivalent to 10% of the directors' remuneration.

In the Extraordinary General Meeting, also held on April 30, 2013, shareholders approved the capital increase of the Company by capitalization of reserves in the amount of R$ 5,267, of which R$ 5,000 from the caption Distributable Profit Reserve and R$ 267 from Capital Reserve, with no change in the total number of shares, so the capital will increase from R$ 40,798 to R$ 46,065. Subsequently, the Company's bylaws were amended to reflect such change.

BUSINESS PROJECTIONS

Disclosed projections and assumptions

a) Purpose of prospect

Investments in the expansion and modernization of the Tijucas plant with the introduction of a production line that will focus on enameled porcelain of large formats.

b) Period prospected and prospect term

Projected growth starting in the second half of 2013.

c) Projection assumptions, with indication of those that can be influenced by the issuer's management and those that are beyond its control

The increase in the projected production for the second half of 2013 is based on the installation of anew furnace with a resulting increase in production by 4.6 million m2/year.
It is estimated that, in 2014, when the line will be operating at its total production capacity, the new unit will generate a revenue of R$ 141 million per year.
Portobello's growth target in 2013 is 20%, based on the data for the last five years, since, according to data from industry entities (ABRAMAT, ANFACER, ANAMACO e IBGE), the ceramic tile industry should grow 6 to 7% in 2013.
All the assumptions considered are subject to external factors, which are beyond the control of the Company's management and that can impact the projections disclosed.

d) Amounts of the indicators included in the projection

Projections	Estimated amounts
Investment in the expansion and modernization of the Tijucas plant	R$ 86 million
New line's production capacity	4.6 million m²/year
New line's net revenue estimated for 2014	R$ 141 million
Growth target in 2013	20%

In addition to the projections disclosed above, Portobello is studying the implementation of a new industrial unit, which, it is anticipated, will be located in the state of Alagoas. The investment is initially estimated at R$ 205 million, although this study has not yet been completed.

It should be noted that the amounts stated above are mere estimates and in no way constitute a promise of performance by the Company or its managers.

Monitoring and alterations in projections disclosed

a) Information on which projections are being replaced by new projections included in the form and those which are repeated in the form.

There were no alterations in the projections previously disclosed.

b) With regard to the projections related to periods already elapsed, compare the projected data with the actual performance of the indicators, indicating clearly the reasons that led to the deviations in the projections.

The projections disclosed have not yet fully materialized, thereby preventing the comparisons.

c) Regarding the projections related to periods still in progress, inform if the projections remain valid on the delivery date of the form and, when applicable, explain why they were discontinued or replaced.

The projections disclosed remain valid since the estimates are projected to achieve results as from the second half of 2013.

Statement of the Executive Officers on the Quarterly Information and Special Review Report of the Independent Auditors

Pursuant to CVM Instruction 480/09, section I of article 29, in compliance with the provisions of sections V and VI of Article 25 of said instruction, the executive board of Portobello S.A. declares that:
(i) reviewed, discussed and agreed with the Company's quarterly information for the quarter ended March 31, 2013, and
(ii) reviewed, discussed and agreed with the opinions expressed in KPMG Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended March 31, 2013.

Members of the Executive Board
Cesar Gomes Júnior – Chief Executive Officer
Cláudio Ávila da Silva – Executive Vice-President
John Shojiro Suzuki – Financial and Investor Relations Officer
Mauro do Valle Pereira – Officer

Tijucas, May 09, 2013

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

____
John Shojiro Suzuki

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Mauro do Valle Pereira