Portobello

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Portobello S.A.

Quarterly information (ITR) at June 30, 2012 and report on review of quarterly information

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Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Portobello S.A. and Portobello S.A. and subsidiaries, included in the Quarterly Information (ITR) Form for the quarter ended June 30, 2012, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, as well as the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Portobello S.A.

Conclusion on the parent company interim information

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

Conclusion on the consolidated interim information

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

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) but are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, August 13, 2012

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

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

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Information

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1 General Information

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

Other countries in which the securities can be traded

Country	Date of constitution

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

Newspapers in which the issuer discloses its information

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

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2 Address

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

4 Auditor

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

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

5 Share Registrar

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

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6 Investor Relations Officer or Equivalent

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

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Company information / Capital composition

Number of shares (In thousands)	Current quarter 6/30/2012
Paid-up capital	
Common shares	159,009
Preferred shares	0
Total	159,009
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

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Parent company financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
1	Total assets	676,357	611,465
1,01	Current assets	293,827	249,105
1.01.01	Cash and cash equivalents	20,832	8,091
1.01.03	Trade receivables	112,252	104,303
1.01.03.01	Customers	112,252	104,303
1.01.04	Inventories	109,855	90,553
1.01.06	Taxes recoverable	1,758	2,081
1.01.06.01	Current taxes recoverable	1,758	2,081
1.01.06.01.01	Income tax and social contribution recoverable	0	699
1.01.06.01.02	Other current taxes recoverable	1,758	1,382
1.01.07	Prepaid expenses	845	399
1.01.08	Other current assets	48,285	43,678
1.01.08.03	Other	48,285	43.678
1.01.08.03.01	Dividends receivable	0	477
1.01.08.03.02	Receivables from subsidiaries	41,384	38,405
1.01.08.03.03	Advances to suppliers	5,069	2,894
1.01.08.03.04	Other	1,832	1,902
1.02	Non-current assets	382,530	362,360
1.02.01	Long-term receivables	187,556	179,712
1.02.01.06	Deferred taxes	24,719	25,280
1.02.01.06.01	Deferred income tax and social contribution	24,719	25,280
1.02.01.08	Receivables from related parties	101,483	97,508
1.02.01.08.02	Receivables from subsidiaries	3,964	3.728
1.02.01.08.04	Receivables from other related parties	97,519	93,780
1.02.01.09	Other non-current assets	61,354	56,924
1.02.01.09.03	Judicial deposits	9,099	7,924
1.02.01.09.04	Receivables from Eletrobrás	33,793	31,059
1.02.01.09.05	Taxes recoverable	1,702	1,762
1.02.01.09.06	Tax assets	12,404	11,823
1.02.01.09.07	Actuarial assets	3,837	3,837
1.02.01.09.08	Other	519	519
1.02.02	Investments	6,793	678
1.02.02.01	Equity investments	6,793	678
1.02.02.01.02	Investments in subsidiaries	6,595	480
1.02.02.01.04	Other investments	198	198
1.02.03	Property, plant and equipment	177,603	177,312
1.02.04	Intangible assets	10,578	4,658

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Parent company financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	676,357	611,465
2.01	Current liabilities	325,330	279,357
2.01.01	Social and labor obligations	20,135	15,868
2.01.02	Trade payables	118,428	97,488
2.01.03	Tax obligations	29,855	24,555
2.01.03.01	Federal tax obligations	29,855	24,555
2.01.03.01.01	Income tax and social contribution payable	1,322	63
2.01.03.01.02	Tax liabilities payable in installments	21,393	20,731
2.01.03.01.03	Taxes and contributions	7,140	3,761
2.01.04	Loans and financing	84,219	79,600
2.01.04.01	Loans and financing	84,219	79,600
2.01.05	Other liabilities	29,753	22,276
2.01.05.02	Other	29,753	22,276
2.01.05.02.04	Advances from customers	17,499	17,245
2.01.05.02.07	Dividends advanced	3,610	0
2.01.05.02.08	Other	8,644	5,031
2.01.06	Provisions	42,940	39,570
2.01.06.02	Other provisions	42,940	39,570
2.01.06.02.04	Provision for loss on investment	41,207	38,582
2.01.06.02.05	Provisions for contingencies	1,733	988
2.02	Non-current liabilities	248,434	250,318
2.02.01	Loans and financing	38,023	39,354
2.02.01.01	Loans and financing	38,023	39,354
2.02.02	Other liabilities	120,263	126,354
2.02.02.02	Other	120,263	126,354
2.02.02.02.04	Private pension plan	2,995	3,118
2.02.02.02.05	Tax liabilities payable in installments	117,268	123,236
2.02.03	Deferred taxes	41,006	40,973
2.02.03.01	Deferred income tax and social contribution	41,006	40,973
2.02.04	Provisions	49,142	43,637
2.02.04.02	Other provisions	49,142	43,637
2.02.04.02.04	Provision for loss on investment	5,050	4,620
2.02.04.02.05	Provisions for contingencies	44,092	39,017
2.03	Equity	102,593	81,790
2.03.01	Paid-up capital	112,957	112,957
2.03.02	Capital reserves	267	267
2.03.05	Retained earnings (accumulated deficit)	-49,159	-73,738
2.03.08	Other comprehensive income	38,528	42,304

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Parent company financial statements / statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current year 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
3,01	Sales and/or services revenue	146,494	285,878	131,491	250,272
3.02	Cost of sales and/or services	-101,518	-201,185	-98,890	-187,471
3.03	Gross profit	44,976	84,693	32,601	62,801
3.04	Operating expenses/income	-19,634	-40,164	-24,360	-48,859
3.04.01	Selling expenses	-20,976	-40,083	-20,673	-38,624
3.04.02	General and administrative expenses	-4,751	-9,099	-3,663	-6,835
3.04.04	Other operating income	5,688	7,600	4,953	6,104
3.04.04.01	Other operating income	1,386	4,558	4,953	6,104
3.04.04.02	Other gains (losses), net	4,302	3,042	0	0
3.04.05	Other operating expenses	-2,405	-4,629	-6,798	-13,737
3.04.05.01	Other operating expenses	-2,405	-4,629	-5,267	-11,276
3.04.05.02	Other gains (losses), net	0	0	-1,531	-2,461
3.04.06	Equity in the earnings of subsidiaries	2,810	6,047	1,821	4,233
3.05	Profit before finance result and taxes	25,342	44,529	8,241	13,942
3.06	Finance result	-9,202	-13,128	-5,396	-9,849
3.06.01	Finance income	-298	5,201	6,709	8,906
3.06.01.01	Finance income	3,896	8,159	4,643	8,906
3.06.01.02	Foreign exchange variations, net	-4,194	-2,958	2,066	0
3.06.02	Finance costs	-8,904	-18,329	-12,105	-18,755
3.06.02.01	Finance costs	-8,904	-18,329	-12,105	-21,811
3.06.02.02	Foreign exchange variation	0	0	0	3,056
3.07	Profit before taxation	16,140	31,401	2,845	4,093
3.08	Income tax and social contribution on net income	-3,505	-7,611	-795	-420
3.08.01	Current	-3,199	-7,017	315	0
3.08.02	Deferred	-306	-594	-1,110	-420
3.09	Profit for the period from continuing operations	12,635	23,790	2,050	3,673
3.11	Profit for the period	12,635	23,790	2,050	3,673
3.99	Earnings per share - (Reais / share)				
3.99.01.	Basic earnings per share				
3.99.01.01	Common share	0.07946	0.14961	0.01289	0.02310
3.99.02.	Diluted earnings per share				
3.99.02.01	Common share	0.07946	0.14961	0.01289	0.02310

Parent company financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current year 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
4,01	Profit for the period	12,635	23,790	2,050	3,673
4.02	Other comprehensive income	-4,486	-3,776	979	1,345
4.02.01	Realization of revaluation reserve	-395	-789	-395	-790
4.02.02	Exchange variation of subsidiary located abroad	-4,091	-2,987	1,374	2,135
4.03	Total comprehensive income for the period	8,149	20,014	3,029	5,018

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

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
6.01	Net cash provided by (used in) operating activities	25,429	-7,816
6.01.01	Cash provided by operating activities	50,142	13,245
6.01.01.01	Profit/loss for the period before taxation	31,401	4,093
6.01.01.02	Depreciation and amortization	8,145	7,850
6.01.01.03	Equity in the earnings of subsidiaries	-6,047	-4,233
6.01.01.04	Unrealized foreign exchange variations	215	-466
6.01.01.05	Provision of inventories to market value	-113	-367
6.01.01.06	Provision for doubtful trade receivables	-1,835	-701
6.01.01.07	Provision for contingencies	3,612	2,286
6.01.01.08	Provision for labor liabilities	4,172	3,793
6.01.01.09	Provision for profit sharing	3,391	-2,783
6.01.01.10	Other provisions	951	211
6.01.01.11	Other operating income (expenses), net	-359	-3,623
6.01.01.12	Restatement of Eletrobrás compulsory loan	-2,734	-2,656
6.01.01.13	Restatement of tax assets	-581	-583
6.01.01.14	Restatement of receivables from other related parties	-3,731	-4,627
6.01.01.15	Finance charges on tax liabilities payable in installments	5,461	7,886
6.01.01.16	Discount of provision for contingencies	2,208	816
6.01.01.17	Finance charges on tax liabilities payable in installments	0	600
6.01.01.18	Provision for interest on loans	4,184	6,942
6.01.01.19	Other	1,802	-1,193
1/6/2002	Changes in assets and liabilities	-15,879	-13,671
6.01.02.01	(Increase)/decrease in trade receivables	-5,519	-2,667
6.01.02.02	Increase/(decrease) in advances from customers	617	270
6.01.02.03	(Increase)/decrease in marketable securities	0	167
6.01.02.04	(Increase)/decrease in inventories	-19,189	4,405
6.01.02.05	(Increase)/decrease in other assets	-753	29
6.01.02.06	(Increase)/decrease in judicial deposits	-1,235	-64
6.01.02.07	(Increase)/decrease in non-current assets	-478	-239
6.01.02.08	Increase/(decrease) in trade payables	20,762	-10,032
6.01.02.09	(Increase)/decrease in advances to suppliers	-2,175	-974
6.01.02.10	Increase/(decrease) in tax liabilities payable in installments	-10,767	-7,160
6.01.02.11	Increase/(decrease) in tax liabilities	3,622	2,512
6.01.02.12	Increase/(decrease) in labor liabilities	95	364
6.01.02.13	Increase/(decrease) in other payables	-736	-242
6.01.02.14	Increase/(decrease) in other non-current payables	-123	-40
6.01.03	Other	-8,834	-7,390
6.01.03.01	Interest paid	-3,533	-6,384
6.01.03.02	Income tax and social contribution paid	-5,301	-1,006
6.02	Net cash provided by (used in) investing activities	-10,784	9,264
6.02.01	Purchases of property, plant and equipment	-8,585	-4,583
6.02.02	Purchases of intangible assets	-6,099	-5
6.02.03	Dividends received	4,087	14,082
6.02.04	(Granted to)/Received from related parties	-187	-230
6.03	Net cash provided by (used in) financing activities	-1,904	564
6.03.01	Loans and financing	47,658	63,742
6.03.02	Payments of loans and financing	-49,558	-54,548
6.03.03	Received from (payment to) related companies	-4	-8,630
6.05	Increase (decrease) in cash and cash equivalents	12,741	2,012
6.05.01	Opening balance of cash and cash equivalents	8,091	8,719
6.05.02	Closing balance of cash and cash equivalents	20,832	10,731

(A free translation of the original in Portuguese)

Parent company financial statements / statement of changes in equity - 1/1/2012 to 6/30/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5,01	Opening balance	112,957	267	0	-73,738	42,304	81,790
5.03	Adjusted opening balance	112,957	267	0	-73,738	42,304	81,790
5.05	Total comprehensive income	0	0	0	24,579	-3,776	20,803
5.05.01	Profit for the period	0	0	0	23,790	0	23,790
5.05.02	Other comprehensive income	0	0	0	789	-3,776	-2,987
5.05.02.06	Realization of revaluation reserve	0	0	0	789	-789	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	-2,987	-2,987
5.07	Closing balance	112,957	267	0	-49,159	38,528	102,593

Parent company financial statements / statement of changes in equity - 1/1/2011 to 6/30/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5,01	Opening balance	112,957	267	0	-99,661	47,301	60,864
5.03	Adjusted opening balance	112,957	267	0	-99,661	47,301	60,864
5.05	Total comprehensive income	0	0	0	4,463	1,345	5,808
5.05.01	Profit for the period	0	0	0	3,673	0	3,673
5.05.02	Other comprehensive income	0	0	0	790	1,345	2,135
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	2,135	2,135
5.07	Closing balance	112,957	267	0	-95,198	48,646	66,672

(A free translation of the original in Portuguese)

Parent company financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
7,01	Revenue	365,240	316,492
7.01.01	Sale of products and services	356,781	311,839
7.01.02	Other income	6,624	3,952
7.01.04	Change in the provision for doubtful trade receivables	1,835	701
7.02	Inputs acquired from third parties	-184,850	-174,250
7.02.01	Cost of sales and services	-143,228	-135,249
7.02.02	Materials, energy, outsourced services and other	-39,406	-39,020
7.02.03	Impairment/recovery of assets	-2,216	19
7.03	Gross value added	180,390	142,242
7.04	Retentions	-8,145	-7,850
7.04.01	Depreciation, amortization and depletion	-8,145	-7,850
7.05	Net value added generated	172,245	134,392
7.06	Value added received through transfer	26,089	17,882
7.06.01	Equity in the earnings of subsidiaries	6,047	4,233
7.06.02	Finance income	20,042	13,649
7.07	Total value added to distribute	198,334	152,274
7.08	Distribution of value added	198,334	152,274
7.08.01	Personnel	50,854	46,707
7.08.01.01	Direct remuneration	43,131	39,905
7.08.01.02	Benefits	4,408	3,945
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,315	2,857
7.08.02	Taxes and contributions	89,669	72,676
7.08.02.01	Federal	49,067	37,476
7.08.02.02	State	40,455	35,029
7.08.02.03	Municipal	147	171
7.08.03	Remuneration of third party capital	34,021	29,218
7.08.03.01	Interest	30,128	25,958
7.08.03.02	Rentals	3,893	3,260
7.08.04	Remuneration of own capital	23,790	3,673
7.08.04.03	Profits reinvested/loss for the period	23,790	3,673

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2o12	Prior year 12/31/2011
1	Total assets	635,131	575,502
1.01	Current assets	261,135	215,923
1.01.01	Cash and cash equivalents	23,276	10,065
1.01.03	Trade receivables	117,722	107,867
1.01.03.01	Customers	117,722	107,867
1.01.04	Inventories	109,855	90,553
1.01.06	Taxes recoverable	2,355	2,682
1.01.06.01	Current taxes recoverable	2,355	2,682
1.01.06.01.01	Income tax and social contribution recoverable	452	1,152
1.01.06.01.02	Other current taxes recoverable	1,903	1,530
1.01.07	Prepaid expenses	1,692	491
1.01.08	Other current assets	6,235	4,265
1.01.08.03	Other	6,235	4,265
1.01.08.03.03	Advances to suppliers	4,023	1,685
1.01.08.03.04	Other	2,212	2,580
1.02	Non-current assets	373,996	359,579
1.02.01	Long-term receivables	184,176	176,563
1.02.01.06	Deferred taxes	24,719	25,280
1.02.01.06.01	Deferred income tax and social contribution	24,719	25,280
1.02.01.08	Receivables from related parties	97,519	93,780
1.02.01.08.04	Receivables from related parties	97,519	93,780
1.02.01.09	Other non-current assets	61,938	57,503
1.02.01.09.03	Judicial deposits	9,136	7,961
1.02.01.09.04	Receivables from Eletrobrás	33,793	31,059
1.02.01.09.05	Taxes recoverable	1,702	1,762
1.02.01.09.06	Tax assets	12,404	11,823
1.02.01.09.07	Actuarial assets	3,837	3,837
1.02.01.09.08	Other	1,066	1,061
1.02.02	Investments	215	215
1.02.02.01	Equity investments	215	215
1.02.02.01.04	Other investments	215	215
1.02.03	Property, plant and equipment:	178,827	178,052
1.02.04	Intangible assets	10,778	4,749

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	635,131	575,502
2.01	Current liabilities	286,976	245,403
2.01.01	Social and labor obligations	21,354	16,780
2.01.02	Trade payables	119,779	97,980
2.01.03	Tax obligations	32,132	26,627
2.01.03.01	Federal tax obligations	32,132	26,627
2.01.03.01.01	Income tax and social contribution payable	1,957	541
2.01.03.01.02	Tax liabilities payable in installments	22,370	21,773
2.01.03.01.03	Taxes and contributions	7,805	4,313
2.01.04	Loans and financing	84,219	79,600
2.01.04.01	Loans and financing	84,219	79,600
2.01.05	Other liabilities	27,276	23,401
2.01.05.02	Other	27,276	23,401
2.01.05.02.04	Advances from customers	17,615	17,325
2.01.05.02.07	Other	9,661	6,076
2.01.06	Provisions	2,216	1,015
2.01.06.02	Other provisions	2,216	1,015
2.01.06.02.05	Provisions for contingencies	2,216	1,015
2.02	Non-current liabilities	245,548	248,301
2.02.01	Loans and financing	38,866	40,210
2.02.01.01	Loans and financing	38,866	40,210
2.02.02	Other liabilities	121,577	128,056
2.02.02.02	Other	121,577	128,056
2.02.02.02.04	Private pension plan	2,995	3,118
2.02.02.02.05	Tax liabilities payable in installments	118,582	124,938
2.02.03	Deferred taxes	41,006	40,973
2.02.03.01	Deferred income tax and social contribution	41,006	40,973
2.02.04	Provisions	44,099	39,062
2.02.04.02	Other provisions	44,099	39,062
2.02.04.02.05	Provisions for contingencies	44,099	39,062
2.03	Consolidated equity	102,607	81,798
2.03.01	Paid-up capital	112,957	112,957
2.03.02	Capital reserves	267	267
2.03.05	Retained earnings (accumulated deficit)	-49,159	-73,738
2.03.08	Other comprehensive income	38,528	42,304
2.03.09	Non-controlling interests	14	8

Consolidated financial statements / statement of income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current year 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
3.01	Sales and/or services revenue	157,169	307,162	140,572	268,271
3.02	Cost of sales and/or services	-101,300	-200,801	-98,856	-187,352
3.03	Gross profit	55,869	106,361	41,716	80,919
3.04	Operating expenses/income	-29,476	-58,790	-32,351	-64,484
3.04.01	Selling expenses	-25,250	-47,736	-24,934	-46,186
3.04.02	General and administrative expenses	-6,079	-11,563	-4,805	-8,995
3.04.04	Other operating income	5,110	6.262	4.182	4.438
3.04.04.01	Other operating income	808	3,220	4,182	4,438
3.04.04.02	Other gains (losses), net	4,302	3,042	0	0
3.04.05	Other operating expenses	-3,257	-5,753	-6,794	-13,741
3.04.05.01	Other operating expenses	-3,257	-5,753	-5,263	-11,280
3.04.05.02	Other gains (losses), net	0	0	-1.531	-2,461
3.05	Profit before finance result and taxes	26,393	47,571	9,365	16,435
3.06	Finance result	-9,251	-13,232	-5,427	-9,815
3.06.01	Finance income	-216	5,338	6,824	12,304
3.06.01.01	Finance income	3,978	8,296	4,758	9,248
3.06.01.02	Foreign exchange variations, net	-4,194	-2,958	2,066	3,056
3.06.02	Finance costs	-9,035	-18,570	-12,251	-22,119
3.06.02.01	Finance costs	-9,035	-18,570	-12,251	-22,119
3.07	Profit before taxation	17,142	34,339	3,938	6,620
3.08	Income tax and social contribution on net income	-4,866	-10,905	-1,689	-2,685
3.08.01	Current	-4,560	-10,311	-579	-2,265
3.08.02	Deferred	-306	-594	-1,110	-420
3.09	Profit for the period from continuing operations	12,276	23,434	2,249	3,935
3.10	Profit/loss for the period from discontinued operations	362	362	-162	-221
3.10.01	Net profit/loss for the period from discontinued operations	362	362	-162	-221
3.11	Consolidated profit for the period	12,638	23,796	2,087	3,714
3.11.01	Attributable to owners of the Company	12,635	23,790	2,086	3,711
3.11.02	Attributable to non-controlling interests	3	6	1	3
3.99	Earnings per share - (Reais / share)				
3.99.01.	Basic earnings per share				
3.99.01.01	Common share	0.07946	0.14691	0.01312	0.02334
3.99.02.	Diluted earnings per share				
3.99.02.01	Common share	0.07720	0.14738	0.01414	0.02475

Consolidated financial statements / statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2012 to 6/30/2012	Accumulated - current year 1/1/2012 to 6/30/2012	Same quarter of prior year 4/1/2011 to 6/30/2011	Accumulated - prior year 1/1/2011 to 6/30/2011
4,01	Consolidated profit for the period	12,638	23,796	2,087	3,714
4.02	Other comprehensive income	-4,486	-3,776	979	1,345
4.02.01	Realization of revaluation reserve	-395	-789	-395	-790
4.02.02	Exchange variation of subsidiary located abroad	-4,091	-2,987	1,374	2,135
4.03	Total consolidated comprehensive income for the period	8,152	20,020	3,066	5,059
4.03.01	Attributable to owners of the Company	8,149	20,014	3,065	5,056
4.03.02	Attributable to non-controlling interests	3	6	1	3

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
6.01	Net cash provided by (used in) operating activities	30,372	-3,959
6.01.01	Cash provided by operating activities	60,073	19,982
6.01.01.01	Profit/loss for the period before taxation	34,339	6,620
6.01.01.02	Depreciation and amortization	8,166	7,887
6.01.01.04	Unrealized foreign exchange variations	330	-562
6.01.01.05	Provision of inventories to market value	-736	-433
6.01.01.06	Provision for doubtful trade receivables	-1,950	-752
6.01.01.07	Provision for contingencies	4,026	2,289
6.01.01.08	Provision for labor liabilities	4,521	4,252
6.01.01.09	Provision for profit sharing	4,020	-3,155
6.01.01.10	Other provisions	951	211
6.01.01.11	Other operating income (expenses), net	-359	-3,623
6.01.01.12	Restatement of Eletrobrás compulsory loan	-2,734	-2,656
6.01.01.13	Restatement of tax assets	-581	-583
6.01.01.14	Restatement of receivables from other related parties	-3,731	-4,627
6.01.01.15	Finance charges on tax liabilities payable in installments	5,563	8,049
6.01.01.16	Discount of provision for contingencies	2,212	816
6.01.01.17	Finance charges from tax liabilities payable in installments	0	600
6.01.01.18	Provision for interest on loans	4,283	6,885
6.01.01.19	Other	1,753	-1,236
6.01.02	Changes in assets and liabilities	-17,759	-14,152
6.01.02.01	(Increase)/decrease in trade receivables	-7,306	-1,615
6.01.02.02	Increase/(decrease) in advances from customers	652	105
6.01.02.03	(Increase)/decrease in marketable securities	0	167
6.01.02.04	(Increase)/decrease in inventories	-18,566	4,908
6.01.02.05	(Increase)/decrease in other assets	-1,207	-562
6.01.02.06	(Increase)/decrease in judicial deposits	-1,237	-69
6.01.02.07	(Increase)/decrease in non-current assets	-478	-239
6.01.02.08	Increase/(decrease) in trade payables	21,617	-10,374
6.01.02.09	(Increase)/decrease in advances to suppliers	-2,338	-808
6.01.02.10	Increase/(decrease) in tax liabilities payable in installments	-11,322	-7,544
6.01.02.11	Increase/(decrease) in tax liabilities	3,689	2,509
6.01.02.12	Increase/(decrease) in labor liabilities	48	359
6.01.02.13	Increase/(decrease) in other payables	-1,188	-1,002
6.01.02.14	Increase/(decrease) in other non-current payables	-123	13
6.01.03	Other	-11,942	-9,789
6.01.03.01	Interest paid	-3,551	-6,401
6.01.03.02	Income tax and social contribution paid	-8,391	-3,388
6.02	Net cash provided by (used in) investing activities	-15,298	-4,588
6.02.01	Purchases of property, plant and equipment	-9,089	-4,583
2/6/2002	Purchases of intangible assets	-6,209	-5
6.03	Net cash provided by (used in) financing activities	-1,900	9,207
6.03.01	Loans and financing	47,658	63,755
6.03.02	Payments of loans and financing	-49,558	-54,548
6.04	Exchange variation on cash and cash equivalents	37	-39
6.05	Increase (decrease) in cash and cash equivalents	13,211	621
6.05.01	Opening balance of cash and cash equivalents	10,065	12,802
6.05.02	Closing balance of cash and cash equivalents	23,276	13,423

Consolidated financial statements / statement of changes in equity - 1/1/2012 to 6/30/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5,01	Opening balance	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.03	Adjusted opening balance	112,957	267	0	-73,738	42,304	81,790	8	81,798
5.05	Total comprehensive income	0	0	0	24,579	-3,776	20,803	6	20,809
5.05.01	Profit for the period	0	0	0	23,790	0	23,790	6	23,796
5.05.02	Other comprehensive income	0	0	0	789	-3,776	-2,987	0	-2,987
5.05.02.06	Realization of revaluation reserve	0	0	0	789	-789	0	0	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	-2,987	-2,987	0	-2,987
5.07	Closing balance	112,957	267	0	-49,159	38,528	102,593	14	102,607

Consolidated financial statements / statement of changes in equity - 1/1/2011 to 6/30/2011

(R$ thousand)

1 - Code	2 - Description	Paid-up share capital	Capital reserves, stock options and treasury stock	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5,01	Opening balance	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.03	Adjusted opening balance	112,957	267	0	-99,699	47,301	60,826	10	60,836
5.05	Total comprehensive income	0	0	0	4,501	1,345	5,846	3	5,849
5.05.01	Profit for the period	0	0	0	3,711	0	3,711	3	3,714
5.05.02	Other comprehensive income	0	0	0	790	1,345	2,135	0	2,135
5.05.02.06	Realization of revaluation reserve	0	0	0	790	-790	0	0	0
5.05.02.07	Exchange variation of subsidiary located abroad	0	0	0	0	2,135	2,135	0	2,135
5.07	Closing balance	112,957	267	0	-95,198	48,646	66,672	13	66,685

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2012 to 6/30/2012	Accumulated - prior year 1/1/2011 to 6/30/2011
7.01	Revenue	385,888	333,341
7.01.01	Sales of products and services	381,324	332,544
7.01.02	Other income	2,614	45
7.01.04	Changes in the provision for doubtful trade receivables	1,950	752
7.02	Inputs acquired from third parties	-190,112	-178,871
7.02.01	Cost of sales and services	-142,825	-134,836
7.02.02	Materials, energy, outsourced services and other	-44,992	-43,835
7.02.03	Impairment/recovery of assets	-2,657	21
7.02.04	Other	362	-221
7.02.04.01	Loss from discontinued operations	362	-221
7.03	Gross value added	195,776	154,470
7.04	Retentions	-8,166	-7,887
7.04.01	Depreciation, amortization and depletion	-8,166	-7,887
7.05	Net value added generated	187,610	146,583
7.06	Value added received through transfer	20,179	13,990
7.06.02	Finance income	20,179	13,990
7.07	Total value added to distribute	207,789	160,573
7.08	Distribution of value added	207,789	160,573
7.08.01	Personnel	53,870	49,769
7.08.01.01	Direct remuneration	45,760	42,583
7.08.01.02	Benefits	4,645	4,174
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,465	3,012
7.08.02	Taxes and contributions	95,794	77,470
7.08.02.01	Federal	55,175	42,247
7.08.02.02	State	40,455	35,029
7.08.02.03	Municipal	164	194
7.08.03	Remuneration of third party capital	34,329	29,620
7.08.03.01	Interest	30,374	26,296
7.08.03.02	Rentals	3,955	3,324
7.08.04	Remuneration of own capital	23,796	3,714
7.08.04.03	Profits reinvested/loss for the period	23,790	3,711
7.08.04.04	Non-controlling interests in profits reinvested	6	3

Comments on company performance

COMMENTS ON THE CONSOLIDATED PERFORMANCE IN 2Q12

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

2Q12 HIGHLIGHTS

- Gross revenue reached R$ 198 million, 11% higher than 2011;
- Net revenue reached R$ 157 million, 12% higher than in 2011.
- Sales revenue in the domestic market increased 15%, with a performance 7% higher than the industry index (ABRAMAT), which grew 8%;
- Gross profit grew 34%, reaching R$ 56 million with a gross margin of 34%, 6 p.p. over 2011.
- Operating profit (EBIT) reached 22 million, 103% higher than in the same period of 2011.
- Cash generation (EBITDA) totaled R$ 26 million, with an increase of 77% and a margin of 17%;
- Profit for the period amounted to R$ 13 million, representing 8% in relation to net revenue.
- Net debt / EBITDA ratio decreased, reaching the multiple of 2.3.

Message from management

In the second quarter, Portobello repeated the performance of the beginning of the year, presenting excellent results. The first six-month period of 2012 was challenging, but the success came as a result of our ability to leverage the current opportunities in the Brazilian civil construction sector, by focusing on the domestic market, and the effects of the internal improvements and rationalizations implemented in the recent years.

Production was concentrated on higher value added products and the adoption of a hybrid production model, which combined the Company's own production capacity and outsourced resources, has brought flexibility and agility to meet the demand for commercial products, mainly in the segment of civil construction and real estate development companies.

The maturity reached by the products launched in 2011, which, together with the 2012 launches, represented 13% of the sales in the first six-month period, and the aggressive sales operations resulted in increased margin and growth above that of the market, since our domestic sales growth exceeded the sector's indicators. Such combination allowed us to increase our gross margin by 5 p.p.

During the first six-month period of 2012, the internal rationalization measures aiming at improving productivity and quality and reducing production costs were maintained. On the other hand, adjustments to the price of certain inputs have partially reduced the gains obtained in the production process.

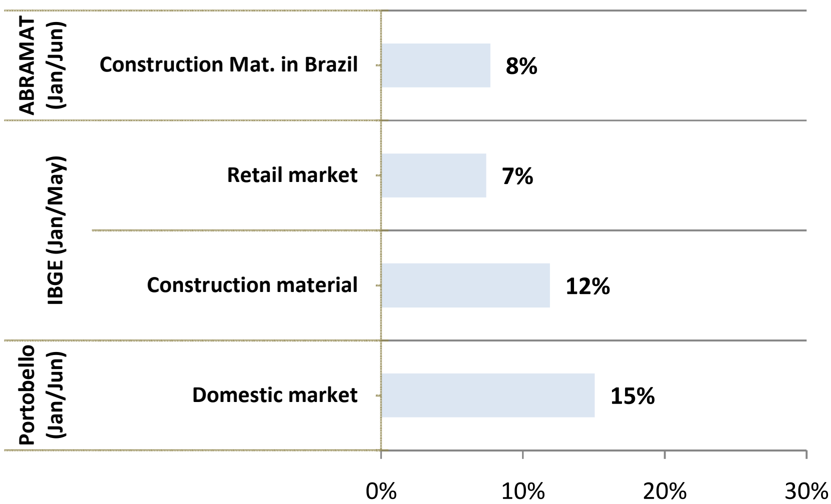
Comments on company performance

During the period, we invested in the logistics area to solve the challenges we have faced in the recent quarters. In addition to the restructuring of our storage model, with the implementation of regional distribution centers to serve the Portobello Shop, we also implemented new logistics and inventory management systems. This process has affected our delivery capacity in May and June, and, consequently, our sales in the quarter. The negative effects, however, were mitigated by our quick search for a solution.

The excellent results for the quarter, together with a streamlined approach to working capital management, made it possible to invest in our manufacturing complex, improve our logistics model and reduce indebtedness by R$ 44 million in the past 12 months.

Increased profitability, market share gains and indebtedness reduction are the striking features of the results for the second quarter and first half of 2012.

Net Revenue Performance - 6/30/2012 x 6/30/2011



Outlook

- Despite the overall slowdown in the Brazilian economy, the Company estimates that, in the next two quarters, the domestic sales growth will be maintained at the same pace of the first six-month period. This expectation is based on the real estate developments started in prior quarters and the demand noted in the retail market (Portobello Shop);
- The Company expects the continuity of the strong demand for construction materials, as well as for finishing materials with higher value added, also influenced by the exemption from Excise Tax (IPI) up to the end of 2012. This incentive of the Government for civil construction is expected to be extended, in view of the huge housing deficit in Brazil;
- The Company believes in and has been directing its focus on the domestic market, either increasing its range of services and portfolio for the real estate and commercial market of large construction companies or increasing investments in marketing and higher value added products to meet the demand of retail chains and the main Brazilian home centers;
- The positive reception for our collections launched at "Revestir 2012", which is the most representative event in our sector, confirm the perception that the policies adopted are totally in line with the market's expectations;

Comments on company performance

- In the segment of specialized stores, our network of franchises - Portobello Shop - has scheduled the opening of new stores in some of the main capital cities in Brazil, including Rio de Janeiro, Belo Horizonte, Fortaleza and São Paulo;
- Continuous productivity growth with the resulting decreased production costs and increased quality, in addition to the investments in logistics indicate that the profitability levels achieved during the first half of 2012 will be maintained. Also, the Company will continue to implement actions to reduce the need for working capital;
- The inflationary pressures on the costs of inputs, mainly electric energy and labor, should be neutralized by the productivity gains expected by the Company. With respect to the existing risks that the price of natural gas increases, affecting the competitiveness of Portobello and the ceramic tile industry of the State of Santa Catarina, the Company trusts in the government efforts to reduce the costs of the ceramic sector's energy matrix;
- Portobello believes that the measures under analysis by government agencies to revise the import tax for technical porcelains are fundamental to promote the competitiveness of the Brazilian industry in this specific segment of products;
- After the negotiations for the Company's association with Eliane were discontinued, management started the studies and analyses of a growth plan that should be concluded and submitted to the Board of Directors up to the end of this year;
- The export market has shown growth potential, considering that this selling channel is the most profitable for the Company when the U.S. dollar rate is at R$ 2.00. The increasing demand for higher value added products makes it possible to optimize the Company's profitability.

Distribution

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

Domestic market

The three distribution channels are:

Multi-brand Resale - Responsible for the customers who are resellers of construction material, distributing the Company's products in the retail market, either to the end consumer or small building concerns.

Engineering - Commercial structure and specialized teams that serve civil construction companies and real estate development companies.

Portobello Shop Retail - Franchises that serve the Company's customers in the retail market through franchised stores under the Portobello Shop and Empório Portobello names, focused on more demanding customers.

Foreign market

Portobello is an internationally known brand, whose products are sold in 56 countries in Europe, Asia, North America, Middle East, Africa and Latin America, through its own teams or independent representatives.

The Company's exports, although limited to more profitable markets, represented 7% of net revenue for the quarter, being the most profitable distribution channel, due to the foreign exchange rates. Assuming that the foreign exchange rates remain at the same levels, the Company believes that its exports may increase, focused on products with higher value added,

Comments on company performance

The profitability provided by exports, which ensures more balanced sales in the case that difficulties affect the domestic market, confirms the Company's efforts to achieve international competitiveness.

Economic and financial performance

Consolidated results of operations	2Q10	2Q11	2Q12	Variation % 2Q11 x 2Q10
Gross operating revenue	**152,120**	**177,701**	**197,502**	**11%**
Net operating revenue	**119,769**	**140,572**	**157,169**	**12%**
Gross operating profit	**36,401**	**41,716**	**55,869**	**34%**
Gross margin	*30%*	*30%*	*36%*	*6 p.p.*
Selling expenses	(18,200)	(24,934)	(25,250)	1%
General and administrative expenses	(4,279)	(4,805)	(6,079)	27%
Other operating income (expenses)	2,790	(1,081)	(2,449)	127%
EBIT	**16,712**	**10,896**	**22,091**	**103%**
EBIT margin	*14%*	*8%*	*14%*	*6 p.p.*
Finance income (costs) and other gains (losses), net	(6,632)	(6,958)	(4,949)	-29%
Operating profit	**10,080**	**3,938**	**17,142**	**335%**
Income tax and social contribution	(2,456)	(1,689)	(4,866)	188%
Profit (loss) from continuing operations	7,624	2,249	12,276	446%
Profit (loss) from discontinued operations (*)	(472)	(162)	362	-323%
Profit for the quarter	**7,152**	**2,087**	**12,638**	**506%**
Net margin	*6%*	*1%*	*8%*	*7 p.p.*
EBITDA	**21,105**	**14,832**	**26,222**	**77%**
EBITDA margin	*18%*	*11%*	*17%*	*6 p.p.*

(*) The operations of the subsidiary Portobello América, Inc. were discontinued on 12/31/2010 and the data related to this discontinued operation is being presented in the statement of income for the year as one item, according to CPC/IFRS. The comments herein follow the same classification.

Consolidated results of operations	1H10	1H11	1H12	Variation % 2012 x 2011
Gross operating revenue	**286,038**	**339,987**	**386,823**	**14%**
Net operating revenue	**226,194**	**268,271**	**307,162**	**14%**
Gross profit	**68,326**	**80,919**	**106,361**	**31%**
Gross margin	*30%*	*30%*	*35%*	*5 p.p.*
Selling expenses	(33,351)	(46,186)	(47,736)	3%
General and administrative expenses	(8,436)	(8,995)	(11,563)	29%
Other operating income (expenses)	2,457	(6,842)	(2,533)	-63%
EBIT	**28,996**	**18,896**	**44,529**	**136%**
EBIT margin	*13%*	*7%*	*14%*	*7 p.p.*
Finance income (costs) and other gains (losses), net	(13,018)	(12,276)	(10,190)	-17%
Operating profit	**15,978**	**6,620**	**34,339**	**419%**
Income tax and social contribution	(3,559)	(2,685)	(10,905)	306%
Profit (loss) from continuing operations	12,419	3,935	23,434	496%
Profit (loss) from discontinued operations (*)	(492)	(221)	362	-264%
Accumulated profit	**11,927**	**3,714**	**23,796**	**541%**
Net margin	*5%*	*1%*	*8%*	*-7 p.p.*
EBITDA	**37,621**	**26,783**	**52,695**	**97%**
EBITDA margin	*17%*	*10%*	*17%*	*7 p.p.*

(*) The operations of the subsidiary Portobello América, Inc. were discontinued on 12/31/2010 and the data related to this discontinued operation is being presented in the statement of income for the year as one item, according to CPC/IFRS. The comments herein follow the same classification.

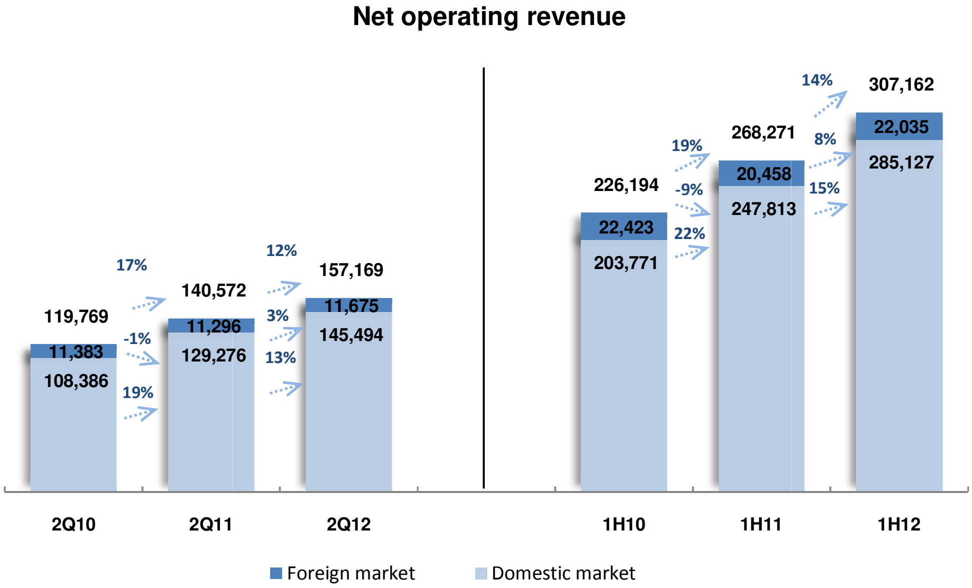
Comments on company performance

Net revenue

Net revenue grew 12% in 2Q12 when compared with the same period of the prior year, reaching R$ 157 million. In the accumulated for the year, revenue reached R$ 307 million, 14% higher than in 1H11, 93% of which obtained in the domestic market. The increase of 13% in the domestic market for the quarter and 15% in the accumulated, was equally shared by the Engineering, Multi-brand Resale and Portobello Shop channels.

The sales volume for the quarter and the six-month period was practically equal to that of prior periods. The increased net revenue was due to a mix of higher value added products, as well as to the higher number of products acquired from third parties, which accounted for 20% of the accumulated net revenues for 2012.

The sales performance in the quarter was affected by the implementation, in May, of new customer service systems. This process has temporarily reduced our shipment and storage capacity, causing some delays in the delivery of products to our customers. These systems, which are at the stabilization stage, together with the remodeling of our logistics system, will contribute to solve problems we have previously faced.

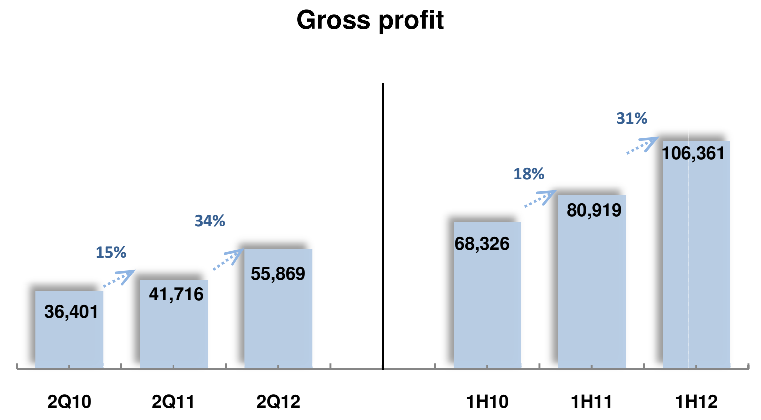


Gross profit

Gross profit reached R$ 56 million in the quarter and increased 34% over the same period of the prior year, accumulating gains of 31% in the first half of 2012. Such performance resulted not only from the sale of products with greater profitability per unit, but also from actions and measures focused on productivity and quality gains, cost reduction and continued improvement of industrial and logistic processes.

Accordingly, the gross margin increased 5 p.p. in the first half of 2012 when compared to the same period of 2011, with a gross profit 31% higher, totaling R$ 106 million.

Comments on company performance

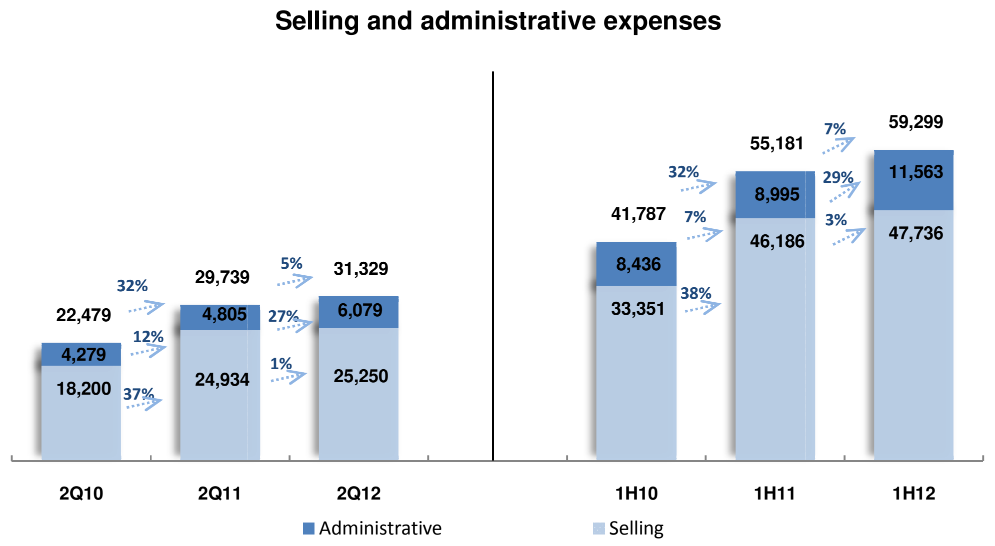


Operating expenses

Selling expenses totaled R$ 25 million in 2Q12, corresponding to an increase of only 1% as compared with the same period of 2011 and accounted for 16% of net revenue in the period, against 18% in 2Q11, resulting from a gain of scale.

Administrative expenses totaled R$ 6 million in 2Q12 and increased 27% when compared with the 2Q11. In the accumulated for the six-month period, administrative expenses increased 29%, influenced by expenditures with consulting services and actions related to the plans for association with Eliane S.A., but remained still below 4% of net revenue.

Other operating expenses, which amounted to R$ 2.4 million in the quarter, basically represent the recognition of the provision for profit sharing, to be paid after the end of the year.

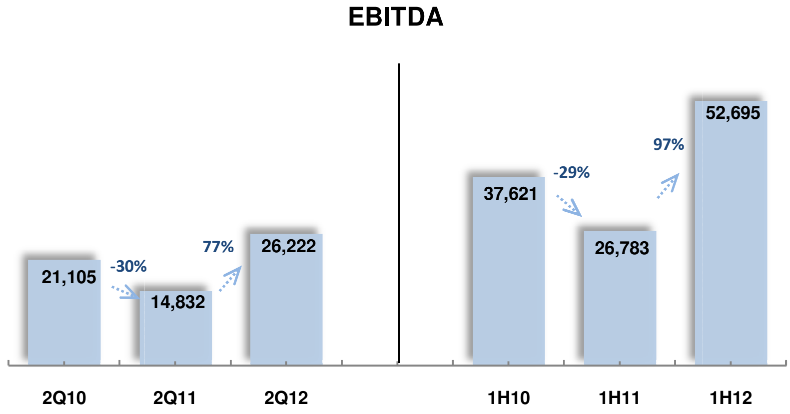


Comments on company performance

EBITDA

EBITDA, earnings before interest, taxes, depreciation and amortization, totaled R$ 26 million in 2Q12 and accumulated R$ 53 million in 1H12, representing a growth of 77% and 97%, respectively, in comparison with the same periods of 2011.

The excellent operating performance increased the EBITDA for the six-month period to R$ 52.7 million, representing 17% on the accumulated net revenue, against the 10% obtained in the same period of 2011.



EBITDA	2Q10	2Q11	2Q12	Variation % 2Q12 x 2Q11
Profit for the period	7,150	2,086	12,635	506%
Finance income (costs) and other gains (losses), net	6,632	6,958	4,949	-29%
Depreciation and amortization	4,393	3,936	4,131	5%
Income tax and social contribution	2,456	1,689	4,866	188%
Non-controlling interests/discontinued operations	474	163	(359)	-320%
(=) EBITDA from continuing operations (*)	21,105	14,832	26,222	77%
% of net revenues	18%	11%	17%	6 p.p.

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

EBITDA	1H10	1H11	1H12	Variation % 2012 x 2011
Profit for the period	11,923	3,711	23,790	541%
Finance income (costs) and other gains (losses), net	13,018	12,276	10,190	-17%
Depreciation and amortization	8,625	7,887	8,166	4%
Income tax and social contribution	3,559	2,685	10,905	306%
Non-controlling interests/discontinued operations	496	224	(356)	-259%
(=) EBITDA from continuing operations (*)	37,621	26,783	52,695	97%
% of net revenues	17%	10%	17%	7 p.p.

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

Comments on company performance

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

Finance income (costs) in the quarter ended June 30, 2012, presented net finance costs of R$ 4.9 million, against R$ 7 million in 2Q11, a decrease of 29%. The accumulated for the six-month period totaled R$ 10 million, 17% below the amount in 2011. The gains from the lower indebtedness, reduction in the cost of debt and better financing conditions obtained due to the Company's operating performance, were reduced by the appreciation of the U.S. dollar in the first six-month period.

As a form of mitigating possible effects from the devaluation of the real, the Company's foreign exchange exposure is limited to the equivalent of 12 months of exports. At June 30, this exposure, as disclosed in the notes to the financial statements, totals R$ 40.9 million, (approximately US$ 20 million).

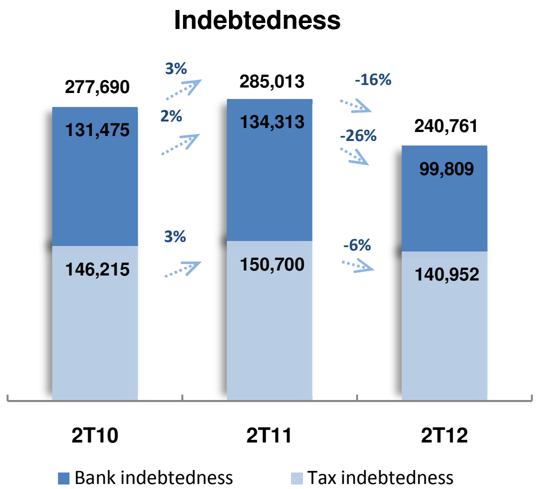
Investments

Investments were maintained at the levels defined by management and totaled approximately R$ 10 million in 2Q12, accumulating R$ 15 million in 1H12. These investments focused on improvements in the manufacturing process aimed at higher productivity and investments in logistics, both related to storage and implementation of management systems.

Indebtedness / Capital Structure

Total indebtedness decreased by R$ 44 million, or to 16% below that of June 2011, due to the cash generated by the operating performance and the reduction of working capital needs. At June 30, 2012, net bank indebtedness amounted to R$ 100 million, against R$ 134 million at June 30, 2011, while tax indebtedness decreased by 6% due to the payment of installments due.

Accordingly, total indebtedness had: (i) cost reduction; (ii) extended term, since 60% of the debt refers to taxes payable in installments in up to 15 years; and (iii) EBITDA reduction of 2.3, against 3.7 times in June 2011.



Comments on company performance

Net bank indebtedness	2Q10	2Q11	2Q12
Current	102,857	100,776	84,219
Non-current	36,195	47,913	38,866
(=) Total bank indebtedness	139,052	148,689	123,085
Cash and cash equivalents and marketable securities	7,577	14,376	23,276
(=) Total net bank indebtedness	131,475	134,313	99,809

Financial leverage	2Q10	2Q11	2Q12
Net bank indebtedness	131,475	134,313	99,809
Tax indebtedness	146,215	150,700	140,952
EBITDA (last 12 months)	76,254	76,671	103,549
(=) Net bank indebtedness / EBITDA	1.7	1.8	1.0
(=) Net bank and tax indebtedness / EBITDA	3.6	3.7	2.3

As mentioned in Note 12, the Company has receivables, backed by contract, from the related party Refinadora Catarinense S/A, arising from the favorable outcome on the lawsuit filed against the National Treasury (IPI Premium Credit). These receivables are guaranteed by a final and unappealable decision and have already been converted into bonds to pay court-ordered debts, paid annually for a period of 10 years. The first of the ten installments, in the amount of R$ 10,097, was received by Portobello in August 2011 and, as permitted by the contract, with application of discount. At June 30, 2012, these receivables amount to R$ 97,519 and, when deducted from total indebtedness, net indebtedness is R$ 143,242, or a Net Debt (bank and tax) / EBITDA ratio of 1.4.

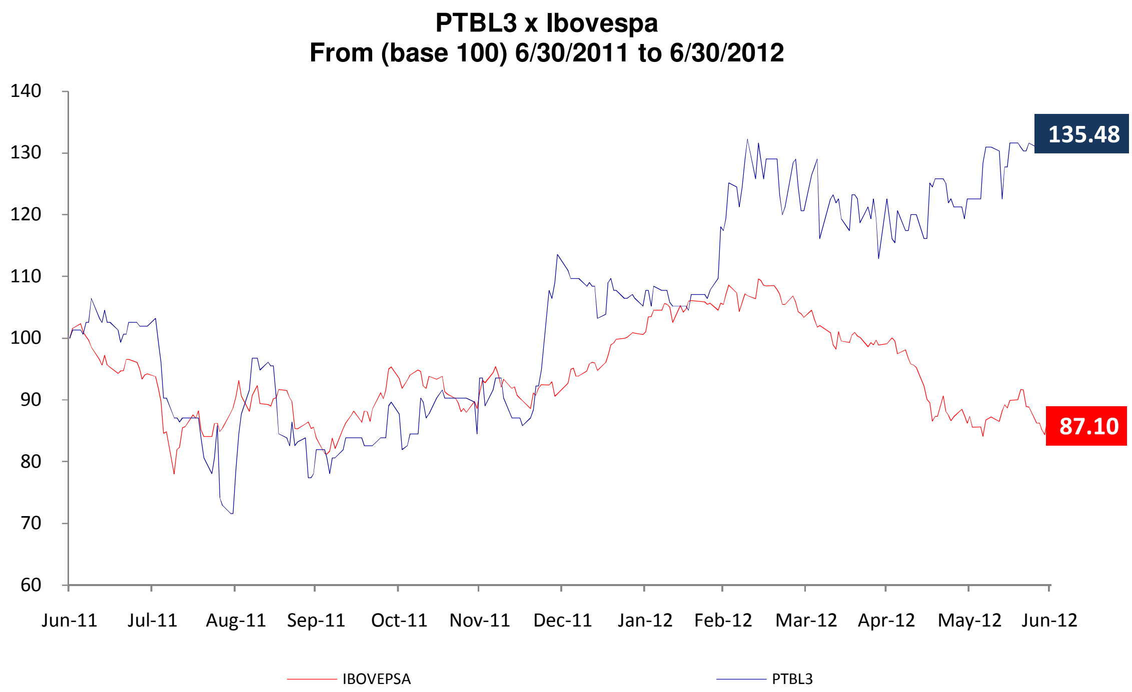
Human resources

Consolidated personnel at June 30, 2012 comprised 2,298 staff, 2,078 of whom were own personnel, 165 outsourced, 29 interns and 26 temporary workers. In 2011, personnel comprised 2,472 staff, 2,278 of whom were own personnel, 154 outsourced, 14 interns and 26 temporary workers. The reduction of 174 staff was caused by the implementation of the lean manufacturing program and the optimization of workstations to increase productivity.

Capital markets

The quotation for the common shares of Portobello (PTBL3) at June 30, 2012 was R$ 2.10, an increase of 35% in the last 12 months, while in the same period the Ibovespa recorded a devaluation of 13%. At June 30, 2012, the market value of Portobello was R$ 334 million (R$ 246 million at June 30, 2011).

Comments on company performance



Launching of products

In the first half of 2012, the sales of the Company's new products accounted for 13% of the total volume sold.

New products correspond to launches in a period of up to two years and this year include the 2011 and 2012 Collection, which comprises high value added products, with average prices 80% higher.

These products are exhibited in more than 200 multi-brand points of sale and in 120 Portobello Shop stores throughout the Brazilian territory and are also sold by specification to large construction projects through the selling channel which serves this segment. Innovative products include porcelains in large formats and extra fine thickness (with 5 mm), reproductions of wood, marble and cement and a special set of surface finishing products.

The Company has developed marketing actions to support and stimulate the sales of the new products, such as a distinctive visual merchandising project for Portobello Shop and resellers, in addition to physical and virtual tools, including the iPortobelloPlus, an Apple Store specification tool for architects/engineers.

This performance consolidates Portobello's leading position in innovation and design.

Awards

- Award "Best Franchise of Brazil 2012" - 9th Issue - Category "House, interior design and gifts" granted by the magazine "Pequenas Empresas & Grandes Negócios" of "Editora Globo". Portobello Shop was granted the second position, as one of the most outstanding companies in the sector.

Comments on company performance

- Award of "Seal of Excellence in Franchising 2012" - Master Category - granted by the Brazilian Association of Franchising (ABF). Portobello Shop, the only franchise network in the area of ceramic tiles, received the SEF seal for the 7th consecutive year, in recognition of the quality and excellence of its work as a franchisor.

- Award "Top of Mind" - granted by the newspaper "A Notícia" of RBS/SC Group - The most remembered brand in the category of ceramic floors and tiles.

- Award of Citizen Company ADVB - granted by the Sales and Marketing Managers' Association of Santa Catarina (ADVB/SC). Prize won with the case: "Portobello introduces the best collection of porcelain wood styles in the market".

- The Most Important in Retail - awarded by Accenture and NOVAREJO magazine. Portobello was awarded in the "Breakthrough of the Year" category.

Independent audit

In compliance with CVM Instruction 381/2003, we inform that in the six-month period ended June 30, 2012 we did not engage our independent accountants for other services not related to external audit. However, we engaged them for additional audit services related to the due diligence process in connection with the possible merger between Portobello S/A and Eliane S/A, which did not come about. Fees for this engagement totaled R$ 647.

Portobello's management composition

Executive Board

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

Board of Directors

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

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

PORTOBELLO S.A.

Notes to the quarterly information
At June 30, 2012
(All amounts in thousands of reais unless otherwise indicated)

1 General information

Portobello S.A., also herein referred to as "Company" or "Parent company", is a listed corporation whose shares are traded on the São Paulo Futures, Commodities and Securities Exchange (BM&FBOVESPA S.A.) New Market segment, under the code PTBL3. The Company is controlled by a group of stockholders, formalized in the agreement entered into on April 15, 2011, which holds 60.97% of the Company's shares at June 30, 2012. The remaining 39.03% of the shares is widely held.

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

The Company also holds investments in the following subsidiaries: (i) Portobello América, which was established to sell Portobello products in the North American market, and, at June 30, 2012, is classified as a discontinued operation, as described in Note 34; (ii) Mineração Portobello, which supplies about 50% of the raw materials used in the production of ceramic tiles; (iii) PBTech, which was incorporated with the objective of providing civil construction companies a differentiated service, with sales of products and services; and (iv) Portobello Shop, which manages Portobello Shop and Empório Portobello franchised stores specialized in ceramic tiles, being the only franchised ceramic tile chain in Brazil, with 107 stores.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(All amounts in thousands of reais unless otherwise indicated)

a) Consolidated interim financial statements

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

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

b) Parent company interim financial statements

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

2.2 Consolidation

2.2.1 Consolidated interim financial statements

a) Subsidiaries

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

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

	Percentage of voting capital	
	June 30, 2012	December 31, 2011
Portobello América Inc.	100.00	100.00
PBTech Com. Serv. Revest. Cer. Ltda.	99.94	99.94
Portobello Shop S.A.	99.90	99.90
Mineração Portobello Ltda.	99.76	99.76

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

(All amounts in thousands of reais unless otherwise indicated)

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

	Equity		Profit	
	June 30, 2012	December 31, 2011	June 30, 2012	June 30, 2011
Parent Company	102,593	81,790	23,790	3,673
Unrealized inventory profit	-	-	-	-
Reversal of unrealized profit	-	-	-	38
Consolidated excluding non-controlling interests	102,593	81,790	23,790	3,711

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

b) Transactions with and participation of non-controlling interests

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

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

2.2.2 Parent company interim financial statements

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

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

2.3 Segment information

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

2.4 Foreign currency translation

a) Functional currency and presentation currency

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

b) Transactions and balances

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

c) Subsidiaries

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

2.5 Cash and cash equivalents

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

2.6 Financial assets

2.6.1 Classification

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

a) Loans and receivables

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

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

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

d) Available-for-sale financial assets

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

2.6.2 Recognition and measurement

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

2.6.3 Offsetting financial instruments

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

2.7 Derivative financial instruments and hedging activities

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

2.8 Impairment of financial assets

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

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

i) significant financial difficulty of the issuer or debtor;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset because of financial difficulties; or

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

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

2.9 Trade receivables

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

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

2.10 Inventories

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

2.11 Judicial deposits

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

2.12 Receivables from Eletrobrás

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

2.13 Investments

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

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

Other investments are recognized at historical cost and adjusted by a provision for impairment, if there is indication of any loss (Note 17).

2.14 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 0).

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

2.15 Intangible assets

Intangible assets relate to trademarks and patents, expenses with the implementation of the management system and software, rights to explore mineral resources and goodwill. Intangible assets are stated at acquisition or formation cost, net of accumulated amortization and impairment losses, when applicable. The amortization is calculated using annual rates applied on the straight-line method, as mentioned in Note 19, based on the defined useful life for the assets, as follows:

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

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

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

The Company and its subsidiaries test an intangible asset with an indefinite useful life for impairment, by comparing its recoverable amount with the corresponding carrying amount, on an annual basis or whenever there is an indication that the intangible asset may be losing its economic substance, as determined by CPC 01 - Impairment of Assets. The carrying amounts at June 30, 2012 are judged to approximate their fair values.

2.16 Leases

Leases of property, plant and equipment in which the Company and its subsidiaries assume all ownership risks and benefits are classified as finance leases under "Loans and financing". These finance leases are recorded as a financed purchase, recognizing at the beginning of the lease a property, plant and equipment item and a financing liability (lease) at fair value and subsequently at amortized cost. Property, plant and equipment acquired in finance leases are depreciated at the rates disclosed in Note 18.

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

2.17 Impairment of non-financial assets

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

2.18 Suppliers

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

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

2.19 Loans and financing

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

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

2.20 Provisions for contingencies, contingent assets and liabilities

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

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

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

2.21 Current and deferred income tax and social contribution

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

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

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

2.22 Employee benefits

a) Private pension plan

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

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

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

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

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

b) Profit-sharing plan

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

2.23 Share capital

The Company's capital is exclusively represented by common shares and is classified in equity, as disclosed in Note 28.

2.24 Share issue costs

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

2.25 Payment of dividends

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

2.26 Revenue recognition

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

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

a) Sales of goods - wholesale

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

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

b) Royalty income

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

c) Interest income

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

2.27 Result from discontinued operations

The result from discontinued operations is stated as a separate amount in the statement of income, comprising the total result after income tax of these operations less any impairment loss, as mentioned in Note 34.

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

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

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

- IFRS 9 - "Financial instruments", addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and supersedes the IAS 39 parts related to classification and measurement of financial instruments. IFRS 9 requires the classification of financial assets into two categories: measured at fair value and measured at amortized cost. Classification is determined at initial recognition. The classification basis is dependent on the entity's business model and on the contractual characteristics of the financial instruments' cash flows. Regarding financial liabilities, the standard maintains most of the requirements established by IAS 39. The main change is that when the fair value option is adopted for financial liabilities, the portion of change in fair value due to the entity's credit risk is recorded in other comprehensive income or loss and not in the statement of income, unless it results in accounting mismatch.

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

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

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

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

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

3 Critical accounting estimates and assumptions

3.1 Critical accounting estimates and assumptions

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

a) Review of useful life and impairment of assets

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

b) Provisions for contingencies

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

c) Provisions for inventory losses

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

d) Deferred income tax and social contribution

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

e) Private pension plan

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 27.

3.2 Critical judgments in applying the Company's accounting policies

a) Receivables from Eletrobrás

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

b) Credits from related parties with guarantees

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

c) Payment in installments - MP 470

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

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

d) ICMS tax benefits

The Company has an ICMS tax incentive, the PRODEC - Program of Development for Companies of the Santa Catarina State, described in Note 21(i). The Federal Supreme Court (STF) has handed down Direct Action decisions declaring that various state laws which have granted ICMS tax benefits without previous agreement between States are unconstitutional. Although the Company has no ICMS tax incentives being judged by the STF, it has been following, together with its legal advisors, the evolution of this issue in the courts to establish possible impacts in its operations and consequent effects on the financial statements.

4 Financial risk management

4.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

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

PORTOBELLO S.A.

Notes to the quarterly information
At June 30, 2012
(All amounts in thousands of reais unless otherwise indicated)

	In thousands of reais			
	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Trade receivables	14,377	13,782	14,377	13,782
Receivables from subsidiaries	41,384	38,405	-	-
Provision for loss on investments	(41,207)	(38,582)	-	-
Trade payables, net of advances	(11,406)	(9,631)	(11,406)	(9,631)
Loans and financing	(43,296)	(44,347)	(43,296)	(44,347)
Commissions	(603)	(703)	(603)	(703)
Net liability exposure	(40,751)	(41,076)	(40,928)	(40,899)

		In foreign currency			
		Parent Company		Consolidated	
		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Trade receivables	euro	245	77	245	77
Trade payables, net of advances	euro	(989)	(1,619)	(989)	(1,619)
Loans and financing	euro	(353)	(441)	(353)	(441)
Commissions	euro	(29)	(8)	(29)	(8)
		(1,126)	(1,991)	(1,126)	(1,991)
Trade receivables	U.S. dollar	5,217	6,451	5,217	6,451
Receivables from subsidiaries	U.S. dollar	20,474	20,474	-	-
Provision for loss on investments	U.S. dollar	(20,386)	(20,568)	-	-
Trade payables, net of advances	U.S. dollar	(4,390)	(3,036)	(4,390)	(3,036)
Loans and financing - FINIMP	U.S. dollar	(10,550)	(12,980)	(10,550)	(12,980)
Loans and financing - Other	U.S. dollar	(10,423)	(10,089)	(10,423)	(10,089)
Commissions	U.S. dollar	(283)	(386)	(283)	(386)
		(20,341)	(20,134)	(20,429)	(20,040)

The strategy adopted to mitigate foreign exchange exposure of the Company's assets and liabilities is to maintain a net liability exchange exposure at amounts that approximate the exports for around 15 months, and, accordingly, providing a natural cash flow hedge.

ii) Cash flow and fair value interest rate risk

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

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

(All amounts in thousands of reais unless otherwise indicated)

b) Credit risk

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

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

c) Liquidity risk

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

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

At June 30, 2012, the Company has an excess of current liabilities over current assets of R$ 31,503 (R$ 30,252 at December 31, 2011) and of R$ 25,841 (R$ 29,480 at December 31, 2011) in the consolidated statements. Management plans to reverse this situation through:

- Restructuring of the debt, aiming at extending the indebtedness profile, obtaining a grace period for payments and the reduction of the financial cost of borrowing. The restructuring is in progress and, so far, has resulted in a decrease in the excess of current liabilities over current assets mentioned above.

- Implementation of measures to strengthen the operating and financial areas in order to improve the profit margins, such as: (i) increase in productivity and reduction of costs; (ii) replacement of existing equipment by others with higher productivity; (iii) launching of innovative products; (iv) reduction of the product portfolio aiming at increased productivity; (v) concentration of exports in more profitable markets; (vi) outsourcing of the production of items with lower profit margin; and (vii) increase in the sales of franchised stores, all benefitting the Company's operating efficiency and profitability.

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

	Parent Company							
	At June 30, 2012				At December 31, 2011			
	Loans and financing	Finance leases	Trade payables	Tax liabilities payable in installments	Loans and financing	Finance leases	Trade payables	Tax liabilities payable in installments
Less than 1 year	83,487	732	118,924	21,393	79,562	38	98,105	20,731
Between 1 and 2 years	21,005	1,248	-	31,888	31,133	-	-	36,722
Between 2 and 5 years	16,670	382	-	27,444	10,860	-	-	26,394
Over 5 years	1,583	-	-	57,936	1,632	-	-	60,120
Total	122,745	2,362	118,924	138,661	123,187	38	98,105	143,967

PORTOBELLO S.A.

Notes to the quarterly information
At June 30, 2012
(All amounts in thousands of reais unless otherwise indicated)

	Consolidated							
	At June 30, 2012				At December 31, 2011			
	Loans and financing	Finance leases	Trade payables	Tax liabilities payable in installments	Loans and financing	Finance leases	Suppliers	Tax liabilities payable in installments
Less than 1 year	83,487	732	120,275	22,370	79,562	38	98,597	21,773
Between 1 and 2 years	20,971	1,248	-	32,739	31,068	-	-	37,953
Between 2 and 5 years	16,644	382	-	27,594	10,838	-	-	26,538
Over 5 years	2,486	-	-	58,249	2,575	-	-	60,447
Total	123,588	2,362	120,275	140,952	124,043	38	98,597	146,711

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

i) Sensitivity analysis of changes in interest rates

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

At June 30, 2012, Management defined for the probable scenario a CDI rate of 8.38% and TJLP of 6.00%. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

	Consolidated in Reais							
	June 30, 2012	Risk	Probable		Possible (25%)		Remote (50%)	
Transaction			%	R$	%	R$	%	R$
Investments	20,040	CDI decrease	8.38%	1,728	6.29%	1,296	4.19%	864
Total	20,040			1,728		1,296		864
Transaction								
Loans - working capital	(14,155)	CDI increase	8.38%	(1,186)	10.48%	(1,483)	12.57%	(1,779)
Loans - Export credit note	(22,005)	CDI increase	8.38%	(1,844)	10.48%	(2,305)	12.57%	(2,766)
Loans - 4131	(11,788)	CDI increase	8.38%	(988)	10.48%	(1,235)	12.57%	(1,482)
Loans - Exim Pre-shipment TJ 462	(1,508)	TJLP increase	6.00%	(90)	7.50%	(113)	9.00%	(136)
Total	(49,456)			(4,108)		(5,136)		(6,163)

ii) Sensitivity analysis of changes in foreign exchange rates

At June 30, 2012, the Company had assets and liabilities denominated in foreign currency and, for sensitivity analysis purposes, adopted as the probable scenario the future market rate in effect during the period of preparation of these interim financial statements. The probable rates were stressed by 25% and 50%, for the possible and remote scenarios, respectively.

(All amounts in thousands of reais unless otherwise indicated)

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

	Consolidated in Reais						
	June 30, 2012	Probable		Possible (25%)		Remote (50%)	
		US$ rate	Gain (loss)	US$ rate	Gain (loss)	US$ rate	Gain (loss)
Trade receivables	14,377	2.0213	-	2.5266	3,594	3.0320	7,189
Trade payables, net of advances	(11,406)	2.0213	-	2.5266	(2,851)	3.0320	(5,703)
Loans and financing	(43,296)	2.0213	-	2.5266	(10,824)	3.0320	(21,648)
Commissions	(603)	2.0213	-	2.5266	(151)	3.0320	(302)
Net liability exposure	(40,928)	2.0213	-	2.5266	(10,232)	3.0320	(20,464)

4.2 Capital management

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

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

The gearing ratios at June 30, 2012 and December 31, 2011 were as follows:

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Loans and financing	122,242	118,954	123,085	119,810
Tax liabilities payable in installments	138,661	143,967	140,952	146,711
Less: Cash and cash equivalents	(20,832)	(8,091)	(23,276)	(10,065)
Receivables from other related parties	(97,519)	(93,780)	(97,519)	(93,780)
Net debt	142,552	161,050	143,242	162,676
Total equity	102,593	81,790	102,607	81,798
Total capital	245,145	242,840	245,849	244,474
Gearing ratio (%)	58	66	58	67

The Company has available and unused credit facilities totaling R$ 19,355 at June 30, 2012.

(All amounts in thousands of reais unless otherwise indicated)

5 Financial instruments by category

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

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Assets as per balance sheet				
Loans and receivables				
Cash and cash equivalents	20,832	8,091	23,276	10,065
Trade receivables	112,252	104,303	117,722	107,867
Judicial deposits	9,099	7,924	9,136	7,961
Receivables from Eletrobrás	33,793	31,059	33,793	31,059
Total	175,976	151,377	183,927	156,952
Liabilities as per balance sheet				
Other financial liabilities				
Trade payables	118,428	97,488	119,779	97,980
Loans and financing	122,242	118,954	123,085	119,810
Tax liabilities payable in installments	138,661	143,967	140,952	146,711
Total	379,331	360,409	383,816	364,501

6 Credit quality of financial assets

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

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Trade receivables				
Counterparties without external credit rating				
Group 1	9,220	14,018	9,746	14,628
Group 2	101,645	87,350	107,437	91,148
Group 3	2,310	5,746	2,441	5,996
Total	113,175	107,114	119,624	111,772

(All amounts in thousands of reais unless otherwise indicated)

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Cash at bank and short-term bank deposits (not including cash on hand)				
AAA (bra)	19,075	6,169	20,979	7,654
AA+ (bra)	53	116	53	120
AA- (bra)	1,324	1,163	1,326	1,166
BBB	126	-	139	-
Other	252	643	778	1,125
Total	20,830	8,091	23,275	10,065
Loans to related parties				
Group 3	1,128	896	-	-
Total	1,128	896	-	-

The customer internal risk classification is described below:

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

7 Cash and cash equivalents

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Checking account	2,642	8,091	3,236	10,065
Financial investments	18,190	-	20,040	-
Total	20,832	8,091	23,276	10,065

Financial investments designated as cash equivalents relate to investment funds, which yielded 96.88% of CDI in June 2012 and can be redeemed at any time.

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8 Trade receivables

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Receivables from third parties:				
Customers - domestic market	96,896	92,074	103,345	96,732
Customers - foreign market	14,377	13,782	14,377	13,782
	111,273	105,856	117,722	110,514
Receivables from related parties:				
Entities related to management	1,902	1,258	1,902	1,258
	1,902	1,258	1,902	1,258
Impairment of trade receivables:				
Provision for doubtful trade receivables	(893)	(2,728)	(1,872)	(3,822)
Present value adjustment	(30)	(83)	(30)	(83)
	(923)	(2,811)	(1,902)	(3,905)
Total (current)	112,252	104,303	117,722	107,867

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

	Parent Company	Consolidated
At December 31, 2011	2,728	3,822
Provision for (reversal of) doubtful trade receivables, net	402	287
Trade receivables written off during the year as uncollectible	(2,237)	(2,237)
At June 30, 2012	893	1,872

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

(All amounts in thousands of reais unless otherwise indicated)

a) Aging of trade receivables - impaired and not impaired

	Parent Company							
	June 30, 2012	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired*	December 31, 2011	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired
Not yet due	108,614	108,239	-	375	97,280	96,851	-	429
Overdue for up to 30 days	3,775	-	3,753	22	6,551	-	6,529	22
Overdue from 31 to 90 days	220	-	181	39	609	-	502	107
Overdue from 91 to 360 days	436	-	109	327	917	-	504	413
Overdue for more than 360 days	130	-	-	130	1,757	-	-	1,757
Total	113,175	108,239	4,043	893	107,114	96,851	7,535	2,728

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

	Consolidated							
	June 30, 2012	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired*	December 31, 2011	Trade notes falling due not impaired	Overdue not impaired	Overdue impaired
Not yet due	113,835	113,460	-	375	100,467	100,038	-	429
Overdue for up to 30 days	3,779	-	3,757	22	6,622	-	6,600	22
Overdue from 31 to 90 days	465	-	426	39	609	-	502	107
Overdue from 91 to 360 days	1,415	-	109	1,306	1,979	-	810	1,169
Overdue for more than 360 days	130	-	-	130	2,095	-	-	2,095
Total	119,624	113,460	4,292	1,872	111,772	100,038	7,912	3,822

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

The Company's receivables are pledged in guarantee of certain loans and financing, as described in Note 21, as a percentage of the outstanding debt balance. At June 30, 2012, trade receivables pledged in guarantee were R$ 46,849 (R$ 38,606 at December 31, 2011).

9 Inventories

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Finished products	88,588	76,693	89,160	77,888
Work in process	7,853	8,777	7,853	8,777
Raw and consumption materials	9,165	7,412	9,165	7,412
Provision for realizable value of inventories	(7,782)	(7,895)	(8,354)	(9,090)
Imports in transit	12,031	5,566	12,031	5,566
Total	109,855	90,553	109,855	90,553

(All amounts in thousands of reais unless otherwise indicated)

10 Taxes recoverable

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Current				
ICMS	405	389	405	389
IPI (a)	814	892	814	892
IRRF/CSRF	19	-	20	4
PIS/COFINS (b)	426	-	426	-
Other	94	101	238	245
Total	1,758	1,382	1,903	1,530
Non-current				
ICMS	1,702	1,762	1,702	1,762
Total	1,702	1,762	1,702	1,762

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

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

b) Prior period PIS and COFINS credits identified in the quarter, to be utilized in the following months.

11 Receivables from other related parties

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

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

(All amounts in thousands of reais unless otherwise indicated)

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

Upon requesting the installment payment program established by Law 11,941/09, the Company and Refinadora entered into an agreement confirming these credits as guarantees and sufficient to settle all the tax debt installments. At Saturday, June 30, 2012, these credits, which also arise from lawsuit 87.00.00967-9, total R$ 97,519 (R$ 93,780 at December 31, 2011) and are monetarily restated by the Special System for Settlement and Custody (SELIC) rate, as prescribed by the agreement.

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

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

12 Judicial deposits

The Company and its subsidiaries are parties to labor, civil and tax litigation (see Note 25) and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. These are recorded at the original amount plus the savings account basic remuneration rate, Reference Rate (TR) + 0.5% per month.

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

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Civil	617	-	617	-
Labor	6,423	5,994	6,460	6,031
Tax	2,059	1,930	2,059	1,930
Total	9,099	7,924	9,136	7,961

13 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.

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

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

The Federal Court accounting department reviewed the calculation and presented new amounts, determining the net amount of R$ 24,749. In September 2010, the Company recognized the difference between the amounts previously calculated and the current calculation made by the Federal Court accounting department, totaling R$ 9,136, recorded under "Other operating income". At June 30, 2012, the balance of the asset was R$ 33,793 (R$ 31,059 at December 31, 2011).

14 Income tax and social contribution

a) Income tax and social contribution

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

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

	Current assets				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Income tax	-	513	115	628	(971)	(63)	(1,438)	(435)
Social contribution	-	186	337	524	(351)	-	(519)	(106)
Total	-	699	452	1,152	(1,322)	(63)	(1,957)	(541)

b) Deferred income tax and social contribution

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

(All amounts in thousands of reais unless otherwise indicated)

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

The deferred tax amounts are as follows:

	Parent Company and Consolidated	
	June 30, 2012	December 31, 2011
Deferred income tax and social contribution - Assets	24,719	25,280
Tax losses	3,465	6,477
Temporary differences - assets	21,254	18,803
Portobello pension plan	(286)	(244)
Adjustment to present value of trade receivables	10	28
Provision for adjustment to market value	3,074	2,998
Provision for contingencies	5,972	5,446
Provision for PIS with ICMS reduction	1,713	1,454
Provision for COFINS with ICMS reduction	7,896	6,702
Provision for doubtful trade receivables	304	928
Provision for profit sharing	841	-
Other temporary differences - assets	1,730	1,491
Deferred income tax and social contribution - Liabilities	(41,006)	(40,973)
Temporary differences - liabilities	(41,006)	(40,973)
Realization of revaluation reserve	(18,201)	(18,470)
Receivables from Eletrobrás	(11,490)	(10,560)
Contingent assets - IPI premium credit - phase II	(4,217)	(4,020)
Adjustment to present value - Prodec*	(974)	(1,452)
Adjustment to present value of trade payables	(169)	(210)
Depreciation adjustment (to the useful lives of assets)	(4,714)	(4,778)
Cash basis exchange rate variations	(1,241)	(1,483)
Deferred income tax and social contribution - net	(16,287)	(15,693)

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

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

	Parent Company and Consolidated			
	Deferred taxes			
	Assets		Liabilities	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
2012	12,661	11,433	(568)	(537)
2013	1,054	2,669	(16,443)	(15,328)
2014	2,894	9,000	(568)	(537)
2015	1,054	1,089	(568)	(537)
2016	1,054	1,089	(568)	(537)
Over 5 years	6,002	-	(22,291)	(23,497)
	24,719	25,280	(41,006)	(40,973)

The net changes in the deferred taxes in the period ended June 30, 2012 are as follows:

	Parent Company and Consolidated
At December 31, 2011	(15,693)
Tax losses	(3,012)
Temporary differences - assets	2,451
Temporary differences - liabilities	(302)
Revaluation reserve	269
At June 30, 2012	(16,287)

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

	Parent Company and Consolidated			
	2nd quarter		Accumulated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	Effect on statement of income		Effect on statement of income	
Deferred tax asset				
Tax losses	(1,374)	138	(3,013)	-
Portobello pension plan	(13)	(37)	(42)	(82)
Adjustment to present value of trade receivables	(13)	(11)	(18)	(19)
Provision for adjustment to market value	27	191	76	81
Provision for contingencies	226	285	526	(256)
Provision for PIS with ICMS reduction	126	131	259	234
Provision for COFINS with ICMS reduction	582	599	1,194	1,077
Provision for doubtful trade receivables	(645)	(124)	(624)	(238)
Provision for profit sharing	329	(946)	841	(946)
Provision for contingencies of IPI premium credit - SIMAB	-	(1,896)	-	(1,896)

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	Parent Company and Consolidated			
	2nd quarter		Accumulated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	Effect on statement of income		Effect on statement of income	
Other temporary differences - assets	154	(77)	240	(117)
Total	(601)	(1,747)	(561)	(2,162)
Realization of revaluation reserve	134	135	268	269
Receivables from Eletrobrás	(467)	(453)	(929)	(903)
Contingent assets - IPI premium credit - phase II	(94)	(102)	(197)	(198)
Adjustment to present value - Prodec	208	(363)	478	(363)
Adjustment to present value of trade payables	15	(23)	41	(23)
Depreciation adjustment (to the useful lives of assets)	33	(6)	64	(12)
Cash basis exchange rate variations	466	1,449	242	2,972
Total	295	637	(33)	1,742
	(306)	(1,110)	(594)	(420)

c) Income tax and social contribution expense or credit

The income tax and social contribution expense is as follows:

Changes in the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Current tax				
Current tax on profit for the period	(3,199)	315	(4,560)	(579)
Total current tax	(3,199)	315	(4,560)	(579)
Deferred tax				
Generation and reversal of temporary differences	(306)	(1,110)	(306)	(1,110)
Total deferred tax	(306)	(1,110)	(306)	(1,110)
Income tax and social contribution expense	(3,505)	(795)	(4,866)	(1,689)

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Profit before tax	16,140	2,845	17,142	3,938
Tax calculated based on the standard tax rates	(5,488)	(967)	(5,828)	(1,338)
Equity in the earnings of subsidiaries	949	620	-	-
Non-deductible expenses for tax purposes	43	215	43	103
Depreciation of revalued assets	(134)	(135)	(134)	(135)
Tax credits on tax losses and temporary differences	1,431	582	1,359	791
Deferred income tax and social contribution	(306)	(1,110)	(306)	(1,110)
Tax expense	(3,505)	(795)	(4,866)	(1,689)

(All amounts in thousands of reais unless otherwise indicated)

Changes in the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Current tax				
Current tax on profit for the period	(7,017)	-	(10,311)	(2,265)
Total current tax	(7,017)	-	(10,311)	(2,265)
Deferred tax				
Generation and reversal of temporary differences	(594)	(420)	(594)	(420)
Total deferred tax	(594)	(420)	(594)	(420)
Income tax and social contribution expense	(7,611)	(420)	(10,905)	(2,685)

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Profit before tax	31,401	4,093	34,339	6,620
Tax calculated based on the standard tax rates	(10,677)	(1,391)	(11,675)	(2,250)
Equity in the earnings of subsidiaries	2,050	1,440	-	-
Non-deductible expenses for tax purposes	123	284	123	189
Depreciation of revalued assets	(268)	(269)	(268)	(269)
Tax credits on tax losses and temporary differences	1,755	(64)	1,509	65
Deferred income tax and social contribution	(594)	(420)	(594)	(420)
Tax expense	(7,611)	(420)	(10,905)	(2,685)

15 Tax assets

The Company filed a lawsuit requesting the recognition of the IPI Premium credit for different calculation periods. Lawsuit 1987.0000.645-9, referring to the period from April 1, 1981 to April 30, 1985, was decided in the Company's favor and is at the sentence execution phase, with the related amounts already determined by the Federal Court accounting department. Accordingly, in November 2009, the Company recognized the undisputed amount equivalent to R$ 12,404 restated through June 30, 2012 (R$ 11,823 at December 31, 2011).

16 Contingent assets

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

(All amounts in thousands of reais unless otherwise indicated)

17 Investments

a) Investments in subsidiaries

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

	Investments	Provision for loss on investments
At December 31, 2011	480	(43,202)
Equity in results	6,115	(68)
Exchange variations	-	(2,987)
At June 30, 2012	6,595	(46,257)
Current	-	41,207
Non-current	6,595	5,050

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

	Country of incorporation	Ownership percentage	Assets	Liabilities	Revenue	Profit/(loss)
At December 31, 2011						
Portobello América Inc.	United States	100.00%	592	39,174	586	(548)
PBTech Ltda.	Brazil	99.94%	1,237	4,802	179	(255)
Portobello Shop S/A	Brazil	99.90%	6,076	5,596	42,907	10,940
Mineração Portobello Ltda.	Brazil	99.76%	451	1,506	1,981	(109)
At June 30, 2012						
Portobello América Inc.	United States	100.00%	786	41,993	389	362
PBTech Ltda.	Brazil	99.94%	1,224	5,309	-	(520)
Portobello Shop S/A	Brazil	99.90%	13,047	6,452	23,623	6,115
Mineração Portobello Ltda.	Brazil	99.76%	487	1,452	1,062	90

b) Other investments

At June 30, 2012, the Company has a balance of R$ 198 (R$ 198 at December 31, 2011), relating to its interest of 11.72% in Infragás - Infraestrutura de Gás para a Região Sul S.A., which has the specific purpose of enabling the implementation of infrastructure for the supply of natural gas to the states in the south region of Brazil. This balance, plus the Amazon Investment Fund (FINAM) recorded in subsidiary Mineração Portobello, represent the consolidated balance of R$ 215 (R$ 215 at December 31, 2011).

(All amounts in thousands of reais unless otherwise indicated)

18 Property, plant and equipment

a) Composition

		Parent Company				Consolidated	
		June 30, 2012			December 31, 2011	June 30, 2012	December 31, 2011
	Annual average depreciation rate	Cost	Accumulated depreciation	Net	Net	Net	Net
Land		11,111	-	11,111	11,111	11,488	11,488
Buildings, constructions and improvements	4%	94,126	(14,350)	79,776	80,366	79,929	80,523
Machinery and equipment	10%	278,050	(206,613)	71,437	70,314	71,437	70,314
Furniture and fixtures	10%	8,226	(7,246)	980	1,026	1,096	1,156
Computers	20%	12,895	(11,591)	1,304	1,389	1,319	1,406
Other assets	20%	219	(180)	39	48	98	107
Construction in progress (a)		12,956	-	12,956	13,058	13,460	13,058
Total		417,583	(239,980)	177,603	177,312	178,827	178,052

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

Management opted to maintain the value of revalued property, plant and equipment because this balance approximates the fair value, as the revaluation was recorded in 2006 (see Note 28(b)).

As established by the Technical Interpretation ICPC 10 issued by the CPC and approved by CVM Deliberation 619/09, in force as from January 1, 2009, in 2008 the Company reviewed and changed the useful lives of its property, plant and equipment based on a technical appraisal of the engineering department, and these rates were maintained from 2009 to 2012.

b) Changes in property, plant and equipment

	Parent Company							
	Land	Buildings, constructions and improvements	Machinery and equipment	Furniture and fixtures	Computers	Other	Construction in progress	Total
At December 31, 2011	11,111	80,366	70,314	1,026	1,389	48	13,058	177,312
Additions*	-	-	446	52	113	-	7,974	8,585
Transfers	-	792	6,948	8	-	-	(7,748)	-
Depreciation	-	(1,382)	(6,271)	(106)	(198)	(9)	-	(7,966)
Disposals	-	-	-	-	-	-	(328)	(328)
At June 30, 2012	11,111	79,776	71,437	980	1,304	39	12,956	177,603

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

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	Consolidated							
	Land	Buildings, constructions and improvements	Machinery and equipment	Furniture and fixtures	Computers	Other	Construction in progress	Total
At December 31, 2011	11,488	80,523	70,314	1,156	1,406	107	13,058	178,052
Additions*	-	-	446	52	113	-	8,478	9,089
Transfers	-	792	6,948	8	-	-	(7,748)	-
Depreciation	-	(1,386)	(6,271)	(120)	(200)	(9)	-	(7,986)
Disposals	-	-	-	-	-	-	(328)	(328)
At June 30, 2012	11,488	79,929	71,437	1,096	1,319	98	13,460	178,827

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

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

In the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Cost of sales	3,696	3,521	3,696	3,521
Selling expenses	227	206	238	220
Administrative expenses	115	93	115	93
Total	4,038	3,820	4,049	3,834

In the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Cost of sales	7,293	7,087	7,293	7,087
Selling expenses	445	399	465	425
Administrative expenses	228	170	228	170
Total	7,966	7,656	7,986	7,682

(All amounts in thousands of reais unless otherwise indicated)

19 Intangible assets

a) Composition

		Parent Company				Consolidated	
		June 30, 2012			December 31, 2011	June 30, 2012	December 31, 2011
	Annual average amortization rate	Cost	Accumulated amortization	Net	Net	Net	Net
Software	20%	12,358	(11,986)	372	451	372	451
Right to explore mineral resources	20%	1,000	(450)	550	650	558	659
Trademarks and patents		150	-	150	150	152	152
Goodwill		-	-	-	-	190	80
Management system (a)		9,506	-	9,506	3,407	9,506	3,407
Total		23,014	(12,436)	10,578	4,658	10,778	4,749

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

b) Changes in intangible assets

	Parent Company				
	Software	Right to explore mineral resources	Trademarks and patents	Management system	Total
At December 31, 2011	451	650	150	3,407	4,658
Additions*	-	-	-	6,099	6,099
Amortization	(79)	(100)	-	-	(179)
At June 30, 2012	372	550	150	9,506	10,578

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

	Consolidated					
	Software	Right to explore mineral resources	Trademarks and patents	Goodwill	Management system	Total
At December 31, 2011	451	659	152	80	3,407	4,749
Additions*	-	-	-	110	6,099	6,209
Amortization	(79)	(101)	-	-	-	(180)
At June 30, 2012	372	558	152	190	9,506	10,778

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

(All amounts in thousands of reais unless otherwise indicated)

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

In the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Cost of sales	60	59	60	60
Selling expenses	-	1	-	5
Administrative expenses	22	37	22	37
Total	82	97	82	102

In the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Cost of sales	124	122	125	125
Selling expenses	-	2	-	10
Administrative expenses	55	70	55	70
Total	179	194	180	205

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

	2012	2013	2014	2015	2016	2017
Software	62	78	26	8	-	-
Right to explore mineral resources	105	203	200	50	-	-
Management system (a)	-	1,585	2,112	2,112	2,112	1,585
Total	167	1,866	2,338	2,170	2,112	1,585

(a) Amortization plan based on the estimated conclusion 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. Software includes R$ 198 still under development.

20 Trade payables

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Trade payables	118,924	98,105	120,275	98,597
Domestic market	107,468	88,463	108,819	88,955
Foreign market	11,456	9,642	11,456	9,642
Present value adjustment	(496)	(617)	(496)	(617)
Total	118,428	97,488	119,779	97,980

(All amounts in thousands of reais unless otherwise indicated)

21 Loans and financing

	Maturity	2012 charges	Parent Company		Consolidated	
			June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Current						
Foreign currency						
Suppliers credit		VC+5.27% p.a.[1]	4,841	4,278	4,841	4,278
Advance on export contracts		VC+3.78% p.a.[1]	6,969	-	6,969	-
Export prepayment (a)		VC+6.07% p.a.[1]	2,751	5,769	2,751	5,769
FINIMP (import financing) (b)		VC+3.22% p.a.[1]	21,325	24,349	21,325	24,349
Total foreign currency		VC + 3.82% p.a.	35,886	34,396	35,886	34,396
Local currency						
Exim Pre-shipment TJ 462 (d)		12.80% p.a.	1,508	2,014	1,508	2,014
FINEP (d)		8.00% p.a.	1,988	1,992	1,988	1,992
Export credit note		10.04% p.a.	19,005	7,053	19,005	7,053
4131 (f)		10.98% p.a.	11,788	11,111	11,788	11,111
Finance lease (g)		10.90% p.a.	732	38	732	38
Advance on credit notes (h)		15.49% p.a.	-	5,489	-	5,489
Working capital		11.38% p.a.[1]	13,312	17,507	13,312	17,507
Total local currency		10.65% p.a.	48,333	45,204	48,333	45,204
Total current			84,219	79,600	84,219	79,600
Non-current						
Foreign currency						
Suppliers credit	Oct/2016	VC+5.27% p.a.[1]	6,025	7,610	6,025	7,610
Export prepayment (a)	Dec/2013	VC+5.90% p.a.[1]	1,385	2,341	1,385	2,341
Total foreign currency		VC + 5.39% p.a.	7,410	9,951	7,410	9,951
Local currency						
Exim Pre-shipment TJ 462 (d)	Mar/2013	12.80% p.a.	-	500	-	500
PRODEC (i)	Mar/2016	4.00% p.a. UFIR - Fiscal Reference Unit	15,679	9,952	15,679	9,952
FINEP (d)	Sep/2018	8.00% p.a.	10,304	11,285	10,304	11,285
Export credit note	Mar/2013	9.24% p.a.	3,000	3,333	3,000	3,333
Finance lease (g)	May/2015	10.90% p.a.	1,630	-	1,630	-
Working capital	Mar/2017	12.29% p.a.[1]	-	4,333	843	5,189
Total local currency		6.23 % p.a.	30,613	29,403	31,456	30,259
Total non-current liabilities			38,023	39,354	38,866	40,210
Total			122,242	118,954	123,085	119,810

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

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

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b) FINIMP (special credit lines for the import of capital assets, machinery, equipment and services) - from July 2011 to June 2012, the Company entered into several 6 month FINIMP contracts, amounting to US$ 10,550 thousand, with an average rate of 3.22% p.a., with payments made at the end of each contract. These contracts were collateralized by receivables of Portobello S.A. in the average amount of 32% of the debt due in conformity with the contract.

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

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

e) NCE - Export Credit Note - In May 2012, the Company entered into an export credit note agreement with Banco do Brasil, in the amount of R$ 15,000, with interest of 9.24% p.a., payable in 5 installments, the first of which on July 14, 2012, the second on October 14, 2012, the third on January 14, 2013, the fourth on 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.

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

g) Leasing SG Equipment Finance S.A. - in May 2012, the Company entered into a lease agreement with SG Equipment Finance S.A,. in the amount of R$ 2,418, with interest of 10.90% p.a., payable over 36 months. This agreement is collateralized by the leased assets.

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

i) PRODEC - Program of Development for Companies of Santa Catarina State - in July 2009, the Company was granted a State of Santa Catarina Special Tax Financing Regime. The balance was adjusted to present value. The interest rate used for the present value adjustment calculation was the average for working capital, 10.68% per year. The conditions of the Program are as follows:

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

Loans and financing at June 30, 2012 do not have restrictive covenants.

The other loans are mainly guaranteed by mortgages on properties, pledges of equipment and receivables of the parent company (Note 8) and a subsidiary (Note 39), sureties of the controlling stockholders and of a subsidiary and finished product inventories amounting to R$ 456.

The long-term loans fall due as follows:

	Parent Company		Consolidated	
Maturity up to June 1	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
2013	10,657	19,128	10,657	19,128
2014	10,037	8,957	10,037	8,957
2015	7,230	5,254	7,230	5,254
2016	6,664	2,580	6,664	2,580
2017	1,963	1,963	1,963	1,963
2018	1,472	1,472	2,315	2,328
Total	38,023	39,354	38,866	40,210

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

	Consolidated	
	June 30, 2012	December 31, 2011
Six months or less	44,631	33,485
From 6 to 12 months	21,294	19,164
From 1 to 5 years	10,866	37,550
Over 5 years	843	856
Total	77,634	91,055

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

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Reais	78,946	74,607	79,789	75,463
Euro	904	1,074	904	1,074
U.S. dollars	42,392	43,273	42,392	43,273
Total	122,242	118,954	123,085	119,810

The fair value of the outstanding borrowings approximates their book values as the impact of discounting to present value is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 7.22% (8.71% at December 31, 2011).

Finance lease payables are as follows:

	Parent Company and Consolidated	
	June 30, 2012	December 31, 2011
Gross finance lease liabilities - minimum lease payments		
Less than one year	943	39
More than one year and less than five years	1,805	-
Total	2,748	39
Future finance costs on finance leases	(386)	(1)
Present value of finance lease liabilities	2,362	38
The present value of finance lease liabilities is as follows:		
Less than one year	732	38
More than one year and less than five years	1,630	-
Total	2,362	38

(All amounts in thousands of reais unless otherwise indicated)

22 Tax liabilities payable in installments

	Tax liabilities	Request for installment payment		June 30, 2012	December 31, 2011
		Date	Number of installments not yet due		
Portobello S.A.	INSS	Dec/09	29	7,716	8,987
	IPI	Dec/09	29	5,242	6,083
	PIS	Mar/09	20	247	310
	COFINS	Mar/09	20	1,139	1,426
	IRPJ	Mar/09	20	1,808	2,265
	CSLL	Mar/09	20	672	842
	LAW 11,941/09 (a)	Nov/09	148	121,837	124,054
Total parent company				138,661	143,967
Current				21,393	20,731
Non-current				117,268	123,236
PBTech Ltda.	LAW 11,941/09 (a)	Nov/09	7	70	169
Portobello Shop S.A.	INSS	Nov/09	31	629	735
	COFINS	Mar/09	23	85	107
	IRPJ	Mar/09	23	655	821
	CSLL	Mar/09	23	239	298
	LAW 11941/09 (a)	Nov/09	151	613	614
Total subsidiaries				2,291	2,744
Total consolidated				140,952	146,711
Current				22,370	21,773
Non-current				118,582	124,938

The installments fall due as follows:

	Parent Company		Consolidated	
Maturity	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
2012	10,551	20,731	11,076	21,773
2013	21,683	20,869	22,590	21,742
2014	16,473	15,852	16,844	16,211
2015 to 2023*	82,332	79,182	82,782	79,614
2024	7,622	7,333	7,660	7,371
Total	138,661	143,967	140,952	146,711

(*) In June 2012 and December 2011, respectively, the aggregate annual installments amount to R$ 9,148 and R$ 8,798 in the Parent Company and R$ 9,198 and R$ 8,846 in the Consolidated.

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

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

Between the application date and the consolidation the Company paid the minimum installment of R$ 395, as permitted by legislation. During this period, and more precisely at the time of the consolidation, it made decisions that had a positive economic impact of R$ 3,013, of which R$ 3,613 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 denied in the installment program of Provisional Measure (MP) 470 to the installment program of Law 11,941 (see Note 23).

After the consolidation, the Company is required to pay monthly installments of R$ 1,166 without delay exceeding three months and it must discontinue any lawsuit and waive any alleged right on which the referred lawsuits are based, under penalty of immediate cancellation of the installment payment program and the consequent loss of the benefits established by Law 11,941/09. The termination of lawsuits filed against tax assessments does not affect the proceedings in course in the judicial sphere, mentioned in Note 15.

23 Tax debts Law 12,249/10 (MP 470 and MP 472)

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

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

PGFN partially denied the request in June 2010 claiming the need of withdrawal from lawsuits challenging the credit. The Company requested the withdrawal/waiver of only the assessments received from SRF. However, the Attorney General's Office of the National Treasury of the State of Santa Catarina understood that the withdrawal/waiver should be extended to the declaratory actions seeking the recognition of IPI premium credits, mentioned in Note 15. The Company's legal department is adopting measures against the decision of the PGFN in order to dismiss the demand of withdrawal/waiver of these declaratory suits. This procedure is supported by an opinion issued by the law firm Demarest Almeida, defending that, in relation to debts included in the installment program established by Law 12,249/10, the Company is not obliged to withdraw the declaratory suits, which differs from the procedure established by Law 11,941/09. The Company's legal department understands as virtually certain a favorable outcome in the various legal levels available to reconsider the unfavorable decisions based on the merits of the case.

(All amounts in thousands of reais unless otherwise indicated)

In the remote event that PGFN's decision will be upheld through the last level, the impact on the Company's results would be a loss of R$ 24,255 at June 30, 2012, considering the non-acknowledgment of the debt, the loss of the benefits and the maintenance of the debts as contingent liabilities. This possible tax liability would be offset by the credits arising from lawsuit 1998.34.00.029022-4, as mentioned in Note 16.

24 Taxes and contributions

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
IRRF	779	1,034	920	1,225
ICMS	4,214	1,985	4,214	1,985
PIS	371	116	439	158
COFINS	1,708	533	2,022	727
Other	68	93	210	218
Total	7,140	3,761	7,805	4,313

25 Provision for contingencies

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

The analysis of the provisions is as follows:

	Parent Company		Consolidated	
Provisions	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Civil	4,577	4,416	4,636	4,488
Labor	10,916	9,654	10,916	9,654
Tax	30,332	25,935	30,763	25,935
Total	45,825	40,005	46,315	40,077
Current	1,733	988	2,216	1,015
Non-current	44,092	39,017	44,099	39,062

(All amounts in thousands of reais unless otherwise indicated)

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

Changes in the provisions are as follows:

	Parent Company			
	Civil	Labor	Tax	Total
At December 31, 2011	4,416	9,654	25,935	40,005
Charged (credited) to the statement of income:	234	1,801	4,397	6,432
Additional provisions	499	1,197	3,346	5,042
Reversal due to lack of use	(632)	(223)	-	(855)
Unwinding of discount	-	37	-	37
Monetary adjustment (Note 33)	367	790	1,051	2,208
Reversal due to realization	(73)	(539)	-	(612)
At June 30, 2012	4,577	10,916	30,332	45,825

	Consolidated			
	Civil	Labor	Tax	Total
At December 31, 2011	4,488	9,654	25,935	40,077
Charged (credited) to the statement of income:	254	1,801	4,828	6,883
Additional provisions	524	1,197	3,777	5,498
Reversal due to lack of use	(641)	(223)	-	(864)
Unwinding of discount	-	37	-	37
Monetary adjustment (Note 33)	371	790	1,051	2,212
Reversal due to realization	(106)	(539)	-	(645)
At June 30, 2012	4,636	10,916	30,763	46,315

Comments on civil, labor and tax proceedings:

Civil

The Company and its subsidiaries are defendants in 125 civil lawsuits (102 civil lawsuits at December 31, 2011) in common courts and special civil courts. Most of the lawsuits have been brought by customers and claim compensation for alleged pain and suffering and tangible damages. When applicable, judicial deposits were made (Note 12).

The civil contingent liabilities are described in Note 26.

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 308 labor claims (70 claims at December 31, 2011) brought by former employees and third parties. The claims refer to the payment of termination amounts, premiums, overtime, salary equalization, monetary adjustment of the Government Severance Indemnity Fund for Employees (FGTS), compensation for pain and suffering and tangible damage from occupational accidents/disease. The provisions are reviewed by management based on the opinion of the legal advisors. Some lawsuits are backed by judicial deposits (Note 12).

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

These contingent liabilities are disclosed in Note 26.

Tax

a) INSS on Cooperatives

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

The Company 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 of not paying the social contribution, as well as offsetting the amounts that had been unduly paid. At June 30, 2012, the balance of the provision was R$ 2,070 (R$ 1,948 at December 31, 2011).

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

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

The balances of the provisions for tax contingencies related to the exclusion of ICMS from the calculation basis of PIS and COFINS amount to R$ 28,262 at June 30, 2012 (R$ 23,987 at December 31, 2011).

(All amounts in thousands of reais unless otherwise indicated)

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

c) ISS Fraiburgo

In June 2012, the Company signed with the Municipality of Fraiburgo an agreement for the payment of tax debts referring to Service Tax (ISS), incurred in 2001 by a company merged into the subsidiary PBTECH in 2004. A provision in the amount of R$ 431 was recorded in the second quarter of 2012 and the payment, in a lump sum, was made in July 2012.

26 Contingent liabilities

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

	Parent Company		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Civil	896	767	926	787
Labor	10,933	9,323	10,933	9,323
Total	11,829	10,090	11,859	10,110

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

27 Employee benefits

27.1 Private Pension Plan

Since November 1, 1997, the Company and its subsidiaries sponsor the Portobello Prev benefit plans, managed by BB Previdência - Fundo de Pensão Banco do Brasil, which includes 45 participants. The plan has the characteristics of a defined contribution plan; however, it provides a minimum retirement benefit for length of service or age.

At June 30, 2012, the balance of the special contributions relating to past service, to be deposited in the individual accounts of the participants who meet the conditions established by the regulations of the plan, amounts to R$ 2,995 (R$ 3,118 at December 31, 2011) and is recognized in long-term liabilities. The Company will pay the related special reserve amount when each participant in these conditions becomes eligible.

(All amounts in thousands of reais unless otherwise indicated)

The main actuarial assumptions used were as follows:

	Parent Company	
	June 30, 2012	June 30, 2011
Economic assumptions		
Discount rate	6% p.a. (real)	6% p.a. (real)
Expected rate of return on assets	6% p.a. (real)	6% p.a. (real)
Future salary increases	2% p.a. (real) up to 47 years	2% p.a. (real) up to 47 years
Growth in the benefits and limits of the Government Social Security	2% p.a. (real) as from 48 years	2% p.a. (real) as from 48 years
Inflation	Not considered	Not considered
Capacity factor		
Salaries	100%	100%
Benefits	100%	100%
Demographic assumptions:		
Mortality table	AT 83	AT 83
Disability mortality table	Exp. IAPC	Exp. IAPC
Disability table	Hunter and Álvaro Vindas	Hunter and Álvaro Vindas

27.2 Employee benefit expenses

a) Expenses incurred in the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Remuneration	18,953	17,767	20,305	19,117
Benefits				
Private pension plan	155	162	211	222
FGTS	1,737	1,437	1,815	1,517
Other	2,100	1,929	2,164	1,979
Total	22,945	21,295	24,495	22,835

b) Expenses incurred in the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Remuneration	36,044	33,840	38,615	36,426
Benefits				
Private pension plan	304	319	416	438
FGTS	3,257	2,809	3,406	2,963
Other	4,034	3,563	4,158	3,666
Total	43,639	40,531	46,595	43,493

28 Equity

a) Share capital

(full amounts, figures not rounded)

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

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

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

At June 30, 2012, there were 61,992,352 shares outstanding in the market, corresponding to 38.99% of the total shares issued (61,992,547 at December 31, 2011, corresponding to 38.99% of the total). Shares outstanding in the market comprise all securities available for trading in the market, excluding those held by the controlling stockholders and members of the Board of Directors and the Executive Board.

b) Revaluation reserve

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

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

In accordance with ICPC 10, the Company recorded an additional amount of R$ 2,517 of deferred income tax and social contribution on land revalued in 2006, when the legislation did not permit such tax deferral. ICPC 10 requires that entities record a provision for taxes on revaluation of land when "it is probable that the economic benefits associated with the non-depreciable asset will flow to the entity, derived either from current or future sales or own use of the asset". Deferred income tax and social contribution corresponding to the reserve for revaluation of land, buildings and improvements are classified in non-current liabilities, as mentioned in Note 14(b).

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Considering the surplus credited to the revaluation reserve approved by the Extraordinary General Meeting of stockholders held on December 29, 2006, the balance of the revaluation of the Company's assets, net of deferred taxes, amounted to R$ 44,503 at June 30, 2012 (R$ 45,292 at December 31, 2011). The depreciation charge on the revaluation, net of deferred IRPJ and CSLL liabilities, for the six-month period ended June 30, 2012 was R$ 789 (R$ 790 at June 30, 2011), and the balance of deferred IRPJ and CSLL on the revaluation reserve recorded in non-current liabilities was R$ 18,201 (R$ 18,470 at December 31, 2011). See Note 14(b).

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

c) Accumulated deficit

	Parent Company and Consolidated
At December 31, 2011	(73,738)
Realization of revaluation reserve	789
Profit for the period (excluding non-controlling interests)	23,790
At June 30, 2012	(49,159)

29 Revenue

The reconciliation between gross sales revenue and net revenue, presented in the statement of income for the periods ended June 30, 2012 and 2011, is as follows:

a) Revenue earned in the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Gross sales revenue	185,637	167,624	197,502	177,701
Deductions from gross revenue	(39,143)	(36,133)	(40,333)	(37,129)
Taxes on sales	(35,886)	(31,757)	(37,076)	(32,753)
Returns	(3,257)	(4,376)	(3,257)	(4,376)
Net sales revenue:	146,494	131,491	157,169	140,572
Domestic market	136,396	122,482	145,494	129,276
Foreign market	10,098	9,009	11,675	11,296

(All amounts in thousands of reais unless otherwise indicated)

b) Revenue earned in the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Gross sales revenue	363,176	319,998	386,823	339,987
Deductions from gross revenue	(77,298)	(69,726)	(79,661)	(71,716)
Returns	(70,904)	(61,567)	(73,267)	(63,557)
Taxes on sales	(6,394)	(8,159)	(6,394)	(8,159)
Net sales revenue:	285,878	250,272	307,162	268,271
Domestic market	267,658	234,358	285,128	247,813
Foreign market	18,220	15,914	22,034	20,458

30 Expenses by nature

Cost of sales and selling and administrative expenses for the quarter and six-month periods ended June 30, 2012 and 2011, by nature, are as follows:

a) Expenses incurred in the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Changes in inventories of finished products and work in process	(15,232)	6,242	(15,232)	6,242
Direct production costs (raw materials and inputs)	56,248	44,246	55,695	43,843
General production expenses (including maintenance)	8,542	7,874	8,542	7,874
Cost of goods resold	28,906	18,828	29,240	19,195
Transportation of goods sold	639	788	639	788
Salaries, social charges and employee benefits	28,340	26,471	30,213	28,343
Third-party labor and services	4,439	4,102	6,159	5,912
Amortization and depreciation	4,079	3,895	4,089	3,913
Rental and operating leasing	1,925	1,726	1,926	1,726
Sales commissions	3,224	2,825	3,224	2,825
Marketing and publicity	1,597	1,640	2,955	2,808
Other selling expenses	3,501	3,808	4,132	4,329
Other administrative expenses	1,037	781	1,047	797
Total	127,245	123,226	132,629	128,595

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b) Expenses incurred in the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Changes in inventories of finished products and work in process	(20,066)	(2,895)	(20,066)	(2,895)
Direct production costs (raw materials and inputs)	108,398	95,551	107,334	94,690
General production expenses (including maintenance)	15,598	15,486	15,598	15,486
Cost of goods resold	53,734	37,546	54,413	38,284
Transportation of goods sold	1,153	1,415	1,153	1,415
Salaries, social charges and employee benefits	53,755	50,306	57,331	53,900
Third-party labor and services	7,832	7,686	10,957	10,651
Amortization and depreciation	8,060	7,797	8,081	7,834
Rental and operating leasing	3,888	3,256	3,890	3,256
Sales commissions	6,417	5,555	6,417	5,555
Marketing and publicity	3,049	2,831	5,227	5,049
Other selling expenses	6,687	7,019	7,881	7,900
Other administrative expenses	1,862	1,377	1,884	1,408
Total	250,367	232,930	260,100	242,533

31 Other operating income and expenses, net

Other operating income and expenses in the parent company and consolidated financial statements, for the quarters and six-month periods ended June 30, 2012 and 2011, were as follows:

a) Net expenses in the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Other operating income				
Related party service revenue	573	774	-	-
Third-party service revenue	217	292	217	292
Pis/Cofins credits (Note 10(b))	581	-	581	-
Profit sharing, balance net of reversal	-	252	-	252
Consolidation of installment payment of Law 11,941/09 (Note 22(a))	-	3,613	-	3,613
Other revenue	15	22	10	25
Total	1,386	4,953	808	4,182
Other operating expenses				
Provision for labor contingencies (Note 25)	(652)	(439)	(652)	(439)
Provision for civil contingencies (Note 25)	214	(710)	199	(708)
Provision for tax contingencies (Note 25)	-	-	(431)	-
Taxes on other revenues	(82)	(148)	(82)	(148)
Cost of idleness (a)	-	(3,610)	-	(3,610)
Provision for profit sharing (b)	(1,885)	-	(2,244)	-
Expenses to adapt to environmental rules (c)	-	(337)	-	(337)
Other costs	-	(23)	(47)	(21)

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	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Total	(2,405)	(5,267)	(3,257)	(5,263)
Total, net	(1,019)	(314)	(2,449)	(1,081)

(a) During the second quarter of 2011, the production volume was reduced as part of the Company's strategic actions to align its inventory levels. Therefore, part of the fixed costs incurred in the period was immediately recognized in profit or loss for the period in order that the finished products are not stated above normal cost. The accounting treatment is in accordance with CPC 16.
(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.
(c) Expenses incurred to improve the facilities for storage and final disposal of residues in accordance with environmental rules.

b) Net expenses in the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Other operating income				
Related party service revenue	1,315	1,674	-	-
Third-party service revenue	432	425	432	425
Pis/Cofins credits (Note 10(b))	581	-	581	-
Bank exclusivity contract	2,100	-	2,100	-
Profit sharing, balance net of reversal	-	252	-	252
Consolidation of installment payment of Law 11,941/09 (Note 22(a))	-	3,613	-	3,613
Other revenue	130	140	107	148
Total	4,558	6,104	3,220	4,438
Other operating expenses				
Provision for labor contingencies (Note 25)	(1,011)	(4,287)	(1,011)	(4,287)
Provision for civil contingencies (Note 25)	133	(2,369)	117	(2,373)
Provision for tax contingencies (Note 25)	-	-	(431)	-
Taxes on other revenues	(341)	(263)	(341)	(263)
Cost of idleness (a)	-	(3,610)	-	(3,610)
Provision for profit sharing (b)	(3,391)	-	(4,020)	-
Expenses to adapt to environmental rules (c)	-	(337)	-	(337)
Other costs	(19)	(410)	(67)	(410)
Total	(4,629)	(11,276)	(5,753)	(11,280)
Total, net	(71)	(5,172)	(2,533)	(6,842)

(a) During the second quarter of 2011, the production volume was reduced as part of the Company's strategic actions to align its inventory levels. Therefore, part of the fixed costs incurred in the period was immediately recognized in profit or loss for the period in order that the finished products are not stated above normal cost. The accounting treatment is in accordance with CPC 16.
(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.
(c) Expenses incurred to improve the facilities for storage and final disposal of residues in accordance with environmental rules.

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32 Other gains (losses), net

The net exchange variation recorded under "Other gains (losses), net" in the parent company and consolidated financial statements for the periods ended June 30, 2012 and 2011 is as follows:

	Parent Company and Consolidated			
	2nd quarter		Accumulated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Foreign exchange variations, net				
Trade receivables	5,113	(1,753)	3,640	(2,646)
Trade payables	(804)	222	(590)	181
Commissions	(7)	-	(8)	4
Total	4,302	(1,531)	3,042	(2,461)

33 Finance result

The parent company and consolidated finance results for the quarters and six-month periods ended June 30, 2012 and 2011 are as follows:

a) Finance income/costs in the second quarter of 2012 and 2011 were as follows:

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Finance income				
Interest	305	486	335	553
Discounts received	64	40	116	88
Restatement of Eletrobrás compulsory loan (Note 13)	1,376	1,332	1,376	1,332
Restatement of tax assets (Note 15(a))	277	302	277	302
Restatement of receivables from related parties (Note 11)	1,757	2,365	1,757	2,365
Other	117	118	117	118
Total	3,896	4,643	3,978	4,758
Finance costs				
Interest	(4,048)	(3,953)	(4,108)	(4,004)
Finance charges on taxes	(2,633)	(4,049)	(2,684)	(4,133)
Discount of provision for contingencies (Note 25)	(1,095)	(560)	(1,097)	(560)
Consolidation of payment according to Law 11,941/09		(600)		(600)
Commissions and service fees	(341)	(299)	(347)	(304)
Discounts/bank expenses	(81)	(1,611)	(81)	(1,611)
Discounts granted	(431)	(338)	(433)	(341)

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	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Tax on Financial Transactions (IOF)	(151)	(689)	(159)	(689)
Other	(124)	(6)	(126)	(9)
Total	(8,904)	(12,105)	(9,035)	(12,251)
Foreign exchange variations, net				
Borrowings	(4,194)	2,066	(4,194)	2,066
Total	(4,194)	2,066	(4,194)	2,066
Total, net	(9,202)	(5,396)	(9,251)	(5,427)

b) Finance income/costs in the first half of 2012 and 2011 were as follows:

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Finance income				
Interest	587	822	666	1,108
Discounts received	198	77	256	133
Restatement of Eletrobrás compulsory loan (Note 13)	2,734	2,656	2,734	2,656
Restatement of tax assets (Note 15(a))	581	583	581	583
Restatement of receivables from related parties (Note 11)	3,731	4,627	3,731	4,627
Other	328	141	328	141
Total	8,159	8,906	8,296	9,248
Finance costs				
Interest	(8,258)	(8,650)	(8,358)	(8,761)
Finance charges on taxes	(5,603)	(7,970)	(5,711)	(8,137)
Discount of provision for contingencies (Note 25)	(2,208)	(816)	(2,212)	(816)
Consolidation of payment according to Law 11,941/09	-	(600)	-	(600)
Commissions and service fees	(676)	(646)	(687)	(656)
Discounts/bank expenses	(129)	(1,665)	(129)	(1,665)
Discounts granted	(800)	(558)	(804)	(565)
IOF	(260)	(881)	(272)	(881)
Other	(395)	(25)	(397)	(38)
Total	(18,329)	(21,811)	(18,570)	(22,119)
Foreign exchange variations, net				
Borrowings	(2,958)	3,056	(2,958)	3,056
Total	(2,958)	3,056	(2,958)	3,056
Total, net	(13,128)	(9,849)	(13,232)	(9,815)

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34 Result from discontinued operations

On August 17, 2010, the Board of Directors approved the discontinuation of the operations of the subsidiary Portobello América, taking into account that the demand in the North American market is not expected to grow over the coming years. The sale of assets is in progress and the main assets and liabilities of this unit, as well as the result from discontinued operations for the periods ended June 30, 2012, are summarized as follows:

Assets	June 30, 2012	December 31, 2011	Liabilities and equity	June 30, 2012	December 31, 2011
Current	786	592	Current	41,993	39,174
Cash and banks	468	477	Trade payables	43	9
Trade receivables	247	49	Social and labor obligations	1	17
Other	71	66	Rent payable	565	743
			Debts with related parties	41,384	38,405
			Equity	(41,207)	(38,582)
Total assets	786	592	Total liabilities and equity	786	592

No groups were classified as held for sale at June 30, 2012 and December 31, 2011.

The result from discontinued operations is presented on a consolidated basis. Accordingly, in addition to the result of the subsidiary Portobello América, Inc., (Note 17), it also considers the Company's share in the discontinued operations.

	2nd quarter		Accumulated	
Result from discontinued operations	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net revenue	389	-	389	549
Cost of products (services)	(10)	(8)	(10)	(480)
Gross profit (loss)	379	(8)	379	69
Selling, general and administrative expenses	(101)	(150)	(101)	(284)
Finance result (loss)	-	(5)	-	(6)
Other operating income	84	-	84	-
Result before IRPJ/CSLL	362	(163)	362	(221)
Net result from discontinued operations	362	(163)	362	(221)

35 Earnings per Share

a) Basic

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

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Second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Profit attributable to the Company's stockholders	12,635	2,050	12,635	2,086
Weighted average number of common shares (thousands)	159,009	159,009	159,009	159,009
Basic earnings per share - R$	0.08	0.01	0.08	0.01
Profit from continuing operations	12,635	2,050	12,273	2,248
Profit (loss) from discontinued operations	-	-	362	(162)
Weighted average number of common shares (thousands)	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.07946	0.01289	0.07718	0.01414
Earnings (loss) per share from discontinued operations	-	-	0.00228	(0.00102)

First half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Profit attributable to the Company's stockholders	23,790	3,673	23,790	3,711
Weighted average number of common shares (thousands)	159,009	159,009	159,009	159,009
Basic earnings per share - R$	0.15	0.02	0.15	0.02
Profit from continuing operations	23,790	3,673	23,428	3,932
Profit (loss) from discontinued operations	-	-	362	(221)
Weighted average number of common shares (thousands)	159,009	159,009	159,009	159,009
Earnings per share from continuing operations	0.14961	0.02310	0.14734	0.02473
Earnings (loss) per share from discontinued operations	-	-	0.00228	(0.00139)

During the second quarter of 2012, the Company did not have any shares held in treasury. The last share issue occurred in 2007. Therefore, the weighted average number of shares is equal to the total comprising the share capital (Note 28), represented by a single class of common shares.

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

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b) Diluted

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

36 Segment information

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

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

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

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

The segment information reviewed by the Executive Board is as follows:

a) Second quarter of 2012 and 2011

	At June 30, 2012			At June 30, 2011		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	145,494	11,675	157,169	129,276	11,296	140,572
Cost of sales	(95,018)	(6,282)	(101,300)	(88,461)	(10,395)	(98,856)
Gross profit	50,476	5,393	55,869	40,815	901	41,716
Operating income (expenses), net	(28,301)	(1,175)	(29,476)	(30,554)	(1,797)	(32,351)
Selling, general and administrative expenses	(30,015)	(1,314)	(31,329)	(28,139)	(1,600)	(29,739)
Other operating income (expenses), net	(2,268)	(181)	(2,449)	(1,007)	(74)	(1,081)
Other gains (losses), net	3,982	320	4,302	(1,408)	(123)	(1,531)
Operating profit before finance result	22,175	4,218	26,393	10,261	(896)	9,365
% on revenue	15%	36%	17%	8%	-8%	7%

(All amounts in thousands of reais unless otherwise indicated)

b) First half of 2012 and 2011

	At June 30, 2012			At June 30, 2011		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	285,128	22,034	307,162	247,813	20,458	268,271
Cost of sales	(186,518)	(14,283)	(200,801)	(168,023)	(19,329)	(187,352)
Gross profit	98,610	7,751	106,361	79,790	1,129	80,919
Operating income (expenses), net	(56,200)	(2,590)	(58,790)	(60,973)	(3,511)	(64,484)
Selling, general and administrative expenses	(56,662)	(2,637)	(59,299)	(52,329)	(2,852)	(55,181)
Other operating income (expenses), net	(2,347)	(186)	(2,533)	(6,373)	(469)	(6,842)
Other gains (losses), net	2,809	233	3,042	(2,271)	(190)	(2,461)
Operating profit before finance result	42,410	5,161	47,571	18,817	(2,382)	16,435
% on revenue	15%	23%	15%	8%	-12%	6%

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

37 Commitments

a) Capital commitments

Expenditures contracted but not yet incurred referring to property, plant and equipment at June 30, 2012 amount to R$ 1,326.

b) Operating lease commitments

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

	Consolidated	
	June 30, 2012	December 31, 2011
Less than 1 year	385	530
Between 1 and 5 years	149	290
Total	534	820

38 Insurance

At June 30, 2012, the insurance cover against fire, robbery, collision and sundry risks for property, plant and equipment and inventories as well as for loss of profits is considered sufficient by management to cover any losses.

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

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

39 Related party transactions

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

		Parent Company	
		Assets (liabilities)	
	Nature	June 30, 2012	December 31, 2011
Transactions with subsidiaries			
Portobello América Inc.	Receivables from subsidiaries - Trade receivables	41,384	38,405
	Dividends receivable	-	477
Portobello Shop S.A.	Receivables from subsidiaries	4	-
	Dividends advanced	3,610	-
PBTech Com. Serv. Cer. Ltda.	Receivables from subsidiaries - Trade receivables	2,832	2,832
	Receivables from subsidiaries - Loan	1,128	896
Mineração Portobello Ltda.	Advances to suppliers	1,227	1,232
Transactions with related parties			
Refinadora Catarinense S.A.	Receivables	97,519	93,780
Solução Cerâmica Com. Ltda.	Trade receivables	1,074	478
	Advances from customers	(742)	(569)
Flooring Revest. Cer. Ltda.	Trade receivables	828	780
	Advances from customers	(267)	(198)
JBB Participações Societárias Ltda.	Rent	(18)	(52)
		148,579	138,061

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		Parent Company			
		Income (expenses)			
		2nd quarter		Accumulated	
	Nature	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Transactions with subsidiaries					
Portobello Shop S.A.	Provision of services	1,530	1,525	3,055	3,050
	Cost of services rendered	(928)	(754)	(1,691)	(1,381)
PBTech Com. Serv. Cer. Ltda.	Sale of products	-	20	-	73
Mineração Portobello Ltda.	Purchase of products	(553)	(403)	(1,065)	(860)
Transactions with related parties					
Solução Cerâmica Com. Ltda.	Sale of products	3,489	2,991	7,120	5,416
Flooring Revest. Cer. Ltda.	Sale of products	1,443	1,476	3,034	2,569
JBB Participações Societárias Ltda.	Rent	(34)	-	(85)	-
		4,947	4,855	10,368	8,867

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

Receivables from the subsidiary Portobello Shop were pledged in guarantee of the Company's loans totaling R$ 322 at June 30, 2012. The subsidiary is also guarantor of the Company in some financing transactions (see Note 21).

Related-party transactions

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

		Assets (liabilities)			Income (expenses)			
	Nature	June 30, 2012	December 31, 2011	Nature	June 30, 2012	June 30, 2011	Accumulated June 30, 2012	Accumulated June 30, 2011
Transactions with subsidiaries								
PBTech Com. Serv. Cer. Ltda.	Trade receivables	7	7	Royalties	-	5	-	20
Transactions with related parties								
Solução Cerâmica Com. Ltda.	Trade receivables	408	291	Royalties	934	688	1,892	1,310
Flooring Revest. Cer. Ltda.	Trade receivables	138	81	Royalties	381	368	794	652
		553	379		1,315	1,061	2,686	1,982

Key management remuneration

The remuneration of key management personnel, comprising members of the Executive Board, Board of Directors, Statutory Audit Board and senior management for the quarters and six-month periods ended June 30, 2012 and 2011 is as follows:

(All amounts in thousands of reais unless otherwise indicated)

a) Expenses incurred in the second quarter of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Fixed remuneration				
Salaries	1,763	1,483	2,017	1,757
Fees	428	428	692	692
Variable remuneration	1,052	1,745	1,468	2,044
Short-term direct and indirect benefits				
Private pension plan	110	109	162	165
Other	262	203	320	259
Severance benefits	31	-	31	-
	3,646	3,968	4,690	4,917

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

b) Expenses incurred in the first half of 2012 and 2011

	Parent Company		Consolidated	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Fixed remuneration				
Salaries	3,389	2,836	3,905	3,381
Fees	858	856	1,389	1,384
Variable remuneration	1,447	2,010	1,907	2,361
Short-term direct and indirect benefits				
Private pension plan	214	219	318	330
Other	503	404	616	515
Severance benefits	31	113	31	113
	6,442	6,438	8,166	8,084

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

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

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(A free translation of the original in Portuguese)

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

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Portobello S.A. and Portobello S.A. and subsidiaries, included in the Quarterly Information (ITR) Form for the quarter ended June 30, 2012, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, as well as the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the parent company interim information

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

(A free translation of the original in Portuguese)

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

Conclusion on the consolidated interim information

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

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2012. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) but are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, August 13, 2012

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

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

Opinions and representations / Officers' representation on the financial statements

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

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

(i) they have analyzed, discussed and agreed with the Company's Quarterly Information for the quarter ended June 30, 2012; and

(ii) they have analyzed, discussed and agreed with the conclusions expressed in the special review report of PricewaterhouseCoopers Auditores Independentes, related to the Company's Quarterly Information for the quarter ended June 30, 2012.

Executive Board

Cesar Gomes Júnior - Chief Executive Officer
Cláudio Ávila da Silva - Vice-President
Rildo Pinheiro - Chief Financial and Investor Relations Officer
Mauro do Valle Pereira - Director
São Paulo, August 10, 2012

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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Rildo Pinheiro

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Mauro do Valle Pereira

Opinions and representations / Officers' representation on the independent accountants' report

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

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

(i) they have analyzed, discussed and agreed with the Company's Quarterly Information for the quarter ended June 30, 2012; and

(ii) they have analyzed, discussed and agreed with the conclusions expressed in the special review report of PricewaterhouseCoopers Auditores Independentes, related to the Company's Quarterly Information for the quarter ended June 30, 2012.

Executive Board

Cesar Gomes Júnior - Chief Executive Officer
Cláudio Ávila da Silva - Vice-President
Rildo Pinheiro - Chief Financial and Investor Relations Officer
Mauro do Valle Pereira - Director
São Paulo, August 10, 2012

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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Rildo Pinheiro

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Mauro do Valle Pereira