

Forjas Taurus S.A.
(Publicly-held company)

Financial statements
December 31, 2010 and 2009

(A translation of the original report in Portuguese and in thousands of Brazilian Reais as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

Forjas Taurus S.A.

(Publicly-held company)

Financial Statements

December 31, 2010 and 2009

Contents

Independent auditors' report on the financial statements	3 - 4
Balance sheets	5 - 7
Statements of income	8
Comprehensive statements of income	9
Statements of changes in shareholders' equity	10 - 13
Statements of cash flows	14
Statements of added value	15
Notes to the financial statements	16 - 115

Independent auditors' report on the financial statements

To
The Board of Directors and Shareholders
Forjas Taurus S.A.
Porto Alegre - RS

We have examined the individual and consolidated financial statements of Forjas Taurus S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010 and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of the main accounting practices and other notes to the financial statements.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and adequate presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, as well as for the internal controls that it considers necessary for enabling the preparation of these financial statements free of material misstatement, regardless of whether caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international audit standards. These standards demand compliance with ethical requirements by the auditor and that the audit is planned and conducted for the purpose of obtaining reasonable assurance that the financial statements are free of material misstatement.

An audit involves the performance of selected procedures in order to obtain evidence with respect to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment and include an assessment of the risks of material misstatement in the financial statements, regardless of whether caused by fraud or error. In the assessment of these risks, the auditor considers the relevant internal controls for the preparation and adequate presentation of the Company's financial statements, in order to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes the evaluation of the adequacy of the accounting practices used and the reasonableness of the accounting estimates made by management, as well as the evaluation of the presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

Opinion on the individual financial statements

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Forjas Taurus S.A. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Forjas Taurus S.A. as of December 31, 2010, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis

As described in note 3, the individual financial statements were prepared in accordance with accounting practices generally accepted in Brazil. In the case of Forjas Taurus S.A., these practices differ from IFRS, applicable to the separate financial statements, only with respect to the evaluation of the investments in subsidiaries and affiliated companies by the equity accounting method, while for IFRS purposes it would be cost or fair value.

Other issues

Statements of added value

We also examined the individual and consolidated statements of added value for the year ended December 31, 2010, the presentation of which is required by Brazilian corporation legislation for publicly-held companies, and as supplementary information by IFRS, which does not require the presentation of the statements of added value. The preparation of the individual and consolidated statements of added value is the responsibility of the Company's management. These statements were submitted to the same audit procedures described previously and, in our opinion, are presented adequately, in all material respects, in relation to the financial statements, taken as a whole.

Porto Alegre, March 24, 2011

KPMG Auditores Independentes
CRC 2SP014428/F-7-RS

Original in Portuguese signed by
Pedro Jaime Cervatti
Accountant CRC 1SP129565/O-7-TPR-S-RS

Original in Portuguese signed by
Cristiano Jardim Seguecio
Accountant CRC 1SP244525/O-9-T-RS

Forjas Taurus S.A.

(Publicly-held company)

Balance sheets

December 31, 2010 and 2009 and January 1, 2009

(In thousands of Reais, except when indicated otherwise)

	Note	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
		Consolidated - IFRS			Consolidated - IFRS			Parent Company - BR GAAP			Parent Company - BR GAAP		
		31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Assets													
Current Assets													
Cash and cash equivalents	8	188,674	176,836	74,070	113,236	101,560	31,694	138,370	85,614	45,567	83,045	49,170	19,498
Other financial instruments, including derivatives	21	2,584	695	-	1,551	399	-	2,584	695	-	1,551	399	-
Trade accounts receivable	9	148,925	132,501	150,729	89,380	76,098	64,497	105,513	166,475	126,889	63,326	95,609	54,296
Inventories	10	259,639	207,642	246,425	155,827	119,252	105,445	77,697	59,068	60,440	46,631	33,924	25,862
Prepaid expenses		8,727	6,394	6,057	5,238	3,672	2,592	1,098	1,243	1,305	659	714	558
Tax recoverable	11	16,898	15,318	21,063	10,142	8,797	9,013	12,228	6,284	14,100	7,339	3,609	6,033
Other accounts receivable		28,055	14,756	18,265	16,837	8,475	7,815	29,206	17,345	11,545	17,528	9,961	4,941
		653,502	554,142	516,609	392,211	318,253	221,056	366,696	336,724	259,846	220,079	193,386	111,188
Non Current Assets													
Trade accounts receivable	9	2,344	4,305	2,110	1,407	2,472	903	-	-	-	-	-	-
Related Parties	22	38,761	71,239	60,979	23,263	40,914	26,093	27,385	66,397	43,379	16,436	38,133	18,562
Deferred taxes	12	15,697	14,329	22,742	9,421	8,229	9,731	3,668	2,425	15,334	2,201	1,393	6,561
Tax Recoverable	11	4,015	4,454	3,939	2,410	2,558	1,685	3,274	3,057	2,478	1,965	1,756	1,060
Other accounts receivable		2,478	4,771	2,829	1,487	2,741	1,211	1,589	1,747	1,423	954	1,003	609
		63,295	99,098	92,599	37,988	56,914	39,623	35,916	73,626	62,614	21,556	42,285	26,792
Investments													
Controlled	14	-	-	-	-	-	-	232,409	208,890	225,583	139,484	119,969	96,527
Affiliates	14	14,540	13,402	12,598	8,726	7,697	5,391	14,540	13,402	12,598	8,726	7,697	5,391
Others investments		287	288	288	173	165	124	130	130	131	79	74	56
Property, plant and equipment	15	258,213	238,455	220,735	154,971	136,949	94,452	110,874	111,360	97,077	66,543	63,956	41,539
Intangible assets	16	10,024	13,946	16,583	6,016	8,009	7,096	6,090	9,998	10,711	3,655	5,742	4,583
		283,064	266,091	250,204	169,886	152,820	107,063	364,043	343,780	346,100	218,487	197,438	148,096
Total assets		999,861	919,331	859,412	600,085	527,987	367,742	766,655	754,130	668,560	460,122	433,109	286,076

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Balance sheets

December 31, 2010 and 2009 and January 1, 2009

(In thousands of Reais, except when indicated otherwise)

Note	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Consolidated - IFRS			Consolidated - IFRS			Parent Company - BR GAAP			Parent Company - BR GAAP		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Liabilities												
Current Liabilities												
Accounts payable to suppliers	20,148	19,038	25,824	12,092	10,934	11,050	14,636	14,491	13,489	8,784	8,322	5,772
Loans and financing	86,483	101,889	99,278	51,904	58,517	42,481	45,161	72,059	34,145	27,104	41,385	14,611
Debentures	32,280	-	-	19,373	-	-	32,280	-	-	19,373	-	-
Draft payable	4,453	105,960	57,685	2,673	60,855	24,683	4,453	105,960	57,685	2,673	60,855	24,683
Salaries and payroll charges	36,449	36,332	34,174	21,876	20,866	14,623	29,244	29,334	21,433	17,551	16,847	9,171
Income tax and social contribution	24,730	8,824	11,949	14,842	5,068	5,113	12,679	4,742	9,326	7,610	2,723	3,991
Advance receivables	18,390	-	-	11,037	-	-	-	-	-	-	-	-
Advances from customers	11,463	16,322	34,237	6,880	9,374	14,650	4,930	4,151	24,299	2,959	2,384	10,398
Derivative financial instruments	-	-	38,345	-	-	16,408	-	-	38,345	-	-	16,408
Prepayment of housing credits	5,990	4,791	3,752	3,595	2,752	1,605	-	-	-	-	-	-
Commissions payable	6,967	4,352	4,411	4,181	2,499	1,887	5,833	3,369	3,321	3,501	1,935	1,421
Dividends payable	18,716	12,704	11,705	11,233	7,296	5,009	18,706	13,044	11,692	11,227	7,491	5,003
Other accounts payable	11,419	15,686	14,937	6,854	9,007	6,392	9,345	8,006	6,552	5,608	4,598	2,803
	<u>277,488</u>	<u>325,898</u>	<u>336,297</u>	<u>166,540</u>	<u>187,168</u>	<u>143,901</u>	<u>177,267</u>	<u>255,156</u>	<u>220,287</u>	<u>106,390</u>	<u>146,540</u>	<u>94,261</u>
Non Current Liabilities												
Loans and financing	133,683	110,909	60,398	80,232	63,697	25,844	43,628	62,132	46,097	26,184	35,683	19,725
Debentures	72,977	-	-	43,798	-	-	72,977	-	-	43,798	-	-
Related parties	219	219	152	131	126	65	-	9,175	-	-	5,269	-
Deferred revenue	-	-	-	-	-	-	-	-	157	-	-	67
Prepayment of housing credits	36,127	42,177	46,907	21,682	24,223	20,071	-	-	-	-	-	-
Taxes payable	3,356	7,831	12,823	2,014	4,497	5,487	1,086	1,318	6,595	652	757	2,822
Deferred taxes	11,565	12,926	13,634	6,941	7,424	5,834	7,389	7,277	7,986	4,435	4,179	3,417
Deferred tax liability	3,867	4,548	7,493	2,322	2,612	3,207	3,782	4,325	5,805	2,270	2,485	2,484
	<u>261,794</u>	<u>178,610</u>	<u>141,407</u>	<u>157,120</u>	<u>102,579</u>	<u>60,508</u>	<u>128,862</u>	<u>84,227</u>	<u>66,640</u>	<u>77,339</u>	<u>48,373</u>	<u>28,515</u>
Shareholders' equity												
Capital	201,000	165,000	148,001	120,634	94,762	63,329	201,000	165,000	148,001	120,634	94,762	63,329
Capital reserves	-	17,467	17,467	-	10,032	7,474	-	17,467	17,467	-	10,032	7,474
Profit reserves	232,524	198,732	174,448	139,553	114,136	74,646	232,524	198,732	174,448	139,553	114,136	74,646
Dividends to appropriate	1,766	988	5,954	1,060	567	2,548	1,766	988	5,954	1,060	567	2,548
Equity valuation adjustments	49,105	53,210	57,647	29,471	30,559	24,667	49,105	53,210	57,647	29,471	30,559	24,667

Forjas Taurus S.A.

(Publicly-held company)

Balance sheets

December 31, 2010 and 2009 and January 1, 2009

(In thousands of Reais, except when indicated otherwise)

Accumulated translation adjustments	(23,869)	(20,650)	(21,884)	(14,325)	(11,860)	(9,364)	(23,869)	(20,650)	(21,884)	(14,325)	(11,860)	(9,364)
	<u>460,526</u>	<u>414,747</u>	<u>381,633</u>	<u>276,393</u>	<u>238,196</u>	<u>163,300</u>	<u>460,526</u>	<u>414,747</u>	<u>381,633</u>	<u>276,393</u>	<u>238,196</u>	<u>163,300</u>
Minority interest	53	76	75	32	44	33	-	-	-	-	-	-
	<u>53</u>	<u>76</u>	<u>75</u>	<u>32</u>	<u>44</u>	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total shareholders' equity	<u>460,579</u>	<u>414,823</u>	<u>381,708</u>	<u>276,425</u>	<u>238,240</u>	<u>163,333</u>	<u>460,526</u>	<u>414,747</u>	<u>381,633</u>	<u>276,393</u>	<u>238,196</u>	<u>163,300</u>
Total liabilities	<u>539,282</u>	<u>504,508</u>	<u>477,704</u>	<u>323,660</u>	<u>289,747</u>	<u>204,409</u>	<u>306,129</u>	<u>339,383</u>	<u>286,927</u>	<u>183,729</u>	<u>194,913</u>	<u>122,776</u>
Total liabilities and shareholders' equity	<u><u>999,861</u></u>	<u><u>919,331</u></u>	<u><u>859,412</u></u>	<u><u>600,085</u></u>	<u><u>527,987</u></u>	<u><u>367,742</u></u>	<u><u>766,655</u></u>	<u><u>754,130</u></u>	<u><u>668,560</u></u>	<u><u>460,122</u></u>	<u><u>433,109</u></u>	<u><u>286,076</u></u>

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Statements of income at December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	Note	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
		Consolidated - IFRS		Consolidated - IFRS		Parent Company - BR GAAP		Parent Company - BR GAAP	
		2010	2009	2010	2009	2010	2009	2010	2009
Revenues	24	671,558	657,216	381.524	329,069	434,882	426,773	247,064	213,686
Cost of goods sold		(382,211)	(369,758)	(217.141)	(185,138)	(285,905)	(269,647)	(162,428)	(135,013)
Gross Profit		289,347	287,458	164.383	143,931	148,977	157,126	84,636	78,673
Operating (expenses) income									
Selling expenses		(102,016)	(94,122)	(57.957)	(47,127)	(45,761)	(37,439)	(25,998)	(18,746)
Administrative and general expenses		(70,908)	(75,417)	(40.284)	(37,761)	(40,843)	(30,601)	(23,203)	(15,322)
Other operating expenses, net	25	(14,619)	(14,168)	(8.305)	(7,094)	(15,360)	(11,195)	(8,726)	(5,605)
		(187,543)	(183,707)	(106.546)	(91,982)	(101,964)	(79,235)	(57,927)	(39,673)
Profit before income and social contribution taxes and profit sharing		101,804	103,751	57.837	51,949	47,013	77,891	26,709	39,000
Financial income	26	42,336	52,347	24.052	26,210	35,389	41,679	20,105	20,869
Financial expenses	26	(49,943)	(73,214)	(28.373)	(36,658)	(33,948)	(51,582)	(19,286)	(25,827)
Financial income (expense) liquid		(7,607)	(20,867)	(4.321)	(10,448)	1,441	(9,903)	819	(4,958)
Equity valuation result	14	1,753	2,180	996	1,092	30,878	1,252	17,542	627
Result before taxes		95,950	85,064	54.512	42,593	79,332	69,240	45,070	34,669
Income tax and social contribution	27	(25,640)	(33,029)	(14.567)	(16,538)	(9,056)	(17,220)	(5,145)	(8,622)
Profit for the year		70,310	52,035	39.945	26,055	70,276	52,020	39,925	26,047
Management profit sharing		(34)	(15)	(20)	(8)	-	-	-	-
Net profit for the year		70,276	52,020	39.925	26,047	70,276	52,020	39,925	26,047
Resul per ordinary share - basic						R\$ 0,5791	R\$ 0,5015	US\$ 0,3290	US\$ 0,2511
Net per preferred share - basic and diluted						R\$ 0,5791	R\$ 0,5015	US\$ 0,3290	US\$ 0,2511

See the accompanying notes to the financial statement.

Forjas Taurus S.A.

(Publicly-held company)

Statements of income at December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	Consolidated - IFRS		Consolidated - IFRS		Parent Company - BR GAAP		Parent Company - BR GAAP	
	2010	2009	2010	2009	2010	2009	2010	2009
Net profit for the year	70,276	52,020	39,925	26,046	70,276	52,020	39,925	26,046
Other comprehensive results								
Accumulated translation adjustment	(3,219)	(20,650)	(1,829)	(10,339)	(3,219)	(20,650)	(1,829)	(10,339)
Reversal of equity valuation adjustment in hedge financial instruments	-	21,884	-	10,957	-	21,884	-	10,957
Realization of equity valuation adjustment – surplus in assets, net of tax effects	4,105	4,437	2,332	2,222	4,105	4,437	2,332	2,222
Total comprehensive result	<u>71,162</u>	<u>57,691</u>	<u>40,428</u>	<u>28,886</u>	<u>71,162</u>	<u>57,691</u>	<u>40,428</u>	<u>28,886</u>
Comprehensive result attributable to:								
Majority shareholders	71,127	57,674	40,408	28,877	71,127	57,674	40,408	28,877
Minority shareholders	35	17	20	9	35	17	20	9
Total comprehensive result	<u>71,162</u>	<u>57,691</u>	<u>40,428</u>	<u>28,886</u>	<u>71,162</u>	<u>57,691</u>	<u>40,428</u>	<u>28,886</u>

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	Parent company and Consolidated										
	In Thousand of Brazilian Reais										
			Profit reserves				Forward contracts hedge	Accumulated translation adjustments	Dividends to be distributed	Retained earnings	Total shareholders' equity
	Capital	Capital reserves	Legal reserve	Investment reserve	Revaluation reserve	Equity valuation adjustments					
Balance at December 31, 2008	148,001	17,467	18,372	160,502	3,691	-	(21,884)	16,845	-	-	342,994
Write-off of deferred assets	-	-	-	-	-	-	-	-	-	(2,957)	(2,957)
Unrealized profit on inventories in subsidiaries	-	-	-	-	-	-	-	-	-	(14,365)	(14,365)
Write-off of deferred assets in subsidiaries	-	-	-	-	-	-	-	-	-	(6,262)	(6,262)
Reversal of proposed dividends above the mandatory minimum	-	-	-	-	-	-	-	-	5,954	-	5,954
Equity valuation adjustment – surplus in assets, net of tax effects	-	-	-	-	(3,691)	15,503	-	-	-	2,313	14,125
Equity valuation adjustment – surplus in assets in subsidiaries, net of tax effects	-	-	-	-	-	42,144	-	-	-	-	42,144
Transfer to profit reserves	-	-	(634)	17,479	-	-	-	(16,845)	-	-	-
Absorption of loss after adjustments	-	-	-	(21,271)	-	-	-	-	-	21,271	-
Balance at January 1, 2009	148,001	17,467	17,738	156,710	-	57,647	(21,884)	-	5,954	-	381,633
Net income for the year	-	-	-	-	-	-	-	-	-	52,020	52,020
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	(14,960)	(14,960)
Proposed dividends pursuant to bylaws	-	-	-	-	-	-	-	-	-	(214)	(214)
Approval of proposed dividends of prior years	-	-	-	-	-	-	-	-	(5,954)	-	(5,954)
Proposal for dividends above the mandatory minimum	-	-	-	-	-	-	-	-	988	-	988
Reversal of equity valuation adjustment in hedge financial instruments	-	-	-	-	-	-	21,884	-	-	-	21,884
Accumulated translation adjustment	-	-	-	-	-	-	-	(20,650)	-	-	(20,650)
Realization of equity valuation adjustment – surplus in assets, net of tax effects	-	-	-	-	-	(2,759)	-	-	-	2,759	-
Realization of equity valuation adjustment – surplus in assets in the subsidiaries, net of tax effects	-	-	-	-	-	(1,678)	-	-	-	1,678	-
Capital increase	16,999	-	-	(16,999)	-	-	-	-	-	-	-
Formation of reserves	-	-	2,600	38,683	-	-	-	-	-	(41,283)	-
Balance at December 31, 2009	165,000	17,467	20,338	178,394	-	53,210	-	(20,650)	988	-	414,747

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	Parent company and Consolidated										
	Profit reserves									In Thousand of Brazilian Reais	
	Capital	Capital reserves	Legal reserve	Investment reserve	Revaluation reserve	Equity valuation adjustments	Forward contracts hedge	Accumulated translation adjustments	Dividends to be distributed	Retained earnings	Total shareholders' equity
Balance at December 31, 2009	165,000	17,467	20,338	178,394	-	53,210	-	(20,650)	988	-	414,747
Net income for the year	-	-	-	-	-	-	-	-	-	70,276	70,276
Dividends and interest on shareholders' equity (Note 23)	-	-	-	-	-	-	-	-	-	(22,056)	(22,056)
Proposal for dividends above the mandatory minimum	-	-	-	-	-	-	-	-	1,766	-	1,766
Approval of proposed dividends of prior years	-	-	-	-	-	-	-	-	(988)	-	(988)
Accumulated translation adjustment	-	-	-	-	-	-	-	(3,219)	-	-	(3,219)
Realization of equity valuation adjustment – surplus in assets, net of tax effects	-	-	-	-	-	(2,811)	-	-	-	2,811	-
Realization of equity valuation adjustment – surplus in assets in the subsidiaries, net of tax effects	-	-	-	-	-	(1,294)	-	-	-	1,294	-
Capital increase	36,000	(17,467)	-	(18,533)	-	-	-	-	-	-	-
Formation of reserves	-	-	3,514	48,811	-	-	-	-	-	(52,325)	-
Balance at December 31, 2010	201,000	-	23,852	208,672	-	49,105	-	(23,869)	1,766	-	460,526

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	Parent company and Consolidated											
	In Thousand of U.S. Dollars (Not Audited)											
	Capital	Capital reserves	Profit reserves	Legal reserve	Investment reserve	Revaluation reserve	Equity valuation adjustments	Forward contracts hedge	Accumulated translation adjustments	Dividends to be distributed	Retained earnings	Total shareholders' equity
Balance at December 31, 2008	63,329	7,474	7,861	68,679	1,580	-	(9,364)	7,208	-	-	-	146,767
Write-off of deferred assets	-	-	-	-	-	-	-	-	-	-	(1,609)	(1,609)
Unrealized profit on inventories in subsidiaries	-	-	-	-	-	-	-	-	-	-	(7,818)	(7,818)
Write-off of deferred assets in subsidiaries	-	-	-	-	-	-	-	-	-	-	(3,408)	(3,408)
Reversal of proposed dividends above the mandatory minimum	-	-	-	-	-	-	-	-	-	3,240	-	3,240
Equity valuation adjustment – surplus in assets, net of tax effects	-	-	-	-	(2,009)	8,437	-	-	-	-	1,259	7,687
Equity valuation adjustment – surplus in assets in subsidiaries, net of tax effects	-	-	-	-	-	22,936	-	-	-	-	-	22,936
Transfer to profit reserves	-	-	(345)	9,512	-	-	-	(9,167)	-	-	-	-
Absorption of loss after adjustments	-	-	-	(11,576)	-	-	-	-	-	-	11,576	-
Translation adjustments	-	-	74	441	429	(6,706)	-	1,959	(692)	-	-	(4,495)
Balance at January 1, 2009	63,329	7,474	7,590	67,056	-	24,667	(9,364)	-	-	2,548	-	163,300
Net income for the year	-	-	-	-	-	-	-	-	-	-	26,046	26,046
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	-	(7,490)	(7,490)
Proposed dividends pursuant to bylaws	-	-	-	-	-	-	-	-	-	-	(107)	(107)
Approval of proposed dividends of prior years	-	-	-	-	-	-	-	-	-	(2,981)	-	(2,981)
Proposal for dividends above the mandatory minimum	-	-	-	-	-	-	-	-	-	495	-	495
Reversal of equity valuation adjustment in hedge financial instruments	-	-	-	-	-	-	10,957	-	-	-	-	10,957
Accumulated translation adjustment	-	-	-	-	-	-	-	(10,339)	-	-	-	(10,339)
Realization of equity valuation adjustment – surplus in assets, net of tax effects	-	-	-	-	-	(1,381)	-	-	-	-	1,381	-
Realization of equity valuation adjustment – surplus in assets in the subsidiaries, net of tax effects	-	-	-	-	-	(840)	-	-	-	-	840	-
Capital increase	8,511	-	-	(8,511)	-	-	-	-	-	-	-	-
Formation of reserves	-	-	1,302	19,369	-	-	-	-	-	-	(20,671)	-
Translation adjustments	22,922	2,558	2,788	24,541	-	8,113	(1,593)	(1,520)	505	1	-	58,315
Balance at December 31, 2009	94,762	10,032	11,680	102,455	-	30,559	-	(11,859)	567	-	-	238,196

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009

(In thousands of Reals, except when indicated otherwise)

	Parent company and Consolidated										
	In Thousand of U.S. Dollars (Not Audited)										
	Capital	Capital reserves	Profit reserves		Revaluation reserve	Equity valuation adjustments	Forward contracts hedge	Accumulated translation adjustments	Dividends to be distributed	Retained earnings	Total shareholders' equity
			Legal reserve	Investment reserve							
Balance at December 31, 2009	94,762	10,032	11,680	102,455	-	30,559	-	(11,859)	567	-	238,196
Net income for the year	-	-	-	-	-	-	-	-	-	39,925	39,925
Dividends and interest on shareholders' equity (Note 23)	-	-	-	-	-	-	-	-	-	(12,530)	(12,530)
Proposal for dividends above the mandatory minimum	-	-	-	-	-	-	-	-	1,003	-	1,003
Approval of proposed dividends of prior years	-	-	-	-	-	-	-	(561)	-	-	(561)
Accumulated translation adjustment	-	-	-	-	-	-	-	(1,829)	-	-	(1,829)
Realization of equity valuation adjustment – surplus in assets, net of tax effects	-	-	-	-	-	(1,597)	-	-	-	1,597	-
Realization of equity valuation adjustment – surplus in assets in the subsidiaries, net of tax effects	-	-	-	-	-	(735)	-	-	-	735	-
Capital increase	20,452	(9,923)	-	(10,529)	-	-	-	-	-	-	-
Formation of reserves	-	-	1,996	27,730	-	-	-	-	-	(29,726)	-
Translation adjustments	5,420	(109)	639	5,582	-	1,244	-	(637)	51	(1)	12,189
Balance at December 31, 2010	120,634	-	14,315	125,238	-	29,471	-	(14,325)	1,060	-	276,393

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Statements of cash flows (Indirect method) at

Years ended December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	Consolidated - IFRS		Consolidated - IFRS		Parent company - BRGAAP		Parent company - BRGAAP	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Cash flows from operational activities								
Net profit for the year	70,276	52,020	39,925	26,047	70,276	52,020	39,925	26,047
Adjustments to reconcile net income for the year to cash and cash equivalents provided by operating activities:								
Depreciation and amortization	29,067	26,446	16,513	13,242	19,494	15,375	11,075	7,698
Cost of permanent assets written off	13,058	6,481	7,418	3,245	11,875	36	6,746	18
Deferred income and social contribution taxes	(2,002)	(1,564)	(1,137)	(783)	(1,243)	(709)	(706)	(355)
Equity valuation	(1,753)	(2,180)	(996)	(1,092)	(30,878)	(1,252)	(17,542)	(627)
Derivative financial instruments	(1,889)	(5,883)	(1,073)	(2,946)	(1,889)	(5,883)	(1,073)	(2,946)
Minority interest	34	15	19	8	-	-	0	-
Translation adjustments	-	-	3,423	5,546	-	-	2,167	4,389
	106,791	75,335	64,092	43,267	67,635	59,587	40,592	34,224
Changes in assets and liabilities								
(Increase) decrease in inventories	(51,997)	39,257	(31,207)	22,546	(20,894)	1,846	(12,540)	1,060
(Increase) decrease in trade accounts receivable	(15,570)	7,875	(9,345)	4,523	60,759	5,269	36,466	3,026
(Increase) decrease in other accounts receivable	222	7,486	133	4,299	(9,360)	8,851	(5,618)	5,083
Increase (decrease) in accounts payable to suppliers	18,809	(8,605)	11,289	(4,942)	(546)	(478)	(328)	(275)
Increase (decrease) in accounts payable and provisions	(8,563)	19,415	(5,139)	11,150	5,453	(29,241)	3,273	(16,794)
Taxes and fees	(4,475)	(5,319)	(2,686)	(3,055)	(232)	(5,277)	(139)	(3,031)
Interest paid	(21,548)	(18,775)	(12,932)	(10,783)	(14,891)	7,127	(8,937)	4,093
Dividends received	300	-	180	-	37,595	4,338	22,563	2,491
	(82,822)	41,334	(49,707)	23,738	57,884	(7,565)	34,740	(4,347)
Net cash provided by (used in) operating activities	23,969	116,669	14,385	67,005	125,519	52,022	75,332	29,877
Cash flows from financing activities								
Receivables with related companies	29,693	(2,970)	17,821	(1,706)	(2,315)	18,309	(1,389)	10,515
Other receivables	5,517	(9,747)	3,311	(5,598)	7,129	(42,230)	4,279	(24,253)
Investments	-	13	-	7	(1,933)	(2,345)	(1,160)	(1,347)
Property, plant and equipment	(57,369)	(47,633)	(34,431)	(27,356)	(26,465)	(28,958)	(15,883)	(16,631)
Intangible assets	(592)	(377)	(355)	(217)	(510)	(23)	(306)	(13)
Net cash provided by (used in) financing activities	(22,751)	(60,714)	(13,654)	(34,870)	(24,094)	(55,247)	(14,460)	(31,729)
Cash flows from financing activities								
Payment of interest on shareholders' equity and dividends	(22,056)	(17,639)	(13,237)	(10,130)	(22,056)	(17,639)	(13,237)	(10,130)
Loans taken out	229,824	198,425	137,933	113,959	150,107	132,497	90,089	76,095
Payments of loans and financing	(197,158)	(133,711)	(118,328)	(76,792)	(176,868)	(71,429)	(106,151)	(41,023)
Others	10	(264)	6	(152)	148	(157)	89	(90)
Net cash provided by (used in) financing activities	10,620	46,811	6,374	26,885	(48,669)	43,272	(29,210)	24,852
Increase in cash and cash equivalents	11,838	102,766	7,105	59,020	52,756	40,047	31,662	23,000
Increase in cash and cash equivalents								
At beginning of year	176,836	74,070	106,131	42,540	85,614	45,567	51,383	26,170
At end of year	188,674	176,836	113,236	101,560	138,370	85,614	83,045	49,170
Increase in cash and cash equivalents	11,838	102,766	7,105	59,020	52,756	40,047	31,662	23,000

See the accompanying notes to the financial statements

Forjas Taurus S.A.

(Publicly-held company)

Statements of added value

Years ended December 31, 2010 and 2009

(In thousands of Reais, except when indicated otherwise)

	Note	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
		Consolidated - IFRS		Consolidated - IFRS		Parent company - BRGAAP		Parent company - BRGAAP	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Revenues									
Gross revenue from products and services		808,319	776,161	459,220	388,625	536,843	496,609	304,990	248,653
Other revenues		3,701	3,701	2,103	1,853	488	1,444	277	723
Allowance for doubtful accounts		(3,127)	448	(1,777)	224	203	162	115	81
		<u>808,893</u>	<u>780,310</u>	<u>459,546</u>	<u>390,702</u>	<u>537,534</u>	<u>498,215</u>	<u>305,382</u>	<u>249,457</u>
Inputs acquired from third parties									
(Including taxes and contributions)									
Raw materials consumed		157,420	157,049	89,433	78,635	96,291	75,894	54,705	38,000
Material, power, third-party services and other operating costs and expenses		153,013	166,551	86,929	83,392	106,500	110,401	60,504	55,278
		<u>310,433</u>	<u>323,600</u>	<u>176,362</u>	<u>162,027</u>	<u>202,791</u>	<u>186,295</u>	<u>115,209</u>	<u>93,278</u>
Net added value produced by the company		<u>498,460</u>	<u>456,710</u>	<u>283,184</u>	<u>228,675</u>	<u>334,743</u>	<u>311,920</u>	<u>190,173</u>	<u>156,179</u>
Depreciation and amortization		<u>(29,067)</u>	<u>(24,761)</u>	<u>(16,513)</u>	<u>(12,398)</u>	<u>(19,494)</u>	<u>(15,375)</u>	<u>(11,075)</u>	<u>(7,698)</u>
Net added value produced by the company		<u>469,393</u>	<u>431,949</u>	<u>266,671</u>	<u>216,277</u>	<u>315,249</u>	<u>296,545</u>	<u>179,098</u>	<u>148,481</u>
Transferred added value									
Equity accounting results		1,753	2,180	995	1,092	30,878	1,252	17,541	627
Financial income	26	42,336	52,347	24,052	26,210	35,389	41,679	20,105	20,869
		<u>44,089</u>	<u>54,527</u>	<u>25,047</u>	<u>27,302</u>	<u>66,267</u>	<u>42,931</u>	<u>37,646</u>	<u>21,496</u>
Total added value to be distributed		<u>513,482</u>	<u>486,476</u>	<u>291,718</u>	<u>243,579</u>	<u>381,516</u>	<u>339,476</u>	<u>216,744</u>	<u>169,977</u>
Distribution of added value									
Personnel									
Direct remuneration		155,864	148,419	88,549	74,314	103,005	95,641	58,519	47,888
Benefits		32,913	30,336	18,698	15,189	21,753	19,814	12,358	9,921
FGTS (Government Severance Indemnity Fund)		11,527	10,100	6,549	5,057	9,800	7,327	5,568	3,669
		<u>200,304</u>	<u>188,855</u>	<u>113,796</u>	<u>94,560</u>	<u>134,558</u>	<u>122,782</u>	<u>76,445</u>	<u>61,478</u>
Taxes, rates and contributions									
Federal		110,794	106,917	62,944	53,533	79,497	71,247	45,164	35,673
State		43,982	27,470	24,987	13,754	36,203	21,904	20,568	10,967
Municipal		31	152	18	76	8	142	5	71
		<u>154,807</u>	<u>134,539</u>	<u>87,949</u>	<u>67,363</u>	<u>115,708</u>	<u>93,293</u>	<u>65,737</u>	<u>46,711</u>
Remuneration of third-party capital									
Interest and financial expenses		45,473	74,460	25,834	37,282	33,918	51,960	19,269	26,016
Rent		13,358	12,742	7,589	6,380	8,387	7,921	4,765	3,966
Other		29,264	23,860	16,625	11,947	18,669	11,500	10,606	5,758
		<u>88,095</u>	<u>111,062</u>	<u>50,048</u>	<u>55,609</u>	<u>60,974</u>	<u>71,381</u>	<u>34,640</u>	<u>35,740</u>
Remuneration of shareholders' equity									
Remuneration of shareholders' equity		22,056	15,174	12,530	7,598	22,056	15,174	12,530	7,598
Retained earnings for the year		48,220	36,846	27,395	18,449	48,220	36,846	27,395	18,449
		<u>70,276</u>	<u>52,020</u>	<u>39,925</u>	<u>26,047</u>	<u>70,276</u>	<u>52,020</u>	<u>39,925</u>	<u>26,047</u>
		<u>513,482</u>	<u>486,476</u>	<u>291,718</u>	<u>243,579</u>	<u>381,516</u>	<u>339,476</u>	<u>216,747</u>	<u>169,976</u>

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

December 31, 2010 and 2009 and January 1, 2009

(In thousands of Reais, except when indicated otherwise)

1 Operations

Forjas Taurus S.A. (Company) is a Brazilian publicly-held company with its head office in Porto Alegre in the state of Rio Grande de Sul, whose activities consist of manufacturing and selling revolvers, civil and military pistols, and ammunition; the manufacturing of metallic parts on order, industrial boiler making and holding interests in other companies. The subsidiaries are dedicated to the production and selling of civil pistols, goggles, bullet-proof vests, motorcycle helmets, injected plastic products, tools for civil construction, mechanics, gardening and similar products, the purchase, sale and renting of its own real estate and the real estate of third parties, machine-tools and the machining of metals on order.

At December 31, 2010, the Company and its subsidiaries were operating with seven industrial plants, four of which are located in the State of Rio Grande do Sul, one in the State of Paraná, one in the State of Bahia and one located in the United States of America.

The sales of the Company and its subsidiaries are mainly directed towards private clients on the foreign market, especially clients located in North America, and public agencies on the domestic market, particularly the police forces. The sales of the Company and its subsidiaries do not suffer restrictions and do not have a concentration level that could be defined as a significant dependency on government agencies or any other client. Due to the specific characteristics of the guns and ammunitions market, the Company and its subsidiaries are under the supervision and follow the rules and regulations of the domestic and foreign security agencies in part of their operations.

The Company's common (ON - FJTA3) and preferred shares (PN - FJTA4) have been listed on the São Paulo stock exchange (BOVESPA) since March 1982.

2 Entities of the Company

	Country	Equity interest		
		31/12/2010	31/12/2009	01/01/2009
Taurus Blindagens Ltda.	Brazil	99,86%	99,86%	99,86%
Taurus Blindagens Nordeste Ltda.*	Brazil	99,86%	99,86%	99,86%
Taurus Holdings, Inc.	United States	100,00%	100,00%	100,00%
Taurus Security Ltda.	Brazil	60,00%	60,00%	60,00%
Taurus Máquinas-Ferramenta Ltda.*	Brazil	99,98%	99,97%	99,96%
Taurus Investimentos Imobiliários Ltda.*	Brazil	99,96%	99,96%	99,95%
Famastil Taurus Ferramentas S.A.	Brazil	35,00%	35,00%	35,00%
Taurus Helmets Indústria Plástica Ltda. *	Brazil	99,86%	99,86%	99,86%

(*) The equity interests presented represent the percentage held by the investing company directly and indirectly in the capital of the subsidiaries.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

3 Preparation basis

a. Declaration of conformity (with respect to IFRS and CPC standards)

The present financial statements include the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP), as well as the individual financial statements of the parent company prepared in accordance with BR GAAP.

The individual financial statements of the parent company were prepared in accordance with BR GAAP and, in the case of the Group, these practices differ from IFRS applicable to separate financial statements due to the valuation of investments in subsidiaries and affiliated companies by the equity accounting method in BR GAAP, while for IFRS purposes it would be by cost or fair value.

However, there is no difference between the consolidated shareholders' equity and result and the shareholders' equity and result of the parent company in its individual financial statements. Accordingly, the parent company's consolidated financial statements and individual financial statements are being presented side-by-side in one single set of financial statements.

These are the first consolidated statements prepared in accordance with IFRS where CPC 37 has been applied.

An explanation of how the transition to IFRS affected the financial position, financial performance and cash flows is presented in note 31.

The issuing of the individual and consolidated financial statements was authorized by the Board of Directors on March 24, 2011.

b. Valuation basis

The individual and consolidated financial statements were prepared based on historical cost with the exception of the following material items recognized in the balance sheets: derivative financial instruments stated at fair value and financial instruments stated at fair value through profit and loss.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

c. Functional currency and presentation currency

The individual and consolidated financial statements are presented in Reais, the functional currency of the Company and its subsidiaries headquartered in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., headquartered in the United States of America is the US dollar. All the financial information presented in Reais was rounded up to the nearest thousand, except when indicated otherwise.

d. Use of estimates and judgments

The preparation of individual and consolidated financial statements in accordance with IFRS and CPC pronouncements requires that Management makes judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and assumptions are reviewed continually. Revisions of accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods that are affected.

The information on critical judgments referring to the accounting policies adopted that have an effect on the amounts recognized in the individual and the consolidated financial statements are included in the following notes: 12 – Deferred tax assets and liabilities, 20 – Contingencies, and 21 – Financial instruments.

Information on uncertainties on assumptions and estimates that may have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes to the financial statements: 12 – Deferred tax assets and liabilities, 20 – Contingencies, and 21 – Financial instruments.

e. Basis of translation to U.S. Dollars (Not audited)

The books of accounts are maintained in Brazilian Reais (R\$). The balance sheets, statements of income, comprehensive statements of income, statements of changes in shareholders' equity, statements of cash flows and statements of added value, as well as certain information included in the notes to the financial statements are being presented in US Dollars (US\$) as an additional information solely for the convenience of the reader and have been translated from the amounts in Brazilian Reais using the following criteria:

- Balance sheet amounts at the exchange rate prevailing at the year end (2010: R\$ 1.6662; 2009 R\$: 1.7412; 01/01/2009: R\$ 2.337);
- Amounts in the statements of income, of changes in Shareholders' equity, of cash flow and of value added and comprehensive statements of income at the average exchange rate for the year (2010: R\$ 1.7602; 2009: R\$ 1.9972; 01/01/2009: R\$ 1.8375); and

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

- Exchange variations have been recognized in the line "Translation adjustment" in the statements of changes in shareholders' equity and of cash flow.

This translation should not be construed as representing that the Brazilian Reais amounts represent, or have been, or could be, converted into U.S. Dollars at this or at any other rate. Therefore, this translation should be considered as a "free translation", not subject of an independent audit in accordance with the accounting or auditing practices adopted in Brazil.

4 Significant accounting policies

The accounting policies described in detail below have been applied consistently to all the periods presented in these individual and consolidated financial statements and in the preparation of the opening balance sheet verified on January 1, 2009 for the purpose of transition to BR GAAP standards and IFRS, except in the cases indicated otherwise.

The accounting policies have been applied consistently by the Company's invested companies.

a. Consolidation basis

(i) Business combinations

Acquisitions prior to January 1, 2009

As part of the transition to IFRS and CPC the Company chose not to re-present the business combinations prior to January 1, 2009. With respect to acquisitions prior to January 1, 2009, goodwill represents the amount recognized according to accounting practices adopted previously. These intangible assets were tested for impairment on the transition date, as described in Note 4 e (i). No liabilities not recorded before the adoption of IFRS were identified that should have been adopted at the time of transition to IFRS.

(ii) Acquisition of minority interest

It is recorded as transactions between shareholders. Accordingly, no goodwill is recognized as a result of these transactions.

(iii) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements as from the date on which the control begins until the date on which the control ceases to exist. The accounting policies of subsidiaries are aligned with the policies adopted by the Group.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

In the Parent company's individual financial statements and in the financial information of subsidiaries and affiliated companies, they are recognized according to the equity accounting method.

(iv) Investment in affiliated companies

An affiliated company is that entity in which the Company, directly or indirectly, has a significant influence, but not control, over financial and operating policies. Significant influence supposedly occurs when the Company, directly or indirectly, holds between 20 and 50 per cent of the voting power of another entity.

The investment in the affiliated company is recorded through the equity accounting method and is initially recognized at cost. The Company's investment includes the goodwill identified upon acquisition, net of any accumulated losses through impairment. (Goodwill in an affiliated company is not recorded and tested for impairment, separately.) The consolidated financial statements include the affiliated company's income and expenses and equity changes, after making the adjustments to align its accounting policies with those of the Group, as from the date on which the significant influence begins to exist until the date on which this significant influence ceases. When the Group's share in the losses of an invested company whose net equity has been recorded exceeds its shareholding interests in this Company recorded according to equity accounting, the carrying value of that shareholding interest, including any long-term investments, is reduced to zero, and recognition of additional losses is closed, except in those cases where the Group has constructive obligations or made payments on behalf of the invested company, when a provision is then recorded for the loss in investments.

(v) Transactions eliminated upon consolidation

Intragroup balances and transactions, and any income or expenses resulting from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains resulting from transactions with invested companies recorded through equity accounting are eliminated against the investment in proportion to the Group's stake in the invested company. Unrealized losses are eliminated in the same way as the unrealized gains, but only to the extent that there is evidence of impairment.

Despite significant influence over economic and operating activities, the financial statements of Famastil Taurus Ferramentas S.A. were not consolidated, as the Parent company does not meet the specific criteria of CPC 18 and IAS 28 for recognition of joint control of this company.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

b. Foreign currency

(i) Transactions in foreign currency

Transactions in foreign currency are translated into the respective functional currencies of the entities of the Group at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the presentation date are retranslated into the functional currency at the exchange rate calculated on that date. The exchange gain or loss on monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted by effective interest and payments during the period, and the amortized cost in foreign currency at the exchange rate at the end of the presentation period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated into the functional currency at the exchange rate on the date on which the fair value was calculated. The differences in foreign currencies resulting from re-translation are recognized in the income statement. Non-monetary items that are measured in terms of historical costs in foreign currency are translated by the exchange rate verified on the transaction date.

(ii) Operations abroad

The assets and liabilities of operations abroad, including goodwill and fair value adjustments are translated into Reais at the exchange rates verified on the presentation date. Revenues and expenses of operations abroad are translated into Reais at the exchange rates verified on the dates of the transactions. There are no transactions in hyper-inflationary economies.

The differences in foreign currencies are recognized in other comprehensive results and are presented in shareholders' equity. Since January 1, 2009, the date of application by the Group of pronouncement CPC 02 - Effect of Changes in the Exchange Rate and the Translation of Financial Statements, these differences have been recognized in accumulated translation adjustments.

Exchange gains or losses resulting from a monetary item receivable from or payable to an operation abroad, the settlement of which has not been planned and for which there is no likelihood of occurring in the foreseeable future and the essence of which is considered as being part of the net investment in the operation abroad, are recognized in other comprehensive results.

c. Financial instruments

(i) Non derivative financial assets

The Company recognizes loans and receivables and deposits initially on the date on which they were originated. All other financial assets (including assets stated at fair value through profit and loss) are recognized initially on the date of the negotiation on which the Group becomes one of the parties to the contractual provisions of the instrument.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The Group derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or when the Group transfers the rights to receipt of the contractual cash flows on a financial asset in a transaction where, essentially, all the risks and benefits of ownership of the financial asset are transferred. Eventual interests that are created or withdrawn by the Group in the financial assets are recognized as an individual asset or liability.

The financial assets or liabilities are offset and the net value is presented in the balance sheet when, and only when, the Group has the legal right to offset the amounts and has the intention of settling them on a net basis or of realizing the asset and settling the liability simultaneously.

The Group has the following non derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or calculable payments that are not quoted on an active market. These assets are initially recognized at their fair value plus any attributable transaction costs. After initial recognition, the loans and receivables are valued at their amortized cost through the effective interest method, less any loss through impairment.

Loans and receivables include trade accounts receivable and other receivables.

Cash and cash equivalents consist of cash and financial investments with immediate liquidity without penalties for the Group. Limits of secured bank checks that have to be paid on demand and which are an integral part of the Group's cash management are included as a component of cash equivalents for purposes of the statement of cash flows.

(ii) Non derivative financial liabilities

The Group recognizes debt securities issued and subordinated liabilities initially on the date on which they are originated. All other financial liabilities (including liabilities stated at fair value through profit and loss) are recognized initially on the date of the negotiation on which the Group becomes one of the parties to the contractual provisions of the instrument. The Group writes off a financial liability when its contractual obligations are settled or cancelled or have expired.

The financial assets and liabilities are offset and the net value is presented in the balance sheet when, and only when, the Group has the legal right to offset the amounts and has the intention of settling them on a net basis or of realizing the asset and discharging the liability simultaneously.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The Group has the following non derivative financial liabilities: loans, financing, non-convertible debentures, secured bank check limits, accounts payable to suppliers and other accounts payable.

These financial liabilities are initially recognized at their fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are valued at their amortized cost through the effective interest method.

(iii) Capital

Common shares

Common shares are classified as shareholders' equity.

Preferred shares

Preferred capital is classified as Shareholders' equity if it is not redeemable, or only redeemable at the Company's choice. Preferred shares have no voting rights or differentiated dividends and have preference in the settlement of their portion of the capital.

The minimum mandatory dividends, as defined in the bylaws, are recognized as liabilities. The remaining balance of the net income remains in the profit reserves in shareholders' equity until its distribution is approved in the general shareholders' meeting.

(iv) Derivative financial instruments, including hedge accounting

The Group maintains financial hedge derivative instruments to hedge its foreign currency variation and interest rate risk exposures. Embedded derivatives are separated from their main contracts and recorded individually if the economic characteristics and risks of the main contract and the embedded derivative are not intrinsically related; or an individual instrument with the same conditions as the embedded derivative satisfy the definition of a derivative, and the combined instrument is not stated at fair value through profit and loss.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

At the time of the initial designation of the hedge, the Group formally documents the relationship between the hedge instruments and the items that are the hedged item, including the risk management objectives and the strategy for conducting the hedge transaction, together with the methods that will be used to evaluate the effectiveness of the hedge relationship. The Group makes an evaluation, not only at the start of the hedge relationship, but also continually, if there are expectations that the hedge will be “highly effective” in offsetting changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and if the actual results of each hedge are within a range of 80 to 125 percent. For a cash flow hedge of a predicted transaction, the occurrence of the transaction has to be highly probable and should present exposure to changes in the cash flows that in the end affect the reported net income.

Derivatives are initially recognized at their fair value; attributable transaction costs are recognized in the income statement when incurred. Subsequent to initial recognition, derivatives are stated at their fair value and changes in fair value are recorded as described below.

Cash flow hedges

When a derivative is designated as a hedge instrument in a hedge against the variability of the cash flows attributable to a specific risk associated with a recognized asset or liability or a transaction predicted as highly probable and which could affect the result, the effective portion of the changes in the fair value of the derivative is recognized in other comprehensive results and presented in equity valuation adjustments in shareholders' equity. The amount recognized in other comprehensive results is reclassified to the result in the same period that the protected cash flows (hedge) affect the result in the same line in the income statement as a hedged item. Any non-effective portion of the changes in the fair value of the derivative is recognized immediately in the income statement.

If the hedge instrument no longer meets hedge accounting criteria, expires or is sold, closed, exercised, or has its designation revoked, then the hedge accounting is discontinued prospectively. The accumulated results, previously recognized in other comprehensive results and presented in the equity valuation reserve in shareholders' equity, remain there until the predicted transaction affects the result. When the hedged item is a non financial asset, the amount recognized in other comprehensive results is transferred to the amount of the respective asset when this is recognized. If there are no longer expectations with respect to the occurrence of the projected transaction, then the balance in other comprehensive results is recognized immediately in the income statement. In other cases the amount recognized in other comprehensive results is transferred to the income statement in the same period that the hedged item affects the results.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Other derivatives not held for trading

When a derivative financial instrument is not held for trading, and it is not designated in a hedge relationship that is qualified, all the changes in its fair value are recognized immediately in the income statement.

d. Property, plant and equipment

(i) Recognition and valuation

Items of property, plant and equipment are stated at historical cost of acquisition or construction, less accumulated depreciation and accumulated losses from impairment.

The Group chose to revalue the property, plant and equipment by their deemed cost on the opening date of fiscal year 2009. The effects of the deemed cost increased the property, plant and equipment, which had Shareholders' equity, net of tax effects, as a corresponding entry.

In spite of the adoption of the fair value as deemed cost and the consequent increase in the depreciation expense in the forthcoming years, the Company did not change its dividend policy.

The cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the entity, itself, includes the cost of material and direct labor and any other costs for placing the assets at the location and in the required conditions for them to be capable of operating as intended by Management, the dismantling costs and costs for restoration of the site where these assets are located, and costs of loans on qualifiable assets for which the date of the start for capitalization is January 1, 2009 or a subsequent date.

The software purchased, which is an integral part of the functionality of a piece of equipment, is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are recorded as individual items (main components) of property, plant and equipment.

Gains and losses on the disposal of an item of property, plant and equipment are calculated through comparison between the funds originating from the disposal and the book value of the item of property, plant and equipment, and they are recognized net in other income in the income statement.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

(ii) Subsequent costs

The cost for replacement of an item of property, plant and equipment is recognized in the book value of the item if it is likely that the economic benefits incorporated in the item will flow into the Group and that its cost can be measured reliably. The book value of a component that was replaced by another is written off. The day-to-day maintenance costs of the property, plant and equipment are recognized in the income statement when incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or another substitute amount for the cost, less the residual amount.

Depreciation is recognized in the income statement based on the straight-line method with respect to the estimated useful lives of each part of an item of the property, plant and equipment, as this method is the one that most closely reflects the standard for consumption of future economic benefits incorporated in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are approximately as follows:

	<u>As from 01/01/2009</u>	<u>31/12/2008</u>
Buildings	27 years	25 years
Machinery and equipment	15 to 20 years	10 years
Furniture and fixtures	15 years	10 years
Other items	5 to 6 years	5 years

The depreciation methods, the useful lives and the residual amounts are reviewed at each closing of the financial year and eventual adjustments are recognized as changes in accounting estimates.

e. Intangible assets

(i) Goodwill

The goodwill resulting from the acquisition of subsidiaries is included in intangible assets.

With respect to acquisitions prior to January 1, 2009, goodwill is included based on its deemed cost, which represents the amount recorded in accordance with previously adopted accounting practices, adjusted for the reclassification of certain intangible assets.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Subsequent valuation

Goodwill is valued at cost, less losses for impairment. With respect to the invested company, recorded according to equity accounting, the book value of the goodwill is included in the book value of the investment, and a loss for impairment in this investment is not allocated to any assets, including the goodwill, which is part of the accounting value of the invested company, recorded according to equity accounting.

(ii) Research and development

Expenditures on research activities, made with the possibility of a gain in scientific or technological knowledge and understanding, are recognized in the income statement as incurred. Development activities involve a plan or project, aiming at the production of new or substantially improved products. Development expenditures are capitalized only if the development costs can be measured reliably, if the product or process is technically and commercially viable, if future economic benefits are probable and if the group has the intention and sufficient resources to conclude the development and use or sell the asset. Capitalized expenditures include the cost of materials, direct labor, manufacturing costs that are directly attributable to the preparation of the asset for its proposed use, and costs of loans on qualifiable assets for which the date for the start of capitalization is January 1, 2009 or later. Other development expenditures are recognized in the income statement as incurred.

Capitalized development expenditures are stated at cost, less accumulated amortization and losses through impairment.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and which have definite useful lives are stated at cost, less accumulated amortization and accumulated losses for impairment.

(iv) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits incorporated in the specific asset to which they are related. All other expenditures, including expenditures with goodwill generated internally and trademarks, are recognized in the income statement as incurred.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

(v) Amortization

Amortization is recognized in the income statement based on the straight-line method with respect to the estimated useful lives of intangible assets, which is not goodwill, as from the date on which they are available for use, as this method is the one that best reflects the standard for consumption of future economic benefits incorporated in the asset. The estimated useful life for the current and comparative periods of the manufacturing processes acquired from third parties is 5 years.

f. Trade accounts receivable

Trade accounts receivable are stated at the amount invoiced, including the respective direct taxes that are the Company's tax responsibility. The Company did not compute material amounts that should be adjusted to present value.

The calculation of the present value is made for each transaction, based on an interest rate that reflects the term, the currency and the risk of each transaction. During the year the average rate used by the Company was approximately 0.80% per month. The corresponding entry for the adjustments to present value in accounts receivable is made against gross income in the income statement. The difference between the present value of a transaction and the face value of the invoicing is considered financial income and will be allocated, based on the amortized cost and effective interest rate methods over the term of the transaction.

The allowance for doubtful accounts was recorded in an amount considered sufficient by Management to cover eventual losses on the realization of the receivables.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of the inventories is based on the moving weighted average principle and includes expenses incurred on the acquisition of inventories, production and transformation costs and other costs incurred to bring them to their locations and existing conditions. For manufactured inventories and products in preparation, the cost includes a portion of the general manufacturing overheads based on normal operating capacity.

The net realizable amount is the estimated selling price in the normal course of business, less the estimated finishing costs and selling expenses.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

h. Decrease to recoverable value (Impairment)

(i) Financial assets (including receivables)

A financial asset not stated at fair value through profit and loss is valued each presentation date in order to ascertain whether there is objective evidence that there may have been impairment (loss in its recoverable value). An asset has a loss in its recoverable value if objective evidence indicates that a loss has occurred after the initial recognition of the asset and that that loss had a negative effect on the projected future cash flows that can be reliably estimated.

Objective evidence that financial assets (including membership shares) have lost value may include non-payment or late payment by a debtor, restructuring of the amount owed to the Group under conditions that the Group would not consider in other transactions, indications that the debtor or issuer will enter into a process of bankruptcy, or the disappearance of an active market for a security. Additionally, for an equity instrument, a material or prolonged decline in its fair value below its cost is objective evidence of loss through impairment.

The Group considers evidence of loss in value for receivables and investment securities held until maturity both at the individualized and collective level. All the individually material receivables and investment securities held until maturity are evaluated with respect to the loss of a specific amount.

When evaluating impairment collectively, the Group uses historical trends of the probability of default, of the term for recovery and the amounts of loss incurred, adjusted to reflect management's judgment with respect to the assumptions, if the current economic and credit conditions are such that the real losses will probably be greater or less than those suggested by historical trends.

(ii) Non financial assets

The carrying values of the Group's non financial assets, which are not inventories and deferred income taxes and social contribution, are reviewed on each presentation date in order to verify whether there are indications of impairment. If there is evidence of impairment, then the recoverable value of the asset is determined. In the event of goodwill and intangible assets with an indefinite useful life or intangible assets in development that are not yet available for use, the recoverable value is estimated every year at the same time of the year.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The recoverable value of an asset or a cash generating unit is the greater amount between the value in use and the fair value, less selling expenses. On evaluating the value in use, the estimated future cash flows are discounted to their present values through the discount rate before taxes that reflects the prevailing market conditions with respect to the recoverability period of the capital and the specific risks of the asset. For purposes of testing the recoverable value, the assets that can not be tested individually are grouped together in the smallest group of assets that generates a cash entry of continuous use, which is largely independent of the cash flows of other assets or groups of assets (cash generating unit or CGU). For purposes of testing the recoverable value of goodwill, the amount of goodwill obtained in a business combination is allocated to the CGU or to the group CGUs for which the benefit of the synergies of the combination is expected. This allocation reflects the lowest level at which the goodwill is monitored for internal purposes and is not larger than an operating segment determined in accordance with IFRS 8 and CPC 22.

The Group's corporate assets do not generate cash entries individually. If there is evidence that a corporate asset presents impairment, then the recoverable value is allocated on a reasonable and consistent basis to the CGU or the group of CGUs to which the corporate asset belongs.

Loss through impairment is recognized if the book value of an asset or its CGU exceeds its estimated recoverable value. Losses in value are recognized in the income statement. Losses in the recoverable value related to the CGUs are allocated initially to reduce the book value of any goodwill allocated to the CGUs and, then, if there is still a remaining loss, to reduce the book value of the other assets within the CGU, or group of CGUs, on a pro rata basis.

A loss through impairment related to goodwill is not reversed. With respect to other assets, the losses in recoverable value recognized in prior periods are evaluated on each presentation date for any evidence that the loss has increased, decreased or no longer exists.

A loss in value is reversed if there has been a change in the estimates used to determine the recoverable value. A loss through impairment is reversed only in the situation where the book value of the asset does not exceed the book value that would have been obtained, net of depreciation or amortization, if the loss in value had not been recognized.

The goodwill that is part of the book value of an investment in an affiliated company is not recognized individually and, therefore, is not tested separately for impairment. Instead of this, the total amount of the investment in an affiliated company is tested for impairment as a single asset when there is objective evidence that the investment in an affiliated company may present impairment.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

(iii) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity (Pension Fund) and will have no legal or constructive obligation to pay additional amounts. The liabilities for contributions to defined contribution pension plans are recognized as employee benefit expenses in the income statement in the periods during which the services are provided by the employees. Contributions paid in advance are recognized as an asset under the condition that there is a cash reimbursement or a decrease in future payments is available. The contributions for a defined contribution plan, whose maturity is expected for 12 months after the end of the period in which the employee provides the service, are discounted to their present amounts.

Short-term benefits for employees

Liabilities from short term benefits for employees are stated on an undiscounted basis and are incurred as expenses as the related service is provided.

The liability is recognized at the amount expected to be paid on the bonus plans in cash or short-term profit-sharing if the Group has a legal or constructive obligation to pay this amount as a result of a past service provided by the employee, and if the liability can be estimated reliably.

i. Provisions

A provision is recognized as a result of a past event if the Group has a legal or constructive obligation that may be reliably estimated and it is likely that economic resources will be required to settle the obligation.

Guarantees

A provision for guarantees is recognized when the products or services are sold. The provision is based on historical guarantee data and a weighting of all of the disbursement probabilities.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

j. Operating income

Sale of products

The operating income from the sale of products in the normal course of activities is valued by the fair value of the consideration received or receivable. Operating income is recognized when there is convincing evidence that the most significant risks and benefits inherent to the ownership of the products were transferred to the buyer, that it is likely that the financial and economic benefits will flow into the entity, that the associated costs and the possible return of products can be estimated reliably, that there is no continued involvement with the products sold and that the amount of operating income can be measured reliably. If it is likely that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a decrease in the operating income as the sales are recognized.

k. Financial income and expenses

Financial income includes income from interest on invested funds, changes in the fair value of financial assets valued at fair value through profit and loss and gains on hedge instruments that are recognized in the income statement. Income from interest is recognized in the income statement through the effective interest method.

Financial expenses comprise expenses from interest on loans, net of the discount to present value of the provisions, changes in the fair value of financial assets valued at fair value through profit and loss, losses through impairment recognized in the financial assets, and losses on hedge instruments that are recognized in the income statement. Loan costs that are not directly attributable to the acquisition, construction or production of a qualifiable asset are stated in the income statement through the effective interest method.

l. Income tax and social contribution

The current and deferred income and social contribution taxes are calculated based on the rates of 15%, plus a surcharge of 10% on taxable income in excess of R\$ 240, for income tax and 9% on taxable income for the social contribution on net income, and consider the offsetting of tax loss carry forward and the negative base of the social contribution, limited to 30% of taxable income.

The expense with income tax and social contribution comprises current and deferred income taxes. Current and deferred taxes are recognized in the income statement, unless they are related to a business combination, or in items directly recognized in shareholders' equity or in other comprehensive results.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Current tax is the tax payable or receivable expected on the taxable income or loss for the year, at decreed or substantively decreed tax rates on the date of presentation of the financial statements and any adjustment to the taxes payable with respect to prior years.

Deferred tax is recognized with respect to the temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that does not affect either the accounting or the taxable income or loss, and differences related to investments in subsidiaries and controlled entities, when it is probable that the differences are not reversed in the foreseeable future. Additionally, deferred tax is not recognized for taxable temporary differences resulting on the initial recognition of goodwill. Deferred tax is stated at the rates that are expected to be applied to the temporary differences when they are reversed, and are based on the laws that were decreed or substantively decreed up till the presentation date of the financial statements.

Deferred tax assets and liabilities are offset if there is a legal right for offsetting current tax liabilities and assets, and they are related to income taxes levied by the same tax authority on the same entity subject to taxation.

Deferred income tax and social contribution assets are recognized for unused, deductible tax losses, tax credits and temporary differences when it is probable that future income subject to taxation will be available and against which they will be used.

Deferred income tax and social contribution assets are reviewed on each reporting date and will be decreased in the measure that their realization is no longer likely.

The Company opted for the Transition Tax Regime for calculating Income Tax and Social Contribution for the year ended December 31, 2009.

m. Result per share

The basic result per share is calculated through the results for the period attributable to the Company's controlling and minority shareholders and the weighted average of the outstanding common and preferred shares in the respective period. The diluted result per share is calculated through the aforementioned average of the outstanding shares, adjusted by instruments potentially convertible into shares, with a diluting effect, in the periods presented, in the terms of CPC 41 and IAS 33.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

n. Segment reporting

An operating segment is a component of the Group that performs business activities which may earn income and incur expenses, including income and expenses related to transactions with other components of the Group. All the operating results of the operating segments are reviewed frequently by the Management for decisions on the resources to be allocated to the segment and for evaluation of its performance, and for which individualized financial information is available.

The segment results that are reported to Management include items directly attributable to the segment, as well as those which may be allocated on reasonable bases.

Capital expenditures per segment are the total costs incurred during the period for the acquisition of property, plant and equipment, and intangible assets other than goodwill.

o. Statements of added value

The Company prepared individual and consolidated statements of added value in the terms of technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements in accordance with BRGAAP applicable to publicly-held companies, while for IFRS they present additional financial information.

p. New rules and interpretations not yet adopted

Various IFRS rules, amendments to rules and interpretations issued by the IASB have not yet entered into force for the fiscal year ended December 31, 2010, and are as follows: Comparative limited exemptions from disclosure of IFRS 7 – Disclosure for first adoption, improvements to IFRS 2010, IFRS 9 – Financial instruments, payments in advance of minimum required amounts (addendum to IFRIC 14) and Addendums to IAS 32 – Classification of issue rights.

The Accounting Pronouncement Committee (CPC) has not yet issued pronouncements equivalent to the IFRS mentioned above, but there are expectations that it will do so before the required date for them to come into effect. Early adoption of IFRS pronouncements is conditioned to prior approval in a regulatory act of the Brazilian Securities Commission (CVM).

The Company has not estimated the extent of the impact of these standards on their financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

q. Distribution of dividends

It is recognized as a liability at the time when the dividends are approved by the Company's shareholders. The Company's bylaws establish that at least 25% of the annual net income, calculated in accordance with corporation law in Brazil and accounting practices adopted in Brazil, is distributed as dividends. Therefore, the Company records a provision, at the closing of the fiscal year, in the amount of the minimum dividend that still has not been distributed during the year up to the limit of the mandatory minimum dividend described above.

5 Determining fair value

A number of the Company's accounting policies and disclosures require determination of their fair value, not only for financial assets and liabilities but also for non-financial assets and liabilities. Fair values have been calculated for valuation or disclosure purposes based on the methods below. When applicable, additional information on the assumptions used in the calculation of the fair values is disclosed in the specific notes to that asset or a liability.

(i) Property, plant and equipment

The fair value recognized as a result of a business combination is based on market values. The market value of the property is the estimated amount for which an asset could be exchanged on the valuation date between knowledgeable parties interested in a transaction under normal market conditions. The fair value of the items of the property, plant and equipment is based on the market approach and on the cost approaches through market prices quoted for similar items, when available, and replacement cost when appropriate.

(ii) Inventories

The fair value of inventories acquired in a business combination is calculated based on the estimated selling price in the normal course of business activities, less estimated finishing costs and selling expenses, and a reasonable profit margin based on the effort required to finish and sell the inventories.

(iii) Trade accounts receivable and other receivables

The fair value of trade accounts receivable and other receivables is estimated as the present value of future cash flows, discounted by the market interest rate verified on the presentation date. This fair value is determined for disclosure purposes.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

(iv) Derivatives

The fair value of forward exchange contracts is based on the listed market price, if available. If a listed market price is not available, the fair value is estimated discounting the difference between the contractual forward price and the current forward price for the residual maturity period of the contract using a risk free interest rate (based on government bonds).

The fair value of interest rate swaps is based on brokers' quotations. These quotations are tested with respect to reasonability through the discount of estimated future cash flows, based on the conditions and maturity of each contract and using market interest rates for a similar instrument obtained on the valuation date. The fair values reflect the instrument's credit risk and include adjustments in order to consider the credit risk of the Group's entity and counterparty, when appropriate.

(v) Non derivative financial liabilities

The fair value, determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted by the market rate of the interest verified on the presentation date of the financial statements. With respect to the liability component of convertible debt instruments, the market interest rate is obtained through reference to similar liabilities which do not present a conversion option. For financial leasing, the interest rate is obtained through reference to similar leasing agreements.

6 Financial risk management

The Company is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk, market risk and operating risk.

This note presents information on the Group's exposure to each one of the aforementioned risks, the Group's objectives, policies and processes for risk measurement and management, and the Group's capital management. Additional quantitative disclosures are included throughout these financial statements.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

(i) Risk management structure

The Group's risk management policies are established in order to identify and analyze the risks faced by the Group, to define appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are frequently reviewed in order to reflect changes in market conditions and the Group's activities. The Group, through its training and management rules and procedures, aims at developing a constructive, disciplined control environment, where all the employees understand their roles and obligations.

Management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management structure with respect to the risks faced by the Group.

(ii) Credit risk

Credit risk is the risk of financial loss for the Group if a client or counterparty in a financial instrument fails to fulfill its contractual obligations, which arise mainly from the Company's trade receivables and investment securities.

(iii) Trade accounts receivable and other receivables

The Group's exposure to credit risk is influenced, mainly, by the individual characteristics of each client. The Company and its subsidiaries adopt the policy of analyzing the financial and equity position of their counterparties, as well as defining credit limits and permanently accompanying outstanding positions. With respect to financial institutions, the Company and its subsidiaries carry out transactions only with low risk financial institutions. For the Group's revenue there is no concentration of sales to one single client, hence there is no credit risk concentration.

The Company has established a credit policy where the credit capacity of every new client is analyzed individually before the Group's standard payment and delivery terms and conditions are offered. The Group's analysis includes external assessments, when available, and, in some cases, bank references. Purchase limits are established for each client, which represent the maximum outstanding amount without requiring credit approval. These limits are reviewed each quarter. Clients that fail to comply with the credit limit established by the Group may only operate with the Group when there is settlement of their bills. For public agencies, the Company's Management individually assesses their payment ability and the bidding requirements for making the sale.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

In the credit risk monitoring of the clients, the clients are grouped according to their credit characteristics, including whether they are individuals or legal entities, retailers or public agencies, and their geographical location, industry and existence of previous financial difficulties.

The Company records a provision for impairment which represents its estimate for losses incurred in relation to trade accounts receivable and other receivables and investments. The main components of this provision are: a specific loss component related to individual material risks and a collective loss component established for groups of similar assets in relation to losses incurred, but not yet identified. The provision for collective loss is determined based on past history and Management's knowledge of the business dealings.

(iv) Liquidity risk

Liquidity risk is the risk where the Group may encounter difficulties in complying with its obligations associated with its financial liabilities that are settled with immediate payment or with another financial asset. The Group's approach for liquidity management is to guarantee, to the maximum possible extent, that it always has sufficient liquidity to fulfill its obligations as they fall due, under normal conditions and stress conditions, without causing losses or with a risk of adversely affecting the Group's reputation.

Typically, the Group assures that it has sufficient cash on demand to comply with expected operating expenses for an approximate period of 60 days, including compliance with financial liabilities. This excludes the potential impact of extreme circumstances which cannot be reasonably forecast, such as natural disasters. Additionally, the Group maintains the following lines of credit:

The Group has lines of credit contracted with financial institutions, as presented in note 17, and all these lines of credit are being fully used, except by the subsidiary Taurus Holdings, Inc. which has a line of credit in the amount of USD 22,000 thousand and at December 31, 2010 is using USD 15,000 thousand.

Additionally, the Group has lines of credits that are open, but not contracted, with the major banks that operate in Brazil, in approximate amounts of R\$ 500,000 at market terms and rates.

(v) Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and share prices, may have on the Group's results. The aim of market risk management is to manage and control exposures to market risk within acceptable parameters and, at the same time, to optimize the return.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The Group buys and sells derivatives and also complies with financial liabilities in order to manage market risks. All of these operations are conducted within the guidelines established by Management. In certain circumstances, the Group seeks to apply hedge accounting to assure the budgeted export results, which are not characterized as speculative operations.

(vi) Currency risk

The Company is subject to currency risk on its sales, purchases and loans denominated in a currency different from the respective functional currencies of the Group's entities, in their large majority the Real (R\$), but also the US Dollar (USD). The currency in which these transactions are mainly denominated is the US dollar (USD)

Generally, the Group seeks to hedge its expected foreign currency exposure with respect to sales forecast for the next six months. The Group uses future market contracts to hedge its currency risk, the majority of which have a maturity of less than one a year from the date of the financial statements. When necessary, the future market contracts are renewed upon maturity.

Interest on loans is denominated in the currency of the loan.

With respect to other monetary assets and liabilities denominated in foreign currency, the Group seeks to maintain its net exposure at an acceptable level, purchasing or selling foreign currencies at spot rates, when necessary, to address short-term instability.

(vii) Interest rate risk

The Group adopts a policy of assuring that around 30% of its exposure to changes in the interest rate on loans is based on a fixed rate.

(viii) Operating risk

Operating risk is the risk of direct or indirect losses resulting from a variety of causes associated with the Group's processes, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, such as those resulting from legal and regulatory requirements and from generally accepted standards of business behavior. Operating risks arise from all the Group's operations.

The Group's objective is to manage the operating risk in order to avoid the occurrence of financial losses and damages to the Group's reputation and to seek cost efficiency and to avoid control procedures that restrict initiative and creativity.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The main responsibility for the development and implementation of controls for addressing operating risks is attributed to senior management within each business unit. This responsibility is supported by the development of the Group's general standards for operating risk management in the following areas: requirements for adequate segregation of duties, including independent authorization of operations, requirements for reconciliation and monitoring of operations, compliance with regulatory and legal requirements, documentation of controls and procedures, requirements for the periodic assessment of the operating risks that are faced and the adequacy of controls and procedures for addressing the risks identified, requirements for reporting operating losses and the proposed corrective actions, development of contingency plans, professional training and development, ethical and commercial standards, and risk mitigation, including insurance, when effective.

Compliance with the Group's standards is supported by a program for periodic analyses for which the Internal Audit is responsible. The results of the Internal Audit analyses are discussed with the Management of the related business unit and summaries are sent to the Group's senior management.

(ix) Capital management

The policy of the Board is to maintain a solid capital base in order to maintain the trust of investors, creditors and the market and to maintain the future development of the business. The Board monitors the returns on capital, which the Group defines as results of operating activities divided by the total net equity, excluding non-redeemable preferred shares and minority interests. The Board also monitors the level of dividends for common and preferred shareholders.

The Group's debt to adjusted capital ratio at the end of the year is presented as follows:

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Total liabilities	539,282	504,508	477,704	323,660	289,747	204,409
Less: Cash and cash equivalents	(188,674)	(176,836)	(74,070)	(113,236)	(101,560)	(31,694)
Net debt (A)	350,608	327,672	403,634	210,424	188,187	172,715
Total shareholders' equity (B)	460,526	414,747	381,633	276,393	238,196	163,300
Net debt ratio on shareholders' equity at December 31 (A/B)	0.76	0.79	1.06	0.76	0.79	1.06

There were no changes in the Group's approach to capital management during the year. Neither the Company, nor its subsidiaries, is subject to imposed external capital demands. The entity manages its capital requirements in an aggregated manner.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

7 Operating segments

The Group has four reporting segments, as described below, which are the strategic business units. These strategic business units offer different products and services and are managed separately, since they require different technologies and marketing strategies. For each one of the strategic business units, Management analyzes the internal reports at least once a quarter. The following summary describes the operations of each one of the Group's reporting segments:

Guns – the guns production process, as it addresses a preponderantly metallurgical industry, uses the following basic stages: forging (of flat profiles), machining (of flat steel profiles and through milling, drilling, lathing and broaching, etc.) MIM – Metal Injection Molding (injected parts in metal), (manual) assembly, finishing (mainly polishing), surface heat treatment and final assembly (required adjustments); these operations are performed by Forjas Taurus S.A. and Taurus Holdings, Inc.

Helmets – the helmet production process uses the following stages: Injection (of ABS – Acrylonitrile Butadiene Styrene), painting and finishing (of already injected parts, through a manual and automated printing process), sewing (of fabric, foam and polycarbonate sheets, using cutters, sewing machines and presses) and final assembly. These operations are performed by Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Helmets Industria Plástica Ltda.

Machines – it addresses development, manufacture and selling of machine tools and their components. These operations are performed by Taurus Máquinas-Ferramenta Ltda.

Others – result of the forging and boiler making segments (Forjas Taurus S.A.), bullet-proof vests and plastic products (Taurus Blindagens Ltda.) and manual tools (Famastil Taurus Ferramentas S.A.).

Other operations include the manufacture and sale of goggles, bullet-proof vests, anti-riot shields and injected products, and providing services. None of these operating segments reached any one of the quantitative limits for determining reporting segments in 2010 or 2009.

Information referring to the results of each reporting segment is included below. The performance is assessed based on the segment's income before income tax and social contribution, as included in the management internal reports which are analyzed by the Group's Management. The segment's income is used to evaluate performance, since management believes that this information is more relevant in the evaluation of the results of certain segments with respect to other entities that operate in these industries. The pricing of transactions between the segments is determined based on market terms.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

	Guns				Helmets				Machines			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
External income	452,284	476,641	256,950	238,655	94,979	73,754	53,959	36,929	62,439	60,300	35,473	30,192
Intersegment income	6,000	4,386	3,409	2,196	47	634	27	317	2,264	3,929	1,286	1,967
Cost of sales	(217,066)	(197,745)	(123,319)	(99,011)	(54,902)	(42,144)	(31,191)	(21,101)	(59,644)	(87,814)	(33,885)	(43,968)
Gross profit	241,218	283,282	137,040	141,840	40,124	32,244	22,795	16,145	5,059	(23,585)	2,874	(11,809)
Selling expenses	(81,008)	(76,488)	(46,022)	(38,299)	(14,040)	(11,220)	(7,976)	(5,618)	(6,890)	(6,382)	(3,914)	(3,195)
Administrative and general expenses	(57,801)	(62,731)	(32,838)	(31,409)	(7,399)	(7,939)	(4,203)	(3,975)	(3,070)	(3,736)	(1,745)	(1,871)
Depreciation and amortization	(922)	(878)	(524)	(440)	(3)	(11)	(2)	(6)	(106)	(134)	(60)	(67)
Other operating expenses, net	(14,860)	(10,084)	(8,442)	(5,049)	1,393	(1,527)	791	(765)	88	(1,467)	50	(735)
Equity accounting result	1,753	2,180	996	1,092	-	-	-	-	-	-	-	-
	(152,838)	(148,001)	(86,830)	(74,105)	(20,049)	(20,697)	(11,390)	(10,364)	(9,978)	(11,719)	(5,669)	(5,868)
Operating income	88,380	135,281	50,210	67,735	20,075	11,547	11,405	5,781	(4,919)	(35,304)	(2,795)	(17,677)
Financial income	33,686	38,584	19,138	19,319	6,975	6,926	3,963	3,468	1,674	6,828	951	3,419
Financial expenses	(34,901)	(53,365)	(19,828)	(26,720)	(1,432)	(3,579)	(814)	(1,792)	(7,450)	(11,606)	(4,232)	(5,811)
Financial result, net	(1,215)	(14,781)	(690)	(7,401)	5,543	3,347	3,149	1,676	(5,776)	(4,778)	(3,281)	(2,392)
Result per reporting segment before income tax and social contribution	87,165	120,500	49,520	60,334	25,618	14,894	14,554	7,457	(10,695)	(40,082)	(6,076)	(20,069)
Elimination of intersegment income	(6,000)	(4,386)	(3,409)	(2,196)	(47)	(634)	(27)	(317)	(2,264)	(3,929)	(1,286)	(1,967)
Result before income tax and social contribution	81,165	116,114	46,111	58,138	25,571	14,260	14,527	7,140	(12,959)	(44,011)	(7,362)	(22,036)
Assets of the reporting segments	596,753	581,226	358,152	333,808	154,347	146,042	92,634	83,874	162,406	116,493	97,471	66,904
Liabilities of the reporting segments	374,012	341,360	224,470	196,049	46,467	34,378	27,888	19,744	95,400	107,785	57,256	61,903

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

	Other				Total			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
External income	61,856	46,521	35,141	23,293	671,558	657,216	381,524	329,069
Intersegment income	10,553	10,108	5,995	5,061	18,864	19,057	10,717	9,542
Cost of Sales	(50,599)	(42,055)	(28,746)	(21,057)	(382,211)	(369,758)	(217,141)	(185,139)
Gross profit	21,810	14,574	12,391	7,297	308,211	306,515	175,100	153,472
Selling expenses	-	-	-	-	(101,938)	(94,090)	(57,913)	(47,112)
Administrative and general expenses	(1,537)	(20)	(874)	(10)	(69,807)	(74,426)	(39,659)	(37,265)
Depreciation and amortization	(148)	-	(84)	-	(1,179)	(1,023)	(670)	(512)
Other operating expenses, net	(1,240)	(1,090)	(704)	(546)	(14,619)	(14,168)	(8,305)	(7,094)
Equity accounting result	-	-	-	-	1,753	2,180	996	1,092
	(2,925)	(1,110)	(1,662)	(556)	(185,790)	(181,527)	(105,551)	(90,891)
Operating income	18,885	13,464	10,729	6,741	122,421	124,988	69,549	62,581
Financial income	1	9	1	5	42,336	52,347	24,052	26,210
Financial expenses	(6,160)	(4,664)	(3,500)	(2,335)	(49,943)	(73,214)	(28,373)	(36,658)
Financial result, net	(6,159)	(4,655)	(3,499)	(2,330)	(7,607)	(20,867)	(4,322)	(10,448)
Result per reporting segment before income tax and social contribution	12,726	8,809	7,230	4,411	114,814	104,121	65,228	52,133
Elimination of intersegment income	(10,553)	(10,108)	(5,995)	(5,061)	(18,864)	(19,057)	(10,717)	(9,542)
Result before income tax and social contribution	2,173	(1,299)	1,235	(650)	95,950	85,064	54,511	42,591
Assets of the reporting segments	86,355	75,570	51,828	43,401	999,861	919,331	600,085	527,987
Liabilities of the reporting segments	23,403	20,985	14,046	12,051	539,282	504,508	323,660	289,747

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Geographical segments

In the presentation based on geographical segments, the income of the segment is based on the client's geographical location.

	Guns		Guns	
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Domestic market				
South East region	109,123	69,094	61,994	34,595
South region	20,850	20,569	11,845	10,299
North East region	25,964	25,228	14,751	12,632
North region	9,694	4,649	5,507	2,328
Midwest region	20,474	8,545	11,632	4,278
	<u>186,105</u>	<u>128,085</u>	<u>105,729</u>	<u>64,132</u>
Foreign market				
United States	249,488	326,699	141,738	163,579
Argentina	3,195	4,886	1,815	2,446
Philippines	2,007	6,708	1,140	3,359
Thailand	1,925	1,662	1,095	832
Pakistan	-	1,538	0	770
Venezuela	1,819	-	1,033	0
Other countries	7,745	7,063	4,400	3,536
	<u>266,179</u>	<u>348,556</u>	<u>151,221</u>	<u>174,522</u>
	<u>452,284</u>	<u>476,641</u>	<u>256,950</u>	<u>238,654</u>
	Helmets		Helmets	
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Domestic market				
South East region	30,584	24,613	17,375	12,324
South region	6,845	4,309	3,889	2,158
North East region	25,981	19,312	14,760	9,670
North region	17,603	12,629	10,001	6,323
Midwest region	13,073	12,108	7,427	6,062
	<u>94,086</u>	<u>72,971</u>	<u>53,452</u>	<u>36,537</u>
Foreign market				
Uruguay	836	540	475	270
Guyana	-	243	-	122
Argentina	57	-	32	-
	<u>893</u>	<u>783</u>	<u>507</u>	<u>392</u>
	<u>94,979</u>	<u>73,754</u>	<u>53,959</u>	<u>36,929</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

	Machines		Machines	
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Domestic market				
South East region	39,623	35,128	22,511	17,589
South region	17,208	17,418	9,776	8,721
North East region	513	4,913	291	2,460
North region	2,660	603	1,511	302
	<u>60,004</u>	<u>58,062</u>	<u>34,089</u>	<u>29,072</u>
Foreign market				
Argentina	5	-	3	0
Arab Emirates	-	2,141	0	1,072
United States	2,388	-	1,356	0
Low Countries	7	-	4	0
Venezuela	35	97	20	49
	<u>2,435</u>	<u>2,238</u>	<u>1,383</u>	<u>1,121</u>
	<u>62,439</u>	<u>60,300</u>	<u>35,472</u>	<u>30,193</u>

The other segments of the Group have their sales concentrated on the internal market and are widely scattered throughout Brazil.

The sales of the Company and its subsidiaries do not suffer restrictions and do not have a concentration level that could be defined as a significant dependency on government agencies or any other client.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

8 Cash and cash equivalents

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Consolidated - IFRS			Consolidated - IFRS		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Cash	98	85	112	59	49	48
Sight deposits	39,552	79,992	24,270	23,738	45,941	10,385
Investment funds	149,024	96,759	49,688	89,439	55,570	21,261
Cash and cash equivalents	188,674	176,836	74,070	113,236	101,560	31,694

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Parent Company - BR GAAP			Parent Company - BR GAAP		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Cash	31	37	61	19	21	26
Sight deposits	26,228	17,984	10,920	15,741	10,329	4,673
Investment funds	112,111	67,593	34,586	67,285	38,820	14,799
Cash and cash equivalents	138,370	85,614	45,567	83,045	49,170	19,498

Short-term investments are remunerated at variable rates from 100% to 103% of the interbank deposit certificate (CDI) (100% to 103% of the CDI in 2009), with first line banks as counterparties. The group's exposure to interest rate risks and a sensitivity analysis for the financial assets and liabilities are disclosed in note 21.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

9 Trade accounts receivable

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Consolidated - IFRS			Consolidated - IFRS		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
In Brazil	107,592	74,526	77,111	64,573	42,802	32,996
Subsidiaries	-	-	-	-	-	-
Allowance for doubtful accounts	(6,337)	(4,699)	(4,301)	(3,803)	(2,699)	(1,840)
Adjustment to present value	(555)	(425)	(747)	(333)	(244)	(320)
Abroad	54,426	71,792	86,353	32,665	41,231	36,950
Subsidiaries - Abroad	-	-	-	-	-	-
Allowance for doubtful accounts abroad	(3,857)	(4,388)	(5,577)	(2,315)	(2,520)	(2,386)
Total	151,269	136,806	152,839	90,787	78,570	65,400
Non current	2,344	4,305	2,110	1,407	2,472	903
Current	148,925	132,501	150,729	89,380	76,098	64,497

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Parent Company - BR GAAP			Parent Company - BR GAAP		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
In Brazil	56,842	37,170	31,279	34,115	21,347	13,384
Subsidiaries	488	714	41	293	410	18
Allowance for doubtful accounts	(3,224)	(3,032)	(3,280)	(1,935)	(1,741)	(1,404)
Adjustment to present value	(264)	(219)	(268)	(158)	(126)	(115)
Abroad	13,001	14,306	19,762	7,803	8,216	8,456
Subsidiaries - Abroad	39,068	117,988	79,750	23,447	67,763	34,126
Allowance for doubtful accounts abroad	(398)	(452)	(395)	(239)	(260)	(169)
Total	105,513	166,475	126,889	63,326	95,609	54,296
Non current	-	-	-	-	-	-
Current	105,513	166,475	126,889	63,326	95,609	54,296

The Group's exposure to credit and currency risks and losses through impairment related to clients and other accounts are disclosed in note 21.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

10 Inventories

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Consolidated - IFRS			Consolidated - IFRS		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Finished goods	124,185	81,845	96,585	74,532	47,005	41,329
Work in progress	53,205	48,553	69,885	31,932	27,884	29,904
Raw material	68,114	63,473	66,727	40,880	36,454	28,552
Replacement materials	14,135	13,771	13,228	8,483	7,909	5,660
	<u>259,639</u>	<u>207,642</u>	<u>246,425</u>	<u>155,827</u>	<u>119,252</u>	<u>105,445</u>

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Parent Company - BR GAAP			Parent Company - BR GAAP		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Finished goods	23,863	13,462	23,055	14,322	7,731	9,865
Work in progress	32,180	26,049	20,252	19,313	14,961	8,666
Raw material	10,386	9,282	9,594	6,233	5,331	4,105
Replacement materials	11,268	10,275	7,539	6,763	5,901	3,226
	<u>77,697</u>	<u>59,068</u>	<u>60,440</u>	<u>46,631</u>	<u>33,924</u>	<u>25,862</u>

In 2010, raw material, consumption materials, finished products and inventories in progress, recognized in selling costs, totaled R\$ 284,655 (2009: R\$ 268,612).

11 Recoverable taxes

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Consolidated - IFRS			Consolidated - IFRS		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
ICMS	5,896	5,458	6,277	3,538	3,134	2,686
IPI	1,958	1,365	3,151	1,175	784	1,348
PIS	603	962	1,008	362	552	431
COFINS	2,772	4,434	4,642	1,664	2,547	1,986
ISSQN	8	4	4	5	2	2
Income tax and social contribution	9,676	7,549	9,920	5,807	4,336	4,245
Total	<u>20,913</u>	<u>19,772</u>	<u>25,002</u>	<u>12,551</u>	<u>11,355</u>	<u>10,698</u>
Current	16,898	15,318	21,063	10,142	8,797	9,013
Non current	4,015	4,454	3,939	2,410	2,558	1,685

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Parent Company - BR GAAP			Parent Company - BR GAAP		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
ICMS	4,331	3,531	3,484	2,599	2,029	1,491
IPI	386	455	364	232	261	156
PIS	414	777	791	248	446	338
COFINS	1,909	3,577	3,646	1,146	2,054	1,560
ISSQN	-	-	-	-	-	-
Income tax and social contribution	8,462	1,001	8,293	5,079	575	3,548
Total	<u>15,502</u>	<u>9,341</u>	<u>16,578</u>	<u>9,304</u>	<u>5,365</u>	<u>7,093</u>
Current	12,228	6,284	14,100	7,339	3,609	6,033
Non current	3,274	3,057	2,478	1,965	1,756	1,060

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Value added taxes on sales and services (ICMS)

The balance is composed of credits computed on mercantile operations and acquisition of items that are part of the property, plant and equipment, generated in the production and commercial units of the Company and its subsidiaries.

PIS (Social Integration Program) and COFINS (Tax for Social Security Financing)

The balance is composed of amounts of credits originating from non-cumulative collection of PIS and COFINS, computed mainly on the transactions for acquisition of items that are part of the property, plant and equipment, which are offset in consecutive monthly installments, as determined by the law.

Excise tax (IPI)

The balance is composed mainly of amounts originating from mercantile operations.

Income tax and social contribution

It corresponds to income tax withheld at source on financial investments and payments in advance of income tax and social contribution, realizable through offsetting against federal taxes and contributions payable.

12 Deferred tax assets and liabilities

Deferred income and social contribution taxes are recorded to reflect the future tax affects attributable to the temporary differences between the tax base of assets and liabilities and their respective carrying values. The balances recorded originate mainly from other temporary provisions.

The carrying value of deferred tax assets is reviewed each month. Management considers that the deferred assets resulting from temporary differences will be realized in accordance with the final resolution of the contingencies and events that gave rise to them.

The amount recorded as available for offsetting refers to the amount of deferred income tax assets and liabilities to which the entity has the legal right to offset and which it intends to realize on a net basis.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Deferred tax assets and liabilities were attributed as follows:

	Consolidated			Consolidated		
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Assets						
Provision for commissions	2,177	1,241	1,311	1,307	713	561
Provision for Incra legal process	-	215	166	-	123	71
Adjustment to present value	233	75	275	140	43	118
Provision for labor proceedings	562	480	398	337	276	170
Provision for employer processes	408	-	-	245	-	-
Provision for hedge expenses	-	-	13,037	-	-	5,579
Allowance for losses on doubtful receivables	1,970	2,147	740	1,182	1,233	317
Provision for machinery guarantees	332	714	-	199	410	-
Provision for loss of tax incentives	13	13	13	8	7	6
Inventories	9,804	9,182	6,603	5,884	5,273	2,825
Guarantee reserve	60	63	-	36	36	-
Other items	138	199	199	83	115	84
	<u>15,697</u>	<u>14,329</u>	<u>22,742</u>	<u>9,421</u>	<u>8,229</u>	<u>9,731</u>
Liabilities						
Equity valuation adjustment	(6,651)	(8,246)	(9,876)	(3,992)	(4,736)	(4,226)
Difference in depreciation basis	(3,354)	(4,471)	(3,758)	(2,013)	(2,568)	(1,608)
Financial charges	(682)	(209)	-	(409)	(120)	-
Derivative financial instruments	(878)	-	-	(527)	-	-
	<u>(11,565)</u>	<u>(12,926)</u>	<u>(13,634)</u>	<u>(6,941)</u>	<u>(7,424)</u>	<u>(5,834)</u>
Total assets and liabilities	<u>4,132</u>	<u>1,403</u>	<u>9,108</u>	<u>2,480</u>	<u>805</u>	<u>3,897</u>

	Parent company			Parent company		
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Assets						
Provision for commissions	1,929	1,063	986	1,158	610	422
Provision for Incra legal process	-	180	135	-	103	58
Adjustment to present value	233	75	120	140	43	51
Provision for labor proceedings	501	450	398	301	258	170
Provision for employer processes	408	-	-	245	-	-
Provision for hedge expenses	-	-	13,037	-	-	5,579
Allowance for losses on doubtful receivables	459	459	459	275	264	196
Other items	138	198	199	82	115	85
	<u>3,668</u>	<u>2,425</u>	<u>15,334</u>	<u>2,201</u>	<u>1,393</u>	<u>6,561</u>
Liabilities						
Equity valuation adjustment	(5,175)	(6,565)	(7,986)	(3,107)	(3,770)	(3,417)
Difference in depreciation basis	(917)	(712)	-	(550)	(409)	-
Financial charges	(419)	-	-	(251)	-	-
Derivative financial instruments	(878)	-	-	(527)	-	-
	<u>(7,389)</u>	<u>(7,277)</u>	<u>(7,986)</u>	<u>(4,435)</u>	<u>(4,179)</u>	<u>(3,417)</u>
Total assets and liabilities	<u>(3,721)</u>	<u>(4,852)</u>	<u>7,348</u>	<u>(2,234)</u>	<u>(2,786)</u>	<u>3,144</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The subsidiary Taurus Máquinas Ferramenta Ltda. has balances of tax loss carry forwards and negative bases of social contribution in the amounts of R\$ 24,751 and R\$ 20,431 at December 31, 2010 and 2009, respectively, not recognized in the accounting. Income tax and social contribution on the balances of tax loss carry forward and negative basis of social contribution will be recognized in the measure that there is evidence that their realization is likely in the foreseeable future.

13 Prepayment of housing credits

On August 11, 2008, the subsidiary Taurus Investimentos Imobiliários Ltda. executed jointly with CIBRASEC (Brazilian Securitization Company) a number of contracts intended to promote the securitization of real estate receivables arising from rent contracts entered into for a period of 7 (seven) years with the Company and its subsidiaries in the approximate amount of R\$ 51,000, net of R\$ 2,272 related to the commissions for the structuring of the operation.

As representations of the real estate credits originating from the aforementioned rental contracts, the Company issued Real Estate Credit Certificates (CCI), transferring them, onerously, to CIBRASEC (Brazilian Securitization Company), which used them as a basis for the issuing of two series of Real Estate Receivables Certificates (CRI). These certificates have fixed, monthly, maturity terms and dates where the first maturity occurred on September 15, 2008 and the last will occur on July 15, 2015. At December 31, 2010 the total restated long and short term balance is R\$ 42,117 (R\$ 46,968 at December 31, 2009 and R\$ 50,659 at January 1, 2009).

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

14 Investments

Balances of subsidiaries outstanding with parent company								Effects of result of the transactions of the subsidiaries with the parent company					
	Ownership	Number of shares/quotas	Current assets (Clients)	Non-current assets	Total assets	Current liabilities	Total liabilities	Shareholders' equity	Investment	Income	Expenses	In Thousand of Brazilian Reais Profits or losses	Equity accounting
01/01/2009													
Taurus Blindagens Ltda.	99.86%	80,097,902	-	-	-	29	29	123,785	111,770	-	-	30,079	27,895
Taurus Holdings, Inc.	100.00%	302,505	79,750	-	79,750	-	-	72,249	59,368	133,275	-	17,105	15,191
Taurus Security Ltda.	60.00%	60,000	-	381	381	-	-	249	-	42	-	-	-
Taurus Máquinas0Ferramenta Ltda.	24.24%	15,999,973	-	42,998	42,998	156	156	48,807	10,752	408	-	8,088	3,653
Taurus Investimentos Imobiliários Ltda.	67.05%	18,439,916	-	-	-	-	-	48,024	43,838	5,804	-	10,404	(6,609)
Famastil Taurus Ferramentas S.A.	35.00%	1,050,000	-	-	-	-	-	27,440	12,584	-	-	5,315	1,747
			79,750	43,379	123,129	185	185		238,312	139,529	-		41,877
31/12/2009													
Taurus Blindagens Ltda.	99.86%	80,097,902	1	-	1	3	3	124,848	111,695	12	262	10,069	7,068
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	-	-	-	6,380	1	-	-	-	-
Taurus Holdings, Inc.	100.00%	302,505	117,987	-	117,987	-	-	78,606	65,909	231,911	-	26,234	26,438
Taurus Security Ltda.	60.00%	60,000	-	547	547	-	-	249	-	11	-	-	-
Taurus Máquinas0Ferramenta Ltda.	24.24%	15,999,973	714	24,523	25,237	41	41	(6,733)	-	7,344	-	(43,528)	(10,778)
Taurus Investimentos Imobiliários Ltda.	69.41%	21,414,136	-	-	-	-	-	19,609	31,389	-	-	(32,623)	(22,734)
Famastil Taurus Ferramentas S.A.	35.00%	1,050,000	3	-	3	-	-	25,621	13,428	93	-	3,610	1,258
			118,705	25,070	143,775	44	44		222,422	239,371	262		1,252
31/12/2010													
Taurus Blindagens Ltda.	99.86%	80,097,902	-	-	-	-	-	110,425	110,271	-	-	26,263	24,101
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	-	-	-	8,386	1	-	-	(1,005)	-
Taurus Holdings, Inc.	100.00%	302,505	39,068	-	39,068	302	302	92,989	77,362	189,887	-	18,908	18,725
Taurus Security Ltda.	60.00%	60,000	-	547	547	-	-	(249)	-	-	-	-	-
Taurus Máquinas0Ferramenta Ltda.	53.97%	58,631,830	488	26,838	27,326	424	424	37,080	19,569	7,715	-	(12,286)	(23,832)
Taurus Investimentos Imobiliários Ltda.	72.25%	21,414,136	-	-	-	-	-	36,951	25,506	-	-	13,849	10,131
Famastil Taurus Ferramentas S.A.	35.00%	1,400,000	-	-	-	-	-	32,987	14,370	-	-	5,008	1,753
			39,556	27,385	66,941	726	726		247,079	197,602	-		30,878

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

Balances of subsidiaries outstanding with parent company										Effects of result of the transactions of the subsidiaries with the parent company			
Ownership	Number of shares/quotas	Current assets (Clients)	Non-current assets	Total assets	Current liabilities	Total liabilities	Shareholders' equity	Investment	In Thousand of U.S. Dollars (Not Audited)				
									Income	Expense	Profits or losses	Equity accounting	
01/01/2009													
Taurus Blindagens Ltda.	99.86%	80,097,902	-	-	12	12	52,967	47,825	-	-	16,369	15,182	
Taurus Holdings, Inc.	100.00%	302,505	34,125	34,125	-	-	30,915	25,404	72,532	-	9,309	8,267	
Taurus Security Ltda.	60.00%	60,000	-	163	163	-	107	-	23	-	-	-	
Taurus Máquinas e Ferramentas Ltda.	24.24%	15,999,973	-	18,399	18,399	67	67	20,884	4,601	222	-	4,402	1,988
Taurus Investimentos Imobiliários Ltda.	67.05%	18,439,916	-	-	-	-	20,549	18,758	3,159	-	5,662	(3,597)	
Famastil Taurus Ferramentas S.A.	35.00%	1,050,000	-	-	-	-	11,742	5,385	-	-	2,893	951	
			34,125	18,562	52,687	79	79	101,973	75,936	-	38,635	22,791	
31/12/2009													
Taurus Blindagens Ltda.	99.86%	80,097,902	1	-	1	1	71,702	111,695	5	131	5,042	3,539	
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	-	-	3,664	1	-	-	-	-	
Taurus Holdings, Inc.	100.00%	302,505	67,761	-	67,761	-	45,145	65,909	116,118	-	13,135	13,238	
Taurus Security Ltda.	60.00%	60,000	-	314	314	-	143	-	6	-	-	-	
Taurus Máquinas e Ferramentas Ltda.	24.24%	15,999,973	410	14,084	14,494	24	24	(3,867)	-	3,677	-	(21,795)	(5,397)
Taurus Investimentos Imobiliários Ltda.	69.41%	21,414,136	-	-	-	-	11,262	31,389	-	-	(16,334)	(11,383)	
Famastil Taurus Ferramentas S.A.	35.00%	1,050,000	2	-	2	-	14,715	13,428	47	-	1,808	630	
			68,174	14,398	82,572	25	25	222,422	119,853	131	(18,144)	627	
31/12/2010													
Taurus Blindagens Ltda.	99.86%	80,097,902	-	-	-	-	66,274	66,181	-	-	14,921	13,691	
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	-	-	5,033	1	-	-	(571)	-	
Taurus Holdings, Inc.	100.00%	302,505	23,447	-	23,447	181	181	55,809	46,430	107,878	-	10,742	10,638
Taurus Security Ltda.	60.00%	60,000	-	328	328	-	(149)	-	-	-	-	-	
Taurus Máquinas e Ferramentas Ltda.	53.97%	58,631,830	293	16,108	16,401	255	255	22,254	11,745	4,383	-	(6,980)	(13,539)
Taurus Investimentos Imobiliários Ltda.	72.25%	21,414,136	-	-	-	-	22,177	15,308	-	-	7,868	5,756	
Famastil Taurus Ferramentas S.A.	35.00%	1,400,000	-	-	-	-	19,798	8,624	-	-	2,845	996	
			23,740	16,436	40,176	436	436	148,289	112,261	-	28,825	17,542	

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

The financial statements of Taurus Holdings, Inc., a subsidiary abroad, present total assets of R\$ 203,537 (R\$ 220,896 in 2009) and current and non-current liabilities of R\$ 110,548 (R\$ 142,770 in 2009). The purchase and sales transactions with the parent company are carried out at normal market prices and terms. Taurus Holdings, Inc., located in the state of Florida, United States of America, is a parent company of Taurus International Manufacturing Inc., of Braztech International L.C. and of other subsidiaries also located in the United States of America, operating mainly with the resale of products imported from Forjas Taurus S.A., especially guns, addressed to wholesalers on the American market. The total consolidated net revenues of Taurus Holdings, Inc. computed in 2010 were equivalent to R\$ 302,755 (R\$ 397,472 in 2009) and net income equivalent to R\$ 18,908 (R\$ 26,234 in 2009).

The balance of Taurus Blindagens Ltda. with the indirect parent company Polimetal Participações S.A. refers to an intercompany loan settled during fiscal year 2010 and which was subject to interest of approximately 12.77% p.a.

The following charges are due on intercompany loans with Taurus Máquinas-Ferramenta Ltda.: on R\$ 15,020 (R\$ 7,667 in 2009) 100% of the interbank deposit certificate (CDI) and on R\$ 11,818 (R\$ 16,855 in 2009), long-term interest rate (TJLP) and interest from 6.16% to 8% p.a.

The commercial terms of the business transactions carried out between the Taurus companies are similar to those practiced with third parties considering volume, continuity of sales, term for payment and administrative and selling expenses borne by the purchaser.

The subsidiary Taurus Máquinas-Ferramenta Ltda. posted a loss of R\$ 12,286 in 2010, which affected the individual and consolidated results of Forjas Taurus S.A.

The Management of the Taurus companies, jointly with a strategic consulting firm, is redimensioning the operating capacity of Taurus Máquinas-Ferramenta Ltda. and reorganizing its processes with the aim of resuming profitability. Since the fourth quarter of 2009, a number of measures have been implemented with the following main objectives: increasing operating efficiency, mainly through improving the productivity indexes of critical equipment in production, reducing operating times and cycles through “horizontalization” and rationalization of processes; changing the commercial focus to the products already identified internally as those which provide greater margins and cash generation; supplying new products and services which are the fruit of strategic partnerships in Brazil and abroad; internal structuring of specific specialized areas, focusing on an increase in providing guarantee services, technical assistance and spare parts for the market; and decreasing the costs of purchases of production inputs via negotiation and development of new commercial partnerships.

As a form of corporate restructuring and optimization of results, on December 31, 2010 it increased the capital of Taurus Máquinas-Ferramenta Ltda. with the issuing of 42,631,857 new quotas, with a par value of R\$1.00 each, fully subscribed by its partner Forjas Taurus S.A. through transmission of part of its equity (machinery, equipment, vehicles, computers, inventories, etc).

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

15 Property, plant and equipment

	Consolidated							
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Land, buildings and facilities		Machinery and equipment		Dies and tools		Furniture and computers	
Cost or deemed cost								
Balance at January 1, 2009	78,507	33,593	112,639	48,198	22,078	9,447	17,435	7,460
Additions	1,310	656	10,895	5,455	286	143	1,880	941
Disposals	(212)	(106)	(2,264)	(1,134)	(106)	(53)	(313)	(157)
Transfer of assets under construction	695	348	18,639	9,333	3,681	1,843	595	298
Effect of changes in the exchange rates	(3,666)	(1,836)	(1,414)	(708)	-	-	(1,108)	(555)
Translation adjustment	-	11,357	-	18,396	-	3,517	-	2,632
Balance at December 31, 2009	76,634	44,012	138,495	79,540	25,939	14,897	18,489	10,619
Additions	9,124	5,184	14,080	7,999	1,155	656	1,698	965
Disposals	(104)	(59)	(7,861)	(4,466)	(1,801)	(1,023)	(1,633)	(928)
Transfer of assets under construction	278	158	15,739	8,942	7,223	4,104	1,446	821
Effect of changes in the exchange rates	(495)	(281)	119	68	-	-	(153)	(87)
Translation adjustment	-	2,263	-	4,287	-	881	-	522
Balance at December 31, 2010	85,437	51,277	160,572	96,370	32,516	19,515	19,847	11,912
Depreciation and losses from impairment								
Balance at January 1, 2009	3,789	1,621	9,010	3,855	4,072	1,742	4,975	2,129
Depreciation in the period	1,694	848	15,944	7,983	3,716	1,861	2,120	1,061
Disposals	(9)	(5)	(490)	(245)	(105)	(53)	(158)	(79)
Effect of changes in the exchange rates	(947)	(474)	(1,846)	(924)	-	-	(810)	(406)
Translation adjustment	-	610	-	2,321	-	862	-	814
Balance at December 31, 2009	4,527	2,600	22,618	12,990	7,683	4,412	6,127	3,519
Depreciation in the period	1,691	961	18,552	10,540	4,557	2,589	2,611	1,483
Disposals	(43)	(24)	(2,130)	(1,210)	(775)	(440)	(1,424)	(809)
Effect of changes in the exchange rates	(146)	(83)	(291)	(165)	-	-	(92)	(52)
Translation adjustment	-	165	-	1,101	-	320	-	194
Balance at December 31, 2010	6,029	3,619	38,749	23,256	11,465	6,881	7,222	4,335
Book value								
At January 1, 2009	74,718	31,972	103,629	44,343	18,006	7,705	12,460	5,331
At December 31, 2009	72,107	41,412	115,877	66,550	18,256	10,485	12,362	7,100
At December 31, 2010	79,408	47,658	121,823	73,114	21,051	12,634	12,625	7,577

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

							Consolidated	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Vehicles		Assets under construction		Advances to suppliers		Total	
Cost or deemed cost								
Balance at January 1, 2009	3,614	1,546	7,497	3,208	1,753	750	329,357	104,203
Additions	1,414	708	30,443	15,243	1,405	703	21,567	23,850
Disposals	(549)	(275)	(911)	(456)	-	-	(4,345)	(2,181)
Transfer of assets under construction	7	4	(23,065)	(11,549)	(552)	(276)	-	-
Effect of changes in the exchange rates	-	-	-	-	-	-	(9,287)	(3,098)
Translation adjustment	-	593	-	1,574	-	320	-	38,387
Balance at December 31, 2009	4,486	2,576	13,964	8,020	2,606	1,497	337,292	161,161
Additions	1,789	1,016	30,387	17,263	(864)	(491)	41,022	32,592
Disposals	(1,158)	(658)	(1,919)	(1,090)	18	10	(17,875)	(8,214)
Transfer of assets under construction	162	92	(24,942)	(14,170)	(11)	(6)	38,711	(60)
Effect of changes in the exchange rates	-	-	-	-	-	-	(830)	(301)
Translation adjustment	-	142	-	474	-	40	-	8,610
Balance at December 31, 2010	5,279	3,168	17,490	10,497	1,749	1,050	398,320	193,788
Depreciation and losses from impairment								
Balance at January 1, 2009	942	403	-	-	-	-	31,194	9,751
Depreciation in the period	551	276	-	-	-	-	36,810	12,029
Disposals	(290)	(145)	-	-	-	-	(1,195)	(527)
Effect of changes in the exchange rates	-	-	-	-	-	-	(5,650)	(1,804)
Translation adjustment	-	157	-	-	-	-	-	4,763
Balance at December 31, 2009	1,203	691	-	-	-	-	42,158	24,212
Depreciation in the period	890	506	-	-	-	-	43,154	16,078
Disposals	(881)	(501)	-	-	-	-	(6,855)	(2,984)
Effect of changes in the exchange rates	-	-	-	-	-	-	(830)	(301)
Translation adjustment	-	31	-	-	-	-	-	1,812
Balance at December 31, 2010	1,212	727	-	-	-	-	96,628	38,817
Book value								
At January 1, 2009	2,672	1,143	7,497	3,208	1,753	750	220,735	94,452
At December 31, 2009	3,283	1,885	13,964	8,020	2,606	1,497	238,455	136,949
At December 31, 2010	4,067	2,441	17,490	10,497	1,749	1,050	258,213	154,971

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

							Parent company	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
Cost or deemed cost	Land, buildings and facilities		Machinery and equipment		Dies and tools		Furniture and computers	
Balance at January 1, 2009	301	129	81,079	34,694	10,687	4,573	4,398	1,882
Additions	3	2	2,593	1,298	123	62	800	401
Disposals	(2)	(1)	(946)	(474)	(106)	(53)	(156)	(78)
Transfer of assets under construction	686	343	18,289	9,157	3,337	1,671	542	271
Translation adjustment	-	94	-	13,340	-	1,811	-	731
Balance at December 31, 2009	988	567	101,015	58,015	14,041	8,064	5,584	3,207
Additions	45	26	1,472	836	113	64	713	405
Disposals	(67)	(38)	(7,075)	(4,019)	(1,093)	(621)	(271)	(154)
Transfer of assets under construction	217	123	10,806	6,139	5,800	3,295	574	326
Translation adjustment	-	32	-	2,778	-	518	-	177
Balance at December 31, 2010	1,183	710	106,218	63,749	18,861	11,320	6,600	3,961
Depreciation and losses from impairment								
Balance at January 1, 2009	-	-	1,585	678	2,086	893	623	267
Depreciation in the period	66	33	11,909	5,963	1,922	962	853	427
Disposals	-	-	(488)	(244)	(105)	(53)	(122)	(61)
Translation adjustment	-	4	-	1,072	-	440	-	145
Balance at December 31, 2009	66	37	13,006	7,469	3,903	2,242	1,354	778
Depreciation in the period	115	65	14,362	8,159	2,628	1,493	1,119	636
Disposals	(6)	(3)	(2,037)	(1,157)	(339)	(193)	(110)	(62)
Translation adjustment	-	6	-	732	-	174	-	66
Balance at December 31, 2010	175	105	25,331	15,203	6,192	3,716	2,363	1,418
Book value								
At January 1, 2009	301	129	79,494	34,016	8,601	3,680	3,775	1,615
At December 31, 2009	922	530	88,009	50,546	10,138	5,822	4,230	2,429
At December 31, 2010	1,008	605	80,887	48,546	12,669	7,604	4,237	2,543

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

							Parent company	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Vehicles		Assets under construction		Advances to suppliers		Total	
Cost or deemed cost								
Balance at January 1, 2009	1,936	828	2,013	861	1,022	437	101,436	43,404
Additions	642	321	24,652	12,343	1,107	554	29,920	14,981
Disposals	(13)	(7)	(30)	(15)	-	-	(1,253)	(628)
Transfer of assets under construction	7	4	(22,861)	(11,447)	-	-	-	(1)
Translation adjustment	-	331	-	425	-	232	-	16,964
Balance at December 31, 2009	2,572	1,477	3,774	2,167	2,129	1,223	130,103	74,720
Additions	992	564	23,772	13,505	(642)	(365)	26,465	15,035
Disposals	(389)	(221)	(1,863)	(1,058)	-	-	(10,758)	(6,111)
Transfer of assets under construction	-	-	(17,502)	(9,943)	-	-	(105)	(60)
Translation adjustment	-	86	-	239	-	34	-	3,864
Balance at December 31, 2010	3,175	1,906	8,181	4,910	1,487	892	145,705	87,448
Depreciation and losses from impairment								
Balance at January 1, 2009	65	27	-	-	-	-	4,359	1,865
Depreciation in the period	362	181	-	-	-	-	15,112	7,566
Disposals	(13)	(7)	-	-	-	-	(728)	(365)
Translation adjustment	-	37	-	-	-	-	-	1,698
Balance at December 31, 2009	414	238	-	-	-	-	18,743	10,764
Depreciation in the period	512	291	-	-	-	-	18,736	10,644
Disposals	(156)	(89)	-	-	-	-	(2,648)	(1,504)
Translation adjustment	-	23	-	-	-	-	-	1,001
Balance at December 31, 2010	770	463	-	-	-	-	34,831	20,905
Book value								
At January 1, 2009	1,871	801	2,013	861	1,022	437	97,077	41,539
At December 31, 2009	2,158	1,239	3,774	2,167	2,129	1,223	111,360	63,956
At December 31, 2010	2,405	1,443	8,181	4,910	1,487	892	110,874	66,543

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Guarantees

In order to mitigate financial expenses with loans and financing, the Group usually uses its assets as guarantees of funds obtained from financial institutions. In spite of the fact that a large part of the fixed assets are guaranteeing loans and financing, historically the Group has settled its obligations within the contractual terms and the guarantees with items of property plant and equipment have not been realized.

Deemed cost

The Group chose to adopt the deemed cost, adjusting the opening balances on the transition date on January 1, 2009 for comparison purposes.

The fair values used on the adoption of the deemed cost were estimated by external specialists with professional experience and competence, objectivity and technical knowledge of the assets that were appraised. In order to carry out this work, the specialists considered information with respect to the assets that were appraised, technological changes that took place, replacement costs and use of the assets. As part of the adoption of the deemed cost, Management appraised all the relevant classes of the property, plant and equipment for adoption of the deemed cost on January 1, 2009. Additionally, a review of the estimated useful life and the residual value is being made. The estimated useful life of the assets recorded in the property, plant and equipment before and after this review is evidenced in note 4 d (iii).

The effects in the main accounting groups resulting from the adoption of the deemed cost on January 1, 2009 were:

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Consolidated					
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Land, buildings and facilities		Machinery and equipment		Dies and tools	
Balance at December 31, 2008	38,615	16,523	80,286	34,354	16,665	7,131
IFRS adjustments	36,103	15,448	23,343	9,988	1,341	574
Balance at January 1, 2009	74,718	31,971	103,629	44,342	18,006	7,705
	Furniture and computers		Other		Total	
Balance at December 31, 2008	12,703	5,436	11,231	4,806	159,500	68,250
IFRS adjustments	(243)	(104)	691	296	61,235	26,202
Balance at January 1, 2009	12,460	5,332	11,922	5,102	220,735	94,452

	Parent company					
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Land, buildings and facilities		Machinery and equipment		Dies and tools	
Balance at December 31, 2008	319	137	58,800	25,160	7,846	3,357
IFRS adjustments	(18)	(8)	20,694	8,855	755	323
Balance at January 1, 2009	301	129	79,494	34,015	8,601	3,680
	Furniture and computers		Other		Total	
Balance at December 31, 2008	3,557	1,522	4,444	1,902	74,966	32,078
IFRS adjustments	218	93	462	198	22,111	9,461
Balance at January 1, 2009	3,775	1,615	4,906	2,100	97,077	41,539

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Net equity was increased by R\$ 42,144 and R\$ 15,503 and deferred income tax and social contribution liabilities were increased by R\$ 11,208 and R\$ 7,986, respectively in consolidated and in the parent company as a result of the adoption of the deemed cost.

Management estimated that the effects resulting from the adoption of the deemed cost in depreciation expenses in the current and future years will be as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Consolidated					
Increase in expense for depreciation (in Brazilian Reais)	5,406	5,406	5,406	5,406	5,406
Increase in expense for depreciation (in U.S. Dollars)	3,071	3,071	3,071	3,071	3,071
Parent company					
Increase in expense for depreciation (in Brazilian Reais)	3,963	3,963	3,963	3,963	3,963
Increase in expense for depreciation (in U.S. Dollars)	2,251	2,251	2,251	2,251	2,251

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

16 Intangible assets

Impairment testing for cash generating units containing goodwill

For the purpose of testing for a decrease in recoverable value, the goodwill is allocated to the Group's operating divisions, which represent the lowest level within the group, where the goodwill is monitored for the purposes of internal administration, never higher than the Group's operating segments.

The combined book values of goodwill allocated to each unit are as follows:

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

									Consolidated	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Goodwill		Trademarks and patents		Development costs		Implementation of systems		Total	
Cost										
Balance at January 1, 2009	3,765	1,611	3,580	1,532	12,172	5,208	-	-	19,517	8,351
Acquisitions	-	-	-	-	354	177	23	12	377	189
Write-offs	-	-	-	-	3,178	1,591	-	-	3,178	1,591
Effect of changes in the exchange rates	-	-	-	-	633	317	-	-	633	317
Translation adjustment	-	551	-	524	-	(2,288)	-	1	-	(1,212)
Balance at December 31, 2009	3,765	2,162	3,580	2,056	8,715	5,005	23	13	16,083	9,236
Acquisition through business combination	-	-	-	-	400	227	192	109	592	336
Transfer from other groups	-	-	-	-	-	-	105	60	105	60
Write-offs	(3,765)	(2,139)	-	-	(88)	(50)	-	-	(3,853)	(2,189)
Translation adjustment	-	(23)	-	93	-	236	-	10	-	316
Balance at December 31, 2010	-	-	3,580	2,149	9,027	5,418	320	192	12,927	7,759
Balance at January 1, 2009	-	-	-	-	2,934	1,255	-	-	2,934	1,255
Amortization for the period	-	-	-	-	736	369	-	-	736	369
Provision for impairment	-	-	-	-	(1,533)	(768)	-	-	(1,533)	(768)
Translation adjustment	-	-	-	-	-	371	-	-	-	371
Balance at December 31, 2009	-	-	-	-	2,137	1,227	-	-	2,137	1,227
Amortization for the period	-	-	-	-	731	415	35	20	766	435
Translation adjustment	-	-	-	-	-	80	-	1	-	81
Balance at December 31, 2010	-	-	-	-	2,868	1,722	35	21	2,903	1,743
Book value										
At January 1, 2009	3,765	1,611	3,580	1,532	9,238	3,953	-	-	16,583	7,096
At December 31, 2009	3,765	2,162	3,580	2,056	6,578	3,778	23	13	13,946	8,009
At December 31, 2010	-	-	3,580	2,149	6,159	3,696	285	171	10,024	6,016

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

									Parent company	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
Cost	Goodwill		Trademarks and patents		Development costs		Implementation of systems		Total	
Balance at January 1, 2009	3,765	1,611	237	101	9,643	4,126	-	-	13,645	5,838
Acquisition through business combination	-	-	-	-	-	-	23	12	23	12
Translation adjustment	-	551	-	35	-	1,412	-	1	-	1,999
Balance at December 31, 2009	3,765	2,162	237	136	9,643	5,538	23	13	13,668	7,849
Acquisition through business combination	-	-	-	-	338	192	172	98	510	290
Transfer from other groups	-	-	-	-	-	-	105	60	105	60
Write-offs	(3,765)	(2,139)	-	-	-	-	-	-	(3,765)	(2,139)
Translation adjustment	-	(23)	-	6	-	260	-	9	-	252
Balance at December 31, 2010	-	-	237	142	9,981	5,990	300	180	10,518	6,312
Balance at January 1, 2009	-	-	-	-	2,934	1,255	-	-	2,934	1,255
Amortization for the period	-	-	-	-	736	369	-	-	736	369
Translation adjustment	-	-	-	(142)	-	484	-	(180)	-	-5,828
Balance at December 31, 2009	-	-	-	-	3,670	2,108	-	0	3,670	2,108
Amortization for the period	-	-	-	-	725	412	33	19	758	431
Translation adjustment	-	-	-	-	-	117	-	1	-	118
Balance at December 31, 2010	-	-	-	-	4,395	2,637	33	20	4,428	2,657
Book value										
At January 1, 2009	3,765	1,611	237	101	6,709	2,871	-	-	10,711	4,583
At December 31, 2009	3,765	2,162	237	136	5,973	3,430	23	13	9,998	5,741
At December 31, 2010	-	-	237	142	5,586	3,353	267	160	6,090	3,655

In 2010 the Group restructured the operations of Branch 06, which began to focus its operations on providing services internally, without generating positive cash flows.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

17 Loans and financing

This note provides information on the contractual terms of loans with interest, which are stated at the amortized cost. For more information on the group's exposure to interest rate, foreign currency and liquidity risks, see note 21.

	Consolidated - In Thousand of Brazilian Reais			Consolidado -In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Current liabilities						
Guaranteed bank loans						
Working capital	43,998	68,763	19,660	26,406	39,492	8,412
FINAME	11,330	10,833	23,819	6,800	6,222	10,192
FINEP	11,922	6,981	5,220	7,155	4,009	2,234
BNDES-PEC	5,745	-	-	3,448	-	-
BNDES - Exim - Pre-shipment	28	27	-	17	16	-
BNDES Revitaliza	11	-	-	7	-	-
Working capital USD	12,742	14,454	49,858	7,647	8,301	21,334
Financing - acquisition of fixed assets	707	831	721	424	477	309
	<u>86,483</u>	<u>101,889</u>	<u>99,278</u>	<u>51,904</u>	<u>58,517</u>	<u>42,481</u>
Non-current liabilities						
Guaranteed bank loans						
Working capital	24,191	31,742	13,537	14,519	18,230	5,792
FINAME	13,129	18,583	17,613	7,880	10,673	7,537
FINEP	39,271	37,588	23,772	23,569	21,587	10,172
BNDES-PEC	5,417	-	-	3,251	-	-
BNDES - Exim - Pre-shipment	5,000	5,000	-	3,001	2,872	-
BNDES Revitaliza	2,845	-	-	1,707	-	-
Working capital USD	43,143	16,561	4,216	25,893	9,511	1,804
Financing - acquisition of fixed assets	687	1,435	1,260	412	824	539
	<u>133,683</u>	<u>110,909</u>	<u>60,398</u>	<u>80,232</u>	<u>63,697</u>	<u>25,844</u>
	<u>220,166</u>	<u>212,798</u>	<u>159,676</u>	<u>132,136</u>	<u>122,214</u>	<u>68,325</u>
	Parent company - In Thousand of Brazilian Reais			Parent company -In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Current liabilities						
Guaranteed bank loans						
Working capital	22,362	58,909	2,683	13,420	33,833	1,148
FINAME	7,036	6,322	5,526	4,223	3,631	2,365
FINEP	5,956	5,973	4,255	3,575	3,430	1,821
BNDES-PEC	5,745	-	-	3,448	-	-
Working capital USD	3,355	23	20,960	2,014	13	8,968
Financing - acquisition of fixed assets	707	832	721	424	478	309
	<u>45,161</u>	<u>72,059</u>	<u>34,145</u>	<u>27,104</u>	<u>41,385</u>	<u>14,611</u>
Non-current liabilities						
Guaranteed bank loans						
Working capital	9,792	20,959	12,537	5,877	12,037	5,365
FINAME	8,212	10,373	10,980	4,929	5,957	4,698
FINEP	9,523	15,435	21,320	5,715	8,865	9,123
BNDES-PEC	5,417	-	-	3,251	-	-
Working capital USD	9,997	13,930	-	6,000	8,000	-
Financing - acquisition of fixed assets	687	1,435	1,260	412	824	539
	<u>43,628</u>	<u>62,132</u>	<u>46,097</u>	<u>26,184</u>	<u>35,683</u>	<u>19,725</u>
	<u>88,789</u>	<u>134,191</u>	<u>80,242</u>	<u>53,288</u>	<u>77,068</u>	<u>34,336</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Terms and timetable for amortization of debt

The terms and conditions of the outstanding loans were as follows:

				Consolidated							
				In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
				31/12/2010		31/12/2010		31/12/2009		31/12/2009	
Currency	Nominal interest rate	Year of maturity		Face value	Book value	Face value	Book value	Face value	Book value	Face value	Book value
Guaranteed bank loans											
Working capital	R\$	CDI + 1.8 a 3.91%	2011-2013	65,381	56,289	39,240	33,782	75,005	77,131	43,076	44.298
Working capital	R\$	4.5 a 13.1% a.a.	2011-2019	11,109	11,900	6,667	7,142	24,508	23,374	14,075	13.424
FINAME	R\$	TJLP + 1 a 6.7%	2011-2014	19,249	4,557	11,553	2,735	17,981	12,721	10,327	7.306
FINAME	R\$	3.8 a 14.95%	2011-2020	18,924	19,902	11,358	11,945	14,831	16,695	8,518	9.588
FINEP	R\$	TJLP + 0.16 a 2%	2012-2014	34,300	17,578	20,586	10,550	4,699	2,467	2,699	1.417
FINEP	R\$	5.25% a.a.	2017	27,788	33,615	16,677	20,175	50,251	42,102	28,859	24.180
BNDES-PEC	R\$	12.90% a.a.	2013	10,000	11,162	6,002	6,699	-	-	-	-
BNDES - Exim - Pre-shipment	R\$	4.50% a.a.	2012	5,000	5,028	3,001	3,018	5,000	5,027	2,872	2.887
BNDES Revitaliza	R\$	9% a.a.	2017	2,846	2,856	1,708	1,714	-	-	-	-
Working capital	USD	Libor + 0.79 a 4.8%	2011-2017	54,985	55,885	33,000	33,540	29,600	31,015	17,000	17.812
Financing - acquisition fixed assets	USD	Libor + 1.25 a 3.0 %	2011-2014	3,711	1,394	2,227	837	2,227	2,266	1,279	1.301
Debentures	R\$	CDI + 4.1%	2014	103,000	105,257	61,817	63,171	-	-	-	-
Total liabilities with levy of interest				356,293	325,423	213,836	195,308	224,102	212,798	128,705	122,213

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

				Parent company							
				In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
				31/12/2010		31/12/2010		31/12/2009		31/12/2009	
Currency	Nominal interest rate	Year of maturity		Face value	Book value	Face value	Book value	Face value	Book value	Face value	Book value
Guaranteed bank loans											
Working capital	R\$	CDI + 1.3 a 6.17%	2011-2012	35,700	32,154	21,426	19,298	80,176	79,869	46,047	45.871
FINAME	R\$	2.25 a 7.0%	2011-2020	15,215	10,691	9,132	6,416	14,831	16,695	8,518	9.588
FINAME	R\$	4.50% a.a.	2011-2020	3,709	4,557	2,226	2,735	-	-	-	-
FINEP	R\$	TJLP + 0.16 a 5%	2012-2014	29,601	15,479	17,766	9,290	29,601	21,408	17,000	12.295
BNDES-PEC	R\$	12.90%	2013	10,000	11,162	6,002	6,699	-	-	-	-
Working capital	USD	Libor + 1.5 a 4.8%	2012	8,000	13,352	4,801	8,013	13,930	13,953	8,000	8.013
Financing - acquisition fixed assets	USD	Libor + 1.25 a 3.0%	2011-2014	3,711	1,394	2,227	837	2,227	2,266	1,279	1.301
Debentures	R\$	CDI + 4.1%	2014	103,000	105,257	61,817	63,172	-	-	-	-
Total liabilities with levy of interest				208,936	194,046	125,397	116,460	140,765	134,191	80,844	77,068

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Currency	Nominal interest rate	Year of maturity	Consolidated			
				In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
				01/01/2009		01/01/2009	
				Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R\$	CDI + 2.26 a 10.30%	2011-2013	1,000	1,803	428	772
Working capital	R\$	12.95 a 24.5% a.a.	2011-2019	29,294	31,394	12,535	13,433
FINAME	R\$	TJLP + 1 a 8.95%	2011-2014	43,447	41,432	18,591	17,729
FINEP	R\$	5.25%	2017	32,450	28,992	13,885	12,406
Working capital	USD	5.76 a 16.0%	2009-2015	52,554	54,074	22,488	23,137
Financing - acquisition of fixed assets	USD	Libor + 1.25%	2011-2014	3,274	1,981	1,401	848
Total liabilities with levy of interest				162,019	159,676	69,328	68,325

	Currency	Nominal interest rate	Year of maturity	Parent company			
				In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
				01/01/2009		01/01/2009	
				Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R\$	14.43 a 19.75% a.a.	2009-2010	15,000	15,220	6,418	6,512
FINAME	R\$	TJLP + 3.8 a 7%	2009-2013	13,510	16,506	5,781	7,063
FINEP	R\$	TJLP + 0.16 a 2% a.a.	2012-2014	29,601	25,575	12,667	10,943
Capital de giro	USD	6.3 a 16.0%	2009	19,848	20,960	8,493	8,969
Financing - acquisition of fixed assets	USD	Libor + 1.25%	2011	3,274	1,981	1,401	848
Total liabilities with levy of interest				81,233	80,242	34,760	34,335

Schedule for payments:

Year of maturity	2010			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	Consolidated	Parent company	Consolidated	Parent company
2012	51,866	33,555	31,128	20,138
2013	42,545	6,055	25,534	3,634
2014	19,056	2,966	11,437	1,780
2015	6,685	216	4,012	130
2016 onwards	13,531	836	8,121	502
	133,683	43,628	80,232	26,184

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Loans and financing are guaranteed by promissory notes, fiduciary alienation of machinery and equipment, mortgage of real estate and endorsement of the officers. The endorsements granted by officers, by the parent company and the guarantees granted by the Company to its subsidiaries and parent company are presented in note 22 - Related party transactions.

The loan and financing agreements entered into by the Company and its subsidiaries contain covenants that limit certain corporate changes and determine maintaining certain financial indices. At December 12, 2010 the Taurus companies complied with all these clauses.

18 Debentures

The Company executed a private instrument of indenture for the 1st issue of debentures on June 8, 2010 for the face value of R\$ 103,000. The date of issue for legal purposes was defined as April 15, 2010.

On July 15, 2010 the Company received the proceeds resulting from this issue in the total amount of R\$ 106,444, where R\$ 103,000 refers to the face value and R\$ 3,444 refers to the restatement of the amount between the date of issue (April 15, 2010) and the effective receipt of the funds, as established in the instrument of indenture.

The issue was made in a single series consisting of 10,300 debentures distributed on the secondary market through the National Debenture System, with restricted placement efforts intended exclusively for qualified investors.

The unit face value will be paid in 7 half-yearly payments, with a grace period of 12 months, starting on April 15, 2011. Remunerative interest will be paid on this amount calculated according to compound capitalization, consisting of the accumulated variation of the daily average rates of the Interbank Deposits (DI) plus remunerative interest of 4.10% per annum.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

On October 15, 2010, the Company made the first payment referring to the remuneration of the interest in the amount of R\$ 7,321 thousand.

In Thousand of Brazilian Reais					
	Index	Current	Non current	Transaction costs incurred	Transaction costs allocated
Debentures	DI + 4.1%	32,280	72,977	979	130

In Thousand of U.S. Dollars (Not Audited)					
	Index	Current	Non current	Transaction costs incurred	Transaction costs allocated
Debentures	DI + 4.1%	19,373	43,798	588	78

The debentures have fidejussory guarantees from the subsidiaries of Forjas Taurus S.A. in Brazil and from its parent company Polimetal Participações S.A., established through guarantees granted with joint responsibility.

The instrument establishes early maturity for all the obligations that are the subject of the indenture in certain circumstances, amongst which the following are emphasized: a change in the Company's direct or indirect control, a decrease in the capital of the Company and/or its parent company, distribution of the dividends, payment of interest on shareholders' equity or the realization of any other payments to the shareholders by the Company and/or its parent company in the event of a delay in any of the obligations, a decrease in the capital of the Company and/or of Polimetal (1), realization by the Company or by the guarantors of any type of sale or transfer of assets that may have an impact equal to or greater than 15% of the Company's consolidated assets or equal to or greater than 20% of the Company's (2) consolidated gross revenue, realization, by the Company or its subsidiaries, of a financing operation, advance or intercompany loan, as creditors, with any of its direct or indirect parent companies, except with the exclusive purpose of refinancing obligations established prior to the issue of the debentures, providing, by the Company or its subsidiaries, of guarantees or any types of guarantee in financial operations of the direct or indirect parent companies in amounts higher than those already existing on the date of issue of the debentures, maintenance of minimum financial indexes (net debt/EBITDA equal to or lower than 2.5 times and EBITDA/net financial expenses equal or greater than 3.0 times), where: net debt is equal to the total of the debts (including endorsements and guarantees) less available funds, EBITDA is equal to earnings before interest, taxes, depreciation and amortization of the last 12 months and net financial expenses correspond to the total financial income less financial expenses of the last 12 months.

(1) The occurrence of these events may be approved by holders of at least 2/3 of the outstanding debentures, without the obligations then being subject to early maturity.

(2) The occurrence of these events may be approved by holders of at least 75% of the outstanding debentures, without the obligations then being subject to early maturity.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

The management of the Company and its subsidiaries monitor these indexes constantly and systematically so that the conditions are met. All the covenants are being complied with appropriately.

19 Provisions

	Consolidated					
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	For guarantees	Civil and labor	Total	For guarantees	Civil and labor	Total
Balance at January 1, 2009	-	1,536	1,536	-	882	882
Provisions made during the period	2,100	259	2,359	1,206	149	1,355
Provisions used during the period	-	(73)	(73)	-	(42)	(42)
Reversal of the discount	-	-	-	-	-	-
Balance at December 31, 2009	2,100	1,722	3,822	1,206	989	2,195
Provisions made during the period	3,707	240	3,947	2,225	144	2,369
Provisions used during the period	(4,820)	(9)	(4,829)	(2,893)	(5)	(2,898)
Provisions reversed during the period	(11)	-	(11)	(7)	-	(7)
Balance at December 31, 2010	976	1,953	2,929	(675)	139	(536)
Non-current	-	217	217	-	130	130
Current	976	1,736	2,712	586	1,042	1,628

	Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	Civil and labor	Total	Civil and labor	Total
Balance at January 1, 2009	1,053	1,053	605	605
Provisions made during the period	168	168	96	96
Provisions used during the period	(56)	(56)	(32)	(32)
Reversal of the discount	-	-	-	-
Balance at December 31, 2009 - current	1,165	1,165	669	669
Provisions made during the period	150	150	90	90
Provisions used during the period	-	-	-	-
Provisions reversed during the period	-	-	-	-
Balance at December 31, 2010 - current	1,315	1,315	90	90

Provision for guarantees

The provision for guarantees is related basically to the machines sold during the years ended December 31, 2009 and December 31, 2010. The provision is based on the estimates made on past data for guarantees for similar products and services. The Group expects to incur the majority of the liabilities within the next year.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

20 Contingencies

a. Consolidated

Just as in the parent company Forjas Taurus S.A., the Taurus companies, based on information from their legal advisers and an analysis of the pending legal proceedings, recorded in the consolidated statements a provision in Other accounts payable in the amount of R\$ 5,309 (R\$ 9,344 in 2009), considered sufficient to cover the estimated losses from lawsuits in progress assessed as a probable risk, as presented below:

	31/12/2010			31/12/2010			31/12/2009	31/12/2009
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Provision	Deposit in court	Net	Provision	Deposit in court	Net	Net	Net
Labor	1,953	(1,649)	304	1,172	(990)	182	342	196
Tax	-	(423)	(423)	-	(254)	(254)	(601)	(345)
Federal	3,356	(239)	3,117	2,014	(143)	1,871	7,257	4,168
State								
	5,309	(2,311)	2,998	3,186	(1,387)	1,799	6,998	4,019

The Taurus companies have other proceedings assessed by their legal counsel as being a possible or remote risk, without sufficiently secure valuation, in the consolidated amount of approximately R\$ 21,705 (R\$ 35,298 at December 31, 2009 and R\$ 51,102 at January 1, 2009) for which no provision was recorded, considering that accounting practices adopted in Brazil do not require it to be recorded in the accounting.

b. Parent company

The Company and its subsidiaries are parties to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

Based on information from its legal advisers and an analysis of the pending legal proceedings, the Company recorded a provision in the amount of R\$ 2,401 (R\$ 2,483 in 2009) considered sufficient to cover the estimated losses from lawsuits in progress assessed as a probable risk, as presented below:

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	31/12/2010			31/12/2010			31/12/2009	31/12/2009
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
	Provision	Deposit in court	Net	Provision	Deposit in court	Net	Net	Net
Labor	1,315	(1,037)	278	789	(622)	167	423	243
Tax	-	(423)	(423)	-	(254)	(254)	(423)	(243)
Federal	-	(423)	(423)	-	(254)	(254)	(423)	(243)
State	1,086	(120)	966	652	(72)	580	744	427
	2,401	(1,580)	821	1,441	(948)	493	744	427

The Company also filed a number of lawsuits aiming at the recognition of various deferred tax assets, whose amounts will be recognized in the measure that they are effectively realized.

There are other proceedings assessed by the Company's legal counsel as being a possible or remote risk, without sufficiently secure measurement, in the approximate amount of R\$ 18,032 (R\$ 8,265 at December 31, 2009 and R\$ 13,409 at January 1, 2009) for which no provision was recorded, considering that accounting practices adopted in Brazil do not require it to be recorded in the accounting.

21 Financial instruments

The Company and its subsidiaries Taurus Blindagens Ltda. and Taurus Helmets Indústria Plástica Ltda., carry out operations with derivative financial instruments. The management of these instruments is performed through operating strategies and internal controls aimed at assuring liquidity, profitability and security. The contracting of financial instruments for hedge purposes is done through a periodic analysis of the risk exposure that management intends to cover (exchange risk, interest rate risk, etc.). The control policy consists of permanently monitoring the contracted conditions versus prevailing market conditions.

All the operations with financial instruments are recognized in the Company's financial statements, in accordance with the table below:

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Consolidated - In Thousand of Brazilian Reais						Consolidated - In Thousand of U.S. Dollars (Not Audited)					
	Notional value			Book value			Notional value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Forward contracts and swaps												
Asset position	106,828	65,612	-	2,584	695	-	64,115	37,682	-	1,551	399	-
Forward contracts and swaps												
Liability position	-	-	147,629	-	-	38,345	-	-	63,170	-	-	16,408
	Consolidated -In Thousand of Brazilian Reais						Consolidated - In Thousand of U.S. Dollars (Not Audited)					
	Amount receivable (received)			Amount payable (paid)			Amount receivable (received)			Amount payable (paid)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Forward contracts and swaps												
Restatement curve	5,125	916	172	3,520	6,945	35,328	3,076	526	74	2,113	3,989	15,117
	Parent company -In Thousand of Brazilian Reais						Parent company -In Thousand of U.S. Dollars (Not Audited)					
	Notional value			Book value			Notional value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Forward contracts and swaps												
Asset position	106,828	65,612	-	2,584	695	-	64,115	37,682	-	1,551	399	-
Forward contracts and swaps												
Liability position	-	-	147,629	-	-	38,345	-	-	63,170	-	-	16,408
	Parent company -In Thousand of Brazilian Reais						Parent company -In Thousand of U.S. Dollars (Not Audited)					
	Amount receivable (received)			Amount payable (paid)			Amount receivable (received)			Amount payable (paid)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Forward contracts and swaps												
Restatement curve	5,125	916	172	3,520	6,945	35,328	3,076	526	74	2,113	3,989	15,117

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

(i) Credit risks

Exposure to credit risks

The book values of the financial assets represent the maximum credit exposure. The maximum credit risk exposure on the date of the financial statement was:

	Consolidated -In Thousand of Brazilian Reais			Consolidated - In Thousand of U.S. Dollars (Not Audited)		
	Book value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Financial assets available for sale	-	-	-	-	-	-
Financial assets held until maturity	403	236	111	242	136	47
Financial assets stated at fair value through profit and loss	-	-	-	-	-	-
Financial assets classified as held for trading	-	-	-	-	-	-
Trade accounts receivable	161,463	145,893	162,717	96,905	83,789	69,627
Other loans and receivables.	57,341	58,355	52,930	34,414	33,514	22,649
Cash and cash equivalents	188,674	176,836	74,070	113,236	101,560	31,694
Forward exchange contracts and interest rate swaps used for hedge	2,584	695	-	1,551	399	-
Total	410,465	382,015	289,828	246,348	219,398	124,017

	Parent company - In Thousand of Brazilian Reais			Parent company - In Thousand of U.S. Dollars (Not Audited)		
	Book value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Financial assets available for sale	-	-	-	-	-	-
Financial assets held until maturity	403	236	111	242	136	47
Financial assets stated at fair value through profit and loss	-	-	-	-	-	-
Financial assets classified as held for trading	-	-	-	-	-	-
Trade accounts receivable	109,135	169,959	130,564	65,499	97,610	55,869
Other loans and receivables.	12,301	9,672	7,126	7,383	5,554	3,049
Cash and cash equivalents	138,370	85,614	45,567	83,045	49,170	19,498
Forward exchange contracts and interest rate swaps used for hedge	2,584	695	-	1,551	399	-
Total	262,793	266,176	183,368	157,720	152,869	78,463

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

The maximum exposure to credit risk for trade accounts receivable and other loans and receivables on the date of the report per geographical region was:

	Consolidated -In Thousand of Brazilian Reais			Consolidated - In Thousand of U.S. Dollars (Not Audited)			Parent company - In Thousand of Brazilian Reais			Parent company - In Thousand of U.S. Dollars (Not Audited)		
	Book value			Book value			Book value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Domestic – trade accounts receivable	107,037	74,101	76,364	64,240	42,558	32,676	57,066	37,665	31,052	34,249	21,632	13,287
Domestic – other loans and receivables.	-	-	-	-	-	-	-	-	-	-	-	-
United States – trade accounts receivable	53,543	71,792	86,353	32,135	41,231	36,950	51,715	132,294	99,512	31,038	75,978	42,581
Other	883	-	-	530	-	-	354	-	-	212	-	-
Total	161,463	145,893	162,717	96,905	83,789	69,626	109,135	169,959	130,564	65,499	97,610	55,868

The maximum exposure to credit risk for loans and receivables on the date of the report per geographical region was:

	Consolidated -In Thousand of Brazilian Reais			Consolidated - In Thousand of U.S. Dollars (Not Audited)			Parent company - In Thousand of Brazilian Reais			Parent company - In Thousand of U.S. Dollars (Not Audited)		
	Book value			Book value			Book value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Clients – public agencies	42,322	25,248	20,202	25,400	14,500	8,644	42,322	25,248	20,202	25,400	14,500	8,644
Clients – distributors	53,543	73,758	86,353	32,135	42,361	36,950	52,069	132,194	99,512	31,250	75,921	42,581
End clients	65,598	46,887	56,162	39,370	26,928	24,032	14,744	12,517	10,850	8,849	7,189	4,643
Total	161,463	145,893	162,717	96,905	83,789	69,626	109,135	169,959	130,564	65,499	97,610	55,868

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Loss through decrease in recoverable value (impairment)

The maturity of the loans and receivables granted on the date of the financial statements was:

	Consolidated - In Thousand of Brazilian Reais						Consolidated - In Thousand of U.S. Dollars (Not Audited)					
	Gross	Gross	Gross	Impairment	Impairment	Impairment	Gross	Gross	Gross	Impairment	Impairment	Impairment
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Not overdue	120,178	100,255	102,420	-	-	-	72,127	57,578	43,824	-	-	-
Overdue from 0-30 days	22,131	19,971	40,397	-	-	-	13,282	11,470	17,286	-	-	-
Overdue from 31-360 days	13,169	21,702	14,804	(197)	(186)	(201)	7,904	12,464	6,335	(118)	(107)	(86)
More than one year	5,985	3,965	5,096	(9,997)	(8,901)	(9,677)	3,592	2,277	2,181	(6,000)	(5,112)	(4,141)
Total	161,463	145,893	162,717	(10,194)	(9,087)	(9,878)	96,905	83,789	69,626	(6,118)	(5,219)	(4,227)

	Parent company - In Thousand of Brazilian Reais						Parent company - In Thousand of U.S. Dollars (Not Audited)					
	Gross	Gross	Gross	Impairment	Impairment	Impairment	Gross	Gross	Gross	Impairment	Impairment	Impairment
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Not overdue	95,618	154,950	111,980	-	-	-	57,387	88,990	47,916	-	-	-
Overdue from 0-30 days	5,375	4,941	11,922	-	-	-	3,226	2,838	5,101	-	-	-
Overdue from 31-360 days	5,682	6,063	3,304	(197)	(186)	(201)	3,410	3,482	1,414	(118)	(107)	(86)
More than one year	2,460	4,005	3,358	(3,425)	(3,298)	(3,474)	1,476	2,300	1,437	(2,056)	(1,894)	(1,487)
Total	109,135	169,959	130,564	(3,622)	(3,484)	(3,675)	65,499	97,610	55,868	(2,174)	(2,001)	(1,573)

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Loss through decrease in recoverable value (impairment)

The maturity of the loans and receivables granted on the date of the financial statements was:

Based on historical default rates, the group believes that no provision for impairment is required with respect to trade accounts receivable that are not overdue or overdue up to 30 days. A large part of the balance, which includes the amount owed by the Group's most important clients, is related to clients that have a good payment history with the Group.

During 2010 the parent company transferred receivables in the amount of R\$ 18,390 from Taurus Holdings, Inc. to third parties, with no right of recourse. In the financial statements this amount was recognized as an advance of receivables.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

(ii) Liquidity risk

The contractual maturities of financial liabilities, including payments of estimated interest and excluding the impact of currency negotiation agreements by the net position are as follows:

	Consolidated -In Thousand of Brazilian Reais						Consolidated - In Thousand of U.S. Dollars (Not Audited)					
	31/12/2010						31/12/2010					
	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities												
Guaranteed bank loans	220,166	269,639	83,476	53,982	104,174	28,007	132,137	161,829	50,100	32,398	62,522	16,809
Debt securities issued	106,106	134,604	34,824	36,039	63,741	-	63,681	80,785	20,900	21,629	38,256	-
Real estate receivables certificates	42,117	54,354	6,255	8,502	39,597	-	25,277	32,622	3,754	5,103	23,765	-
Foreign exchange drafts	4,453	4,899	4,899	-	-	-	2,673	2,940	2,940	-	-	-
Derivative financial liabilities												
Other exchange forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
Outflows	-	-	-	-	-	-	-	-	-	-	-	-
Inflows	(2,584)	(2,584)	(2,584)	-	-	-	(1,551)	(1,551)	(1,551)	-	-	-
	370,258	460,912	126,870	98,523	207,512	28,007	222,217	276,625	76,143	59,130	124,543	16,809

	Consolidated -In Thousand of Brazilian Reais						Consolidated - In Thousand of U.S. Dollars (Not Audited)					
	31/12/2009						31/12/2009					
	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities												
Guaranteed bank loans	212,798	270,742	98,286	59,993	97,673	14,790	122,212	155,492	56,448	34,455	56,095	8,494
Real estate receivables certificates<0>	46,968	65,016	5,024	6,884	53,108	-	26,975	37,340	2,885	3,954	30,501	-
Foreign exchange drafts	105,960	107,255	107,255	-	-	-	60,855	61,598	61,598	-	-	-
Derivative financial liabilities												
Other exchange forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
Outflows	-	-	-	-	-	-	-	-	-	-	-	-
Inflows	(695)	(695)	(695)	-	-	-	(399)	(399)	(399)	-	-	-
	365,031	442,318	209,870	66,877	150,781	14,790	209,643	254,031	120,532	38,409	86,596	8,494

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Consolidated -In Thousand of Brazilian Reais						Consolidated - In Thousand of U.S. Dollars (Not Audited)					
	01/01/2009						01/01/2009					
	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities												
Guaranteed bank loans	159,676	176,039	105,868	32,056	36,862	1,253	68,325	75,327	45,301	13,717	15,773	536
Real estate receivables certificates	50,659	83,267	3,864	5,720	55,734	17,949	21,677	35,629	1,653	2,447	23,849	7,680
Foreign exchange drafts	57,685	67,994	67,994	-	-	-	24,683	29,095	29,095	-	-	-
Derivative financial liabilities												
Other exchange forward contracts												
Outflows	38,345	38,345	38,345	-	-	-	16,408	16,408	16,408	-	-	-
Inflows	-	-	-	-	-	-	-	-	-	-	-	-
	<u>306,365</u>	<u>365,645</u>	<u>216,071</u>	<u>37,776</u>	<u>92,596</u>	<u>19,202</u>	<u>131,093</u>	<u>156,459</u>	<u>92,457</u>	<u>16,164</u>	<u>39,622</u>	<u>8,216</u>

	Parent company - In Thousand of Brazilian Reais						Parent company - In Thousand of U.S. Dollars (Not Audited)					
	31/12/2010						31/12/2010					
	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities												
Guaranteed bank loans	88,789	105,527	48,481	32,383	24,663	-	53,288	63,334	29,097	19,435	14,802	-
Debt securities issued	106,106	134,604	34,824	36,039	63,741	-	63,681	80,785	20,900	21,630	38,255	-
Foreign exchange drafts	4,453	4,899	4,899	-	-	-	2,673	2,940	2,940	-	-	-
Derivative financial liabilities												
Other exchange forward contracts												
Outflows	-	-	-	-	-	-	-	-	-	-	-	-
Inflows	(2,584)	(2,584)	(2,584)	-	-	-	(1,551)	(1,551)	(1,551)	-	-	-
	<u>196,764</u>	<u>242,446</u>	<u>85,620</u>	<u>68,422</u>	<u>88,404</u>	<u>-</u>	<u>118,091</u>	<u>145,508</u>	<u>51,386</u>	<u>41,065</u>	<u>53,057</u>	<u>-</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Parent company - In Thousand of Brazilian Reais						Parent company - In Thousand of U.S. Dollars (Not Audited)					
	31/12/2009						31/12/2009					
	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities												
Guaranteed bank loans	134,191	156,865	60,252	40,785	55,828	-	77,068	90,090	34,604	23,424	32,062	-
Foreign exchange drafts	105,960	107,255	107,255	-	-	-	60,855	61,598	61,598	-	-	-
Derivative financial liabilities												
Other exchange forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
Outflows	(695)	(695)	(695)	-	-	-	(399)	(399)	(399)	-	-	-
Inflows	239,456	263,425		40,785	55,828	-	137,524	151,289	95,803	23,424	32,062	-
	Parent company - In Thousand of Brazilian Reais						Parent company - In Thousand of U.S. Dollars (Not Audited)					
	01/01/2009						01/01/2009					
	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years	Fair value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities												
Guaranteed bank loans	80,242	90,339	36,097	27,229	27,013	-	34,336	38,655	15,445	11,651	11,559	-
Foreign exchange drafts	57,685	67,994	67,994	-	-	-	24,683	29,095	29,095	-	-	-
Derivative financial liabilities												
Other exchange forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
Outflows	38,345	38,345	38,345	-	-	-	16,408	16,408	16,408	-	-	-
Inflows	176,272	196,678	142,436	27,229	27,013	-	75,427	84,158	60,948	11,651	11,559	-

It is not expected that cash flows included in the Group's maturity analyses may occur significantly earlier or in significantly different amounts.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

(iii) Exchange risk

The Group's exposure to foreign currency risk is as follows (in nominal amounts):

	Consolidated			Consolidated		
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Accounts receivable	32,665	36,931	49,059	19,604	21,210	20,992
Foreign exchange drafts	2,673	53,054	32,772	1,604	30,469	14,023
Guaranteed bank loans	33,540	15,529	30,720	20,130	8,919	13,145
Gross balance sheet exposure	68,878	105,514	112,551	41,338	60,598	48,160

The guaranteed bank loans of Taurus Holdings, Inc. in the amount of USD 25,527 at December 31, 2010 (USD 13,799 and USD 10,044 at December 31, 2009 and January 1, 2009, respectively) are considered in the exposure to the consolidated exchange risk.

	Parent company			Parent company		
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Accounts receivable	7,803	7,163	11,227	4,683	4,114	4,804
Accounts receivable – related parties abroad	23,447	59,077	45,307	14,073	33,929	19,387
Foreign exchange drafts	2,673	53,054	32,772	1,604	30,470	14,023
Guaranteed bank loans	8,850	8,121	13,033	5,311	4,664	5,577
Gross balance sheet exposure	42,773	127,415	102,339	25,671	73,177	43,791

The following exchange rates were used during the year:

	Average rate		Spot rate	
	2010	2009	31/12/2010	31/12/2009
R\$/USD	1.7602	1.9972	1.6662	1.7412
				2.337

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Sensitivity analysis

The strengthening of the Real, as presented below, against the US dollar at December 31, would have increased the equity and the results according to the amounts presented below. This analysis is based on the variation of the foreign currency exchange rate that the Group considered to be reasonably possible at the end of the reporting period. The analysis considers that all the other variables, especially interest rates, are held constant. The analysis is conducted with the same base as 2009, despite the reasonably possible variation of the foreign currency exchange rate being different, as presented below.

	<u>Consolidated</u>		<u>Parent company</u>	
	<u>Net</u>	<u>Result</u>	<u>Net</u>	<u>Result</u>
	<u>equity</u>	<u>for the year</u>	<u>equity</u>	<u>for the year</u>
December 31, 2010				
R\$/USD (25%)	(1,478)	(1,478)	8,218	8,218
R\$/USD (50%)	(2,956)	(2,956)	16,435	16,435
December 31, 2009				
R\$/USD (25%)	(15,804)	(15,804)	2,529	2,529
R\$/USD (50%)	(31,609)	(31,609)	5,058	5,058

A devaluation of the Real against the currency above, at December 31, would have the same effect, however with the opposite result to the effect on the currency presented above, considering that all the other variables would remain constant.

(iv) Interest rate risk

Sensitivity analysis of fair value for fixed rate instruments

The Group does not record any fixed interest rate financial assets or liabilities at fair value through profit and loss, and the Group does not designate derivatives (interest rate swaps) as hedge instruments under a fair value hedge accounting model. Therefore, a change in the interest rates on the reporting date would not change the result.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Sensitivity analysis of cash flow for variable rate instruments

A 10 point change in the interest rates on the date of the financial statements would have increased (decreased) the equity and result for the year in accordance with the amounts presented below. The analysis considers that all the other variables, especially with respect to foreign currency, are held constant. The analysis is conducted with the same base for 2009.

	Consolidated - In Thousand of Brazilian Reais			Consolidated - In Thousand of U.S. Dollars (Not Audited)		
	Book value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Fixed rate instruments						
Financial liabilities	84,262	193,158	153,154	50,571	110,934	65,534
Variable rate instruments						
Financial assets	151,608	97,454	49,688	90,990	55,969	21,261
Financial liabilities	287,731	172,568	153,211	172,687	99,109	65,559
	Parent company - In Thousand of Brazilian Reais			Parent company - In Thousand of U.S. Dollars (Not Audited)		
	Book value			Book value		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Fixed rate instruments						
Financial liabilities	30,863	122,655	120,726	18,523	70,443	51,659
Variable rate instruments						
Financial assets	114,695	68,288	34,586	68,836	39,219	14,799
Financial liabilities	167,636	117,496	55,546	100,610	67,480	23,768

Sensitivity analysis of cash flow for variable rate instruments

A change of 10 percentage points in the basis of the interest rates on the date of the financial statements would have increased (decreased) the equity and result for the year on the balance of unpaid interest in accordance with the amounts presented below. The analysis considers that all the other variables, especially with respect to foreign currency, are held constant.

	Consolidated - In Thousand of Brazilian Reais			Consolidated - In Thousand of U.S. Dollars (Not Audited)		
	Net equity and result for the year			Net equity and result for the year		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Cash flow sensitivity analysis						
Change in interest rate on financing	(1,021)	(521)	(269)	(613)	(299)	(115)
Change in interest rate on financial investments	722	475	305	433	273	131
	Parent company - In Thousand of Brazilian Reais			Parent company - In Thousand of U.S. Dollars (Not Audited)		
	Net equity and result for the year			Net equity and result for the year		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Change in interest rate on financing	(752)	(504)	(99)	(451)	(289)	(42)
Change in interest rate on financial investments	543	332	212	326	191	91

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Fair value versus book value

The fair values of the financial assets and liabilities, together with the book values presented in the balance sheet, are as follows:

	Consolidated - In Thousand of Brazilian Reais				Consolidated - In Thousand of U.S. Dollars (Not Audited)			
	31/12/2010		31/12/2009		31/12/2010		31/12/2009	
	Book Value	Fair value	Book Value	Fair value	Book Value	Fair value	Book Value	Fair value
Assets stated at fair value								
Forward exchange contracts and interest rate swaps used for hedge	2,584	2,584	695	695	1,551	1,551	399	399
Assets stated at amortized cost								
Cash and cash equivalents	188,674	188,674	176,836	176,836	113,236	113,236	101,560	101,560
Accounts receivable and other receivables	151,269	151,269	136,806	136,806	90,787	90,787	78,570	78,570
	<u>339,943</u>	<u>339,943</u>	<u>313,642</u>	<u>313,642</u>	<u>204,023</u>	<u>204,023</u>	<u>180,130</u>	<u>180,130</u>
Liabilities stated at amortized cost								
Guaranteed bank loans	220,166	220,166	212,798	212,798	132,137	132,137	122,212	122,212
Issue of debt securities	106,106	106,106	-	-	63,681	63,681	-	-
Foreign exchange drafts	4,453	4,453	105,960	105,960	2,673	2,673	60,855	60,855
Suppliers and other accounts payable	38,538	38,538	19,038	19,038	23,129	23,129	10,934	10,934
Prepayment of housing credits	42,117	42,117	46,968	46,968	25,277	25,277	26,975	26,975
	<u>411,380</u>	<u>411,380</u>	<u>384,764</u>	<u>384,764</u>	<u>246,897</u>	<u>246,897</u>	<u>220,976</u>	<u>220,976</u>
	Parent company - In Thousand of Brazilian Reais				Parent company - In Thousand of U.S. Dollars (Not Audited)			
	31/12/2010		31/12/2009		31/12/2010		31/12/2009	
	Book Value	Fair value	Book Value	Fair value	Book Value	Fair value	Book Value	Fair value
Assets stated at fair value								
Forward exchange contracts and interest rate swaps used for hedge	2,584	2,584	695	695	1,551	1,551	399	399
Assets stated at amortized cost								
Cash and cash equivalents	138,370	138,370	85,614	85,614	83,045	83,045	49,170	49,170
Accounts receivable and other receivables	105,513	105,513	166,475	166,475	63,326	63,326	95,609	95,609
	<u>243,883</u>	<u>243,883</u>	<u>252,089</u>	<u>252,089</u>	<u>146,371</u>	<u>146,371</u>	<u>144,779</u>	<u>144,779</u>
Liabilities stated at amortized cost								
Guaranteed bank loans	88,789	88,789	134,191	134,191	53,288	53,288	77,068	77,068
Issue of debt securities	106,106	106,106	-	-	63,681	63,681	-	-
Foreign exchange drafts	4,453	4,453	105,960	105,960	2,673	2,673	60,855	60,855
Suppliers and other accounts payable	14,636	14,636	14,491	14,491	8,784	8,784	8,322	8,322
	<u>213,984</u>	<u>213,984</u>	<u>254,642</u>	<u>254,642</u>	<u>128,426</u>	<u>128,426</u>	<u>146,245</u>	<u>146,245</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

The fair value, determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted by the market rate of the interest verified on the presentation date of the financial statements. The interest rates used to discount estimated cash flow, when applicable, are based on the projected rates for the interbank deposit certificate (CDI) on the date of the financial statements.

In accordance with the hierarchical classification criteria for determining fair value, where: level 1 corresponds to (unadjusted) prices quoted on active markets for similar assets and liabilities, level 2 corresponds to inputs, except quoted prices, included in level 1 which are directly observable (prices) or indirectly observable (derived from prices) and level 3 refers to assumptions for the assets or liabilities, which are not based on observable market data (non-observable inputs), the Company classified the fair values of the financial instruments in the accounting as being level 2.

22 Related party transactions

Parent company and ultimate controlling party

The parent company of the Group is Forjas Taurus S.A. and the ultimate controlling party is Polimetal Participações S.A.

Transactions with key management personnel

Remuneration of key management personnel

In 2010, the remuneration of the key management personnel, which includes the executive officers and the Board of Directors, totaled R\$ 33,026, and includes salaries, fees and variable benefits.

Remuneration of key management personnel comprises;

	Consolidated				Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Remuneration and benefits of statutory directors and board of directors	17,914	16,628	10,751	9,550	13,965	11,900	8,382	6,835
Remuneration of key personnel	15,112	15,285	9,070	8,778	7,475	6,706	4,486	3,851
Total	33,026	31,913	19,821	18,328	21,440	18,606	12,868	10,686

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

The Group does not have remuneration benefit policies for the management personnel that may be characterized as: post-employment benefits, work contract rescission benefits, share-based remuneration or other long-term benefits.

Transactions with officers and key management personnel

The officers and key management personnel directly control 8% of the Company's shares with voting rights.

Some key management personnel hold quotas in other entities, meaning that they have control or significant influence over the financial and operating policies of these entities. The outstanding balances with these related parties are valued based on market terms and are described in detail below:

Transactions between related parties not eliminated upon consolidation

In the consolidated financial statements as of December 31, 2009, the amount of R\$ 29,692, referring to an intercompany loan granted by the subsidiary Taurus Blindagens Ltda. to the parent company Polimetel Participações S.A. was not eliminated in the consolidation procedures. This transaction was settled in 2010.

In the consolidated financial statements as of December 31, 2010 and 2009 and January 1, 2009, the Group has a balance receivable from Wotan Máquinas Ltda., in the respective amounts of R\$ 38,542, R\$ 41,327 and R\$ 34,037, on which charges equivalent to 100% of the interbank deposit certificate (CDI) are levied.

Guarantees between related parties

Loans and the financing are guaranteed by promissory notes, fiduciary alienation of machinery and equipment, mortgage of real estate and endorsement of the officers. The guarantees granted by officers, by the parent company and the guarantees granted by the Company to its subsidiaries and parent company are presented as follows:

Guarantees by officers:

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Forjas Taurus S.A.	16,636	21,904	13,454	9,984	12,580	5,757

The Company provided guarantees to its subsidiaries and parent companies, the amounts of which are described below:

Guarantees to subsidiaries:

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Taurus Blindagens Ltda.	-	3,024	2,692	-	1,737	1,152
Taurus Máquinas-Ferramenta Ltda.	31,256	26,668	26,391	18,759	15,316	11,293
Taurus Holdings, Inc.	42,533	13,930	18,696	25,527	8,000	8,000
	73,789	43,622	47,779	44,286	25,053	20,445

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Guarantees to parent companies:

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Polimetal Participações S.A.	162,873	110,217	40,110	97,751	63,299	17,163
Polipar Investimentos e Participações S.A.	-	-	45,306	-	-	19,386
	162,873	110,217	85,416	97,751	63,299	36,549

Guarantees to parent company:

	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	31/12/2010	31/12/2009	01/01/2009	31/12/2010	31/12/2009	01/01/2009
Polimetal Participações S.A.	119,458	21,196	-	71,695	12,173	-

23 Capital and reserves (parent company)

Capital and reserves

Authorized shares

	31/12/2010	31/12/2009
Common shares	50,000	50,000
Preferred shares	100,000	100,000
	150,000	150,000

The Ordinary and Special General Shareholders' Meeting, held on April 30, 2010, decided on and approved a capital increase from R\$ 165,000 to R\$ 201,000 through capitalization of the reserves in the total amount of R\$ 36,000, where R\$ 18,533 originated from a reserve account for investments and R\$ 17,467 from the Capital Reserves account, with the consequent issuing and distribution to the shareholders, in proportion to the number of outstanding shares, of 21,372,360 new shares, with no par value, of which 7,134,120 are common shares and 14,248,240 are preferred shares, through credit of 2(two) new shares for each group of 10 (ten) shares, observing the existing species.

Shares issued and fully paid in	Common shares			Preferred shares		
	Number - in thousands	R\$ - in thousands	USD - in thousands	Number - in thousands	R\$ - in thousands	USD - in thousands
January 1, 2009	32,446	129,460	55,396	64,892	242,047	103,572
ON - R\$ 3.99 - PN - R\$ 3.73*						
Capitalization of reserves - R\$ 1.7848	3,175	5,667	2,425	6,349	11,332	4,849
December 31, 2009	35,621	265,733	152,615	71,241	451,668	259,400
ON - R\$ 7.46 - PN - R\$ 6.34*						
Capitalization of reserves - R\$ 1.68441	7,124	12,000	6,892	14,248	24,000	13,784
December 31, 2010	42,745	235,098	141,098	85,489	350,505	210,362
ON - R\$ 5.50 - PN - R\$ 4.10*						

* Quotation of the last transaction of the common shares (ON) and preferred shares (PN) on the indicated date, multiplied by the total existing shares on the same date.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Profit reserve

On December 31, 2010 the balance of profit reserves reached the limit of the capital and during 2011 Management will propose to the Shareholders' General Meeting an increase in capital up to the amount that complies with the legal limits.

Legal reserve

The reserve is recorded at the rate of 5% of the net profit for each year in compliance with article 193 of Law 6404/76, up to the limit of 20% of the capital.

Statutory and profit retention reserve

Investment reserve - formed to meet the investments to be made in the following years, in accordance with the capital budget.

Equity valuation adjustments

The reserve for equity valuation adjustments includes adjustments through adoption of the deemed cost of the property, plant and equipment on the transmission date. The amounts recorded as equity valuation adjustments are reclassified, fully or partially, to the income statement at the time of disposal of the assets to which they refer.

Accumulated translation adjustments

Accumulated translation adjustments include all the differences in foreign currency resulting from the translation of the financial statements of operations abroad.

The Company's bylaws determine the distribution of a minimum mandatory dividend of 25% of the net income for the period, adjusted in accordance with the law. The dividends payable were separated from the shareholders' equity at the closing of the year and recorded as liabilities.

The dividends were calculated as follows:

	In Thousand of Brazilian Reais
	31/12/2010
Result for the period	70,276
(-) Legal reserve	(3,514)
(+) Realization of revaluation reserve	3,691
(+) Realization of equity valuation adjustment	4,342
Adjusted income for calculation of dividend	74,795
Mandatory minimum dividend	18,699
(-) Dividends and interest on shareholders' equity	(22,056)
(+) Income tax withheld at source	1,591
Dividends to be distributed	1,766

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Income per share

	In Thousand of Brazilian Reais	
	2010	2009
Result for the year until the capital increase	19,982	16,102
Number of existing shares until the date	106,862	97,338
Result per share in the period	0.18699	0.16542
Result for the year after the capital increase	50,294	35,918
Number of existing shares until the date	128,234	106,862
Result per share in the period	0.3922	0.33612
Result per share in the year	0.57919	0.50154

24 Operating income

	Consolidated				Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Sale of goods	808,979	791,025	459,595	396,067	517,183	481,854	293,821	241,264
Providing of services	3,416	2,734	1,941	1,370	172	59	97	31
Total income	812,395	793,759	461,536	397,437	517,355	481,913	293,918	241,295

The reconciliation between the gross revenues for tax purposes and the revenues presented in the income statements, is as follows:

	Consolidated				Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Gross tax revenue	812,395	793,759	461,536	397,437	517,355	481,913	293,918	241,295
Sales taxes	(136,761)	(122,955)	(77,696)	(61,564)	(77,601)	(50,978)	(44,086)	(25,525)
Returns and discounts	(4,076)	(13,588)	(2,316)	(6,804)	(4,872)	(4,162)	(2,768)	(2,084)
Total book income	671,558	657,216	381,524	329,069	434,882	426,773	247,064	213,686

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

25 Other operating expenses, net

	Consolidated				Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Research and development	(3,563)	(3,135)	(2,024)	(1,570)	(3,411)	(2,014)	(1,938)	(1,008)
Cost of fixed assets written off	(423)	(1,342)	(240)	(672)	-	(471)	-	(236)
Amortization of intangible assets	(452)	(144)	(257)	(72)	(465)	(1,129)	(264)	(565)
Employee profit sharing	(8,295)	(10,064)	(4,713)	(5,039)	(6,455)	(8,483)	(3,667)	(4,247)
Other	(3,845)	(3,185)	(2,184)	(1,595)	(5,517)	(542)	(3,134)	(272)
	<u>(16,578)</u>	<u>(17,870)</u>	<u>(9,418)</u>	<u>(8,948)</u>	<u>(15,848)</u>	<u>(12,639)</u>	<u>(9,003)</u>	<u>(6,328)</u>
Other operating income	1,959	3,702	1,113	1,854	488	1,444	277	723
	<u>(14,619)</u>	<u>(14,168)</u>	<u>(8,305)</u>	<u>(7,094)</u>	<u>(15,360)</u>	<u>(11,195)</u>	<u>(8,726)</u>	<u>(5,605)</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

26 Financial income and expenses

	Consolidated				Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Financial expenses								
Interest	(35,292)	(34,357)	(20,050)	(17,203)	(21,943)	(15,924)	(12,466)	(7,973)
Capitalized interest on fixed assets	1,112	1,109	632	555	901	481	512	241
Exchange variations	(9,745) ⁽¹⁾	(35,661) ⁽³⁾	(5,536)	(17,855) ⁽³⁾	(9,044) ⁽¹⁾	(33,706)	(5,138)	(16,877)
Tax on financial operations (IOF)	(436)	(1,246)	(248)	(624)	(30)	(103)	(17)	(52)
Other expenses	(5,582)	(3,059)	(3,171)	(1,531)	(3,832)	(2,330)	(2,177)	(1,168)
	<u>(49,943)</u>	<u>(73,214)</u>	<u>(28,373)</u>	<u>(36,658)</u>	<u>(33,948)</u>	<u>(51,582)</u>	<u>(19,286)</u>	<u>(25,827)</u>
Financial income								
Interest	21,777	14,623	12,372	7,322	16,388	9,064	9,310	4,538
Exchange variations	16,484 ⁽²⁾	28,689 ⁽⁴⁾	9,365	14,365 ⁽⁴⁾	15,924 ⁽²⁾	25,641	9,047	12,838
Other income	4,075	9,035	2,315	4,523	3,077	6,974	1,748	3,493
	<u>42,336</u>	<u>52,347</u>	<u>24,052</u>	<u>26,210</u>	<u>35,389</u>	<u>41,679</u>	<u>20,105</u>	<u>20,869</u>
Financial result, net	<u>(7,607)</u>	<u>(20,867)</u>	<u>(4,321)</u>	<u>(10,448)</u>	<u>1,441</u>	<u>(9,903)</u>	<u>819</u>	<u>(4,958)</u>

In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	
⁽¹⁾ (1.383)	⁽¹⁾ (786)	on exchange coverage operations
⁽²⁾ 9.364	⁽²⁾ 5.320	on exchange coverage operations
7.981	4.534	(Net exchange variation in 2010)
⁽³⁾ (27.840)	⁽³⁾ (15.816)	on exchange coverage operations
⁽⁴⁾ 14.438	⁽⁴⁾ 8.202	on exchange coverage operations
(13.402)	(7.614)	(Net exchange variation in 2009)

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

27 Income tax and social contribution expenses

The reconciliation of the expense calculated by applying the combined statutory tax rates and the expense of income tax and social contribution debited in the income statement is presented as follows:

	Consolidated				Parent company			
	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)		In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	2010	2009	2010	2009	2010	2009	2010	2009
Income before income tax and social contribution	95,950	85,064	54,512	42,593	79,332	69,240	45,070	34,669
Combined statutory tax rate	34%	34%	34%	34%	34%	34%	34%	34%
Income tax and social contribution: at the combined tax rate	(32,623)	(28,922)	18,534	(14,481)	(26,973)	(23,542)	15,324	(11,788)
Permanent additions:								
Non-deductible expenses	(2,450)	(106)	(1,392)	(53)	(2,369)	(83)	(1,346)	(42)
Income available abroad	-	(2,714)		(1,359)	-	(2,714)	-	(1,359)
Permanent exclusions:								
Income exempt from taxes	5,416	3,691	3,077	1,848	10,498	426	5,964	213
Others – Law 11196/05	3,920	3,253	2,227	1,629	3,867	3,174	2,197	1,589
Other	-	1,277			-	1,277		
Interest on shareholders' equity	7,412	5,087	4,211	2,547	7,412	5,087	4,211	2,547
Tax loss not recognized in assets	(4,320)	(14,335)	(2,454)	(7,178)	-	-	-	
Statutory profit sharing	(2,374)	(2,023)	(1,349)	(1,013)	(2,374)	(2,023)	(1,349)	(1,013)
Other items	(621)	1,763	(353)	883	883	1,178	502	590
Income tax and social contribution on the income for the year	(25,640)	(33,029)	(14,567)	(16,538)	(9,056)	(17,220)	(5,145)	(8,622)
Breakdown of the income tax and social contribution on the income for the year								
Current	(27,642)	(34,593)	(15,704)	(17,321)	(10,299)	(17,929)	(5,851)	(8,977)
Deferred charges	2,002	1,564	1,137	783	1,243	709	706	355
	(25,640)	(33,029)	(14,567)	(16,538)	(9,056)	(17,220)	(5,145)	(8,622)
Effective rate	26.72%	38.83%	26.72%	38.83%	11.42%	24.87%	11.42%	24.87%

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

28 Insurance coverage

The Group has a policy of taking out insurance coverage for assets subject to risks in amounts considered sufficient to cover eventual losses, considering the nature of its activity. The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not analyzed by our independent auditors.

At December 31, 2010, the insurance coverage for the Group was as follows:

	Consolidated - 2010		Parent company - 2010	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
Material damages	160,759	96,482	103,796	62,295
Civil liability	7,480	4,489	7,480	4,489
Loss of earnings	3,100	1,861	-	-

29 Subsequent events

On January 27, 2011, the Company executed a private swap instrument with a total reference value of R\$ 50,000 thousand and maturity on April 15, 2011. The updated parameters adopted for a positive rate were: 100% of CDI + 2.0% p.a., and for a liability rate: Daily average rates of the interbank deposit (DI) + 4.10% p.a.

30 Statements of added value

Pursuant to the BR GAAP requirement applicable to publicly-held companies and as additional information for IFRS purposes, the company prepared individual and consolidated statements of added value.

These statements, substantiated on macro-economic concepts, seek to present the portion of the group in the formation of the Gross Domestic Product through computing the respective added values both for the Group and for that received from other entities, and the distribution of these amounts to their employees, government spheres, lessors of assets, creditors of loans, financing and debt securities, controlling and minority shareholders, and other remunerations that represent transfer of wealth to third parties. The aforementioned added value represents the wealth created by the Group, in general, measured by the sales revenue from goods and services provided, less the respective inputs acquired from third parties, and also including the added value produced by third parties and transferred to the entity.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

31 Explanation of transition to IFRS (consolidated)

As reported in note 3(a), these are the first financial statements of the Group prepared in accordance with IFRS.

The accounting policies established in note 4 were applied in the preparation of the financial statements for the year ended December 31, 2010, in the comparative information presented in these financial statements for the year ended December 31, 2009 and in the preparation of the opening balance sheet in IFRS for the financial position on January 1, 2009 (the Group's transition date).

In the preparation of its statement of opening financial position in IFRS, the Company adjusted amounts previously presented in financial statements prepared in accordance with previously adopted accounting practices. An explanation of how the transition from the previously adopted accounting practices to IFRS affected the Group's financial position and financial performance and cash flows is presented in the following tables and in the notes that accompany these tables.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Reference	In Thousand of Brazilian Reais - 01/01/2009			In Thousand of U.S. Dollars (Not Audited) - 01/01/2009		
		Previous BR GAAP	Effects of transition to IFRS	IFRS	Previous BR GAAP	Effects of transition to IFRS	IFRS
Assets							
Cash and cash equivalents	(a)	74,496	(426)	74,070	31,877	(182)	31,695
Other instruments, including derivatives		-	-	-	-	-	-
Trade accounts receivable	(a)/(b)	148,354	2,375	150,729	63,481	1,016	64,497
Payments in advance	(a)	6,111	(54)	6,057	2,615	(23)	2,592
Inventories	(a)/(d)	251,833	(5,408)	246,425	107,759	(2,314)	105,445
Deferred tax assets	(f)	16,139	(16,139)	-	6,906	(6,906)	-
Current tax assets	(a)	28,066	(7,003)	21,063	12,009	(2,997)	9,012
Other accounts receivable	(a)	17,928	337	18,265	7,671	144	7,815
Total current assets		<u>542,927</u>	<u>(26,318)</u>	<u>516,609</u>	<u>232,318</u>	<u>(11,262)</u>	<u>221,056</u>
Trade accounts receivable & other receivables	(a)	43,041	(126)	42,915	18,417	(54)	18,363
Receivables from related parties		26,942	-	26,942	11,528	-	11,528
Deferred tax assets	(f)	-	22,742	22,742	-	9,731	9,731
Interest in subsidiaries and affiliated	(a)	-	9,604	9,604	-	4,110	4,110
Other investments	(a)	303	(15)	288	130	(6)	124
Property, plant and equipment	(d)	159,500	61,235	220,735	68,250	26,202	94,452
Intangible assets	(a)/(g)	18,181	1,396	19,577	7,780	597	8,377
Deferred charges	(e)	9,151	(9,151)	-	3,916	(3,916)	-
Total non-current assets		<u>257,118</u>	<u>85,685</u>	<u>342,803</u>	<u>110,021</u>	<u>36,664</u>	<u>146,685</u>
Total assets		<u>800,045</u>	<u>59,367</u>	<u>859,412</u>	<u>342,339</u>	<u>25,403</u>	<u>367,742</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

In Thousand of Brazilian Reais - 31/12/2009				In Thousand of U.S. Dollars (Not Audited) - 31/12/2009			
Reference	Previous BR GAAP	Effects of transition to IFRS	IFRS	Previous BR GAAP	Effects of transition to IFRS	IFRS	
Assets							
Cash and cash equivalents	(a)	177,559	(723)	176,836	101,975	(415)	101,560
Other instruments, including derivatives		695	-	695	399	-	399
Trade accounts receivable	(a)/(b)	138,189	(5,688)	132,501	79,364	(3,266)	76,098
Payments in advance	(a)	6,514	(120)	6,394	3,741	(69)	3,672
Inventories	(a)/(d)	211,088	(3,446)	207,642	121,231	(1,979)	119,252
Deferred tax assets	(f)	9,219	(9,219)	-	5,295	(5,295)	-
Current tax assets	(a)	20,697	(5,379)	15,318	11,887	(3,090)	8,797
Other accounts receivable	(a)	14,995	(239)	14,756	8,612	(137)	8,475
Total current assets		578,956	(24,814)	554,142	332,504	(14,251)	318,253
Trade accounts receivable & other receivables	(a)	54,866	(9)	54,857	31,510	(5)	31,505
Receivables from related parties		29,912	-	29,912	17,179	-	17,179
Deferred tax assets	(f)	-	14,329	14,329	-	8,229	8,229
Interest in subsidiaries and affiliated	(a)	-	10,408	10,408	-	5,977	5,977
Other investments	(a)	290	(2)	288	167	(2)	165
Property, plant and equipment	(d)	179,572	58,883	238,455	103,131	33,819	136,950
Intangible assets	(a)/(g)	15,889	1,051	16,940	9,125	604	9,729
Deferred charges	(e)	6,996	(6,996)	-	4,018	(4,018)	-
Total non-current assets		287,525	77,664	365,189	165,130	44,604	209,734
Total assets		866,481	52,850	919,331	497,634	30,353	527,987

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Reference	In Thousand of Brazilian Reais - 01/01/2009			In Thousand of U.S. Dollars (Not Audited) - 01/01/2009		
		Previous BR GAAP	Effects of transition to IFRS	IFRS	Previous BR GAAP	Effects of transition to IFRS	IFRS
Liabilities							
Suppliers and other accounts payable	(a)	27,273	(1,449)	25,824	11,670	(620)	11,050
Loans and financing	(a)	102,911	(3,633)	99,278	44,036	(1,555)	42,481
Dividends payable	(a)/(h)	17,659	(5,954)	11,705	7,556	(2,547)	5,009
Taxes, fees and contributions	(a)	17,206	(769)	16,437	7,362	(329)	7,033
Provisions		17,731	-	17,731	7,587	-	7,587
Labor obligations	(a)	11,955	-	11,955	5,116	-	5,116
Advance from clients		34,237	-	34,237	14,650	-	14,650
Derivative financial instruments		38,345	-	38,345	16,408	-	16,408
Foreign exchange drafts	(b)	49,594	8,091	57,685	21,221	3,462	24,683
Other	(a)	23,100	-	23,100	9,884	-	9,884
Total current liabilities		340,011	(3,714)	336,297	145,490	(1,589)	143,901
Loans and financing	(a)	60,477	(79)	60,398	25,878	(34)	25,844
Debts with related parties		152	-	152	65	-	65
Deferred tax liability	(i)	2,426	11,208	13,634	1,038	4,796	5,834
Other	(a)	68,152	(929)	67,223	29,162	(397)	28,765
Total non-current liabilities		131,207	10,200	141,407	56,143	4,365	60,508
Total liabilities		471,218	6,486	477,704	201,633	2,776	204,409
Capital		148,001	-	148,001	63,329	-	63,329
Capital reserves		17,467	-	17,467	7,474	-	7,474
Profit reserves	(j)	164,513	9,935	174,448	70,395	4,251	74,646
Equity valuation adjustments on investments	(j)	-	1,416	1,416	-	606	606
Dividends to be distributed	(j)	-	5,954	5,954	-	2,548	2,548
Equity valuation adjustments	(j)	-	56,231	56,231	-	24,061	24,061
Accumulated translation adjustments		(5,039)	(16,845)	(21,884)	(2,156)	(7,208)	(9,364)
Revaluation reserve	(j)	3,691	(3,691)	-	1,579	(1,579)	-
Total shareholders' equity of controlling shareholders		328,633	53,000	381,633	140,621	22,679	163,300
Minority interest		194	(119)	75	84	(51)	33
Total liabilities and shareholders' equity		800,045	59,367	859,412	342,338	25,404	367,742

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

	Reference	In Thousand of Brazilian Reais - 31/12/2009			In Thousand of U.S. Dollars (Not Audited) - 31/12/2009		
		Previous BR GAAP	Effects of transition to IFRS	IFRS	Previous BR GAAP	Effects of transition to IFRS	IFRS
Liabilities							
Suppliers and other accounts payable	(a)	20,753	(1,715)	19,038	11,919	(985)	10,934
Loans and financing	(a)	102,386	(497)	101,889	58,802	(285)	58,517
Dividends payable	(a)/(h)	14,042	(1,338)	12,704	8,063	(769)	7,294
Taxes, fees and contributions	(a)	16,142	(472)	15,670	9,271	(271)	9,000
Provisions		13,987	-	13,987	8,033	-	8,033
Labor obligations	(a)	16,052	(553)	15,499	9,219	(318)	8,901
Advance from clients		16,322	-	16,322	9,374	-	9,374
Derivative financial instruments		-	-	-	-	-	-
Foreign exchange drafts	(b)	105,960	-	105,960	60,855	-	60,855
Other	(a)	24,972	(143)	24,829	14,342	(82)	14,260
Total current liabilities		330,616	(4,718)	325,898	189,878	(2,710)	187,168
Loans and financing	(a)	111,393	(484)	110,909	63,975	(278)	63,697
Debts with related parties		219	-	219	126	-	126
Deferred tax liability	(i)	2,833	10,093	12,926	1,627	5,797	7,424
Other	(a)	55,468	(912)	54,556	31,856	(524)	31,332
Total non-current liabilities		169,913	8,697	178,610	97,584	4,995	102,579
Total liabilities		500,529	3,979	504,508	287,462	2,285	289,747
Capital		165,000	-	165,000	94,762	-	94,762
Capital reserves		17,467	-	17,467	10,032	-	10,032
Profit reserves	(j)	182,373	16,359	198,732	104,740	9,395	114,135
Equity valuation adjustments on investments	(j)	-	1,344	1,344	-	772	772
Dividends to be distributed	(j)	-	988	988	-	567	567
Equity valuation adjustments	(j)	-	51,866	51,866	-	29,788	29,788
Accumulated translation adjustments		(2,774)	(17,876)	(20,650)	(1,594)	(10,266)	(11,860)
Revaluation reserve	(j)	3,691	(3,691)	-	2,120	(2,120)	-
Total shareholders' equity of controlling shareholders		365,757	48,990	414,747	210,060	28,136	238,196
Minority interest		195	(119)	76	112	(68)	44
Total liabilities and shareholders' equity		866,481	52,850	919,331	497,634	30,353	527,987

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Result	Ref	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
		Previous BR GAAP	Effects of transition to IFRS	IFRS	Previous BR GAAP	Effects of transition to IFRS	IFRS
Income	(a)	679,393	(22,177)	657,216	340,173	(11,104)	329,069
Cost of sales	(a)/(d)/(k)	(353,704)	(16,054)	(369,758)	(177,100)	(8,038)	(185,138)
Gross profit		325,689	(38,231)	287,458	163,073	(19,142)	143,931
Operating income (expenses)							
Selling expenses	(a)/(d)/(c)	(99,763)	5,641	(94,122)	(49,951)	2,824	(47,127)
Administrative expenses	(a)/(d)/(k)	(71,685)	(3,732)	(75,417)	(35,892)	(1,869)	(37,761)
Other operating expenses	(a)/(k)	(42,555)	28,387	(14,168)	(21,307)	14,213	(7,094)
Equity accounting result	(a)	964	1,216	2,180	483	609	1,092
		(213,039)	31,512	(181,527)	(106,667)	15,777	(90,890)
Operating income		112,650	(6,719)	105,931	56,406	(3,365)	53,041
Financial income	(a)	53,473	(1,126)	52,347	26,774	(564)	26,210
Financial expenses	(a)/(c)	(75,295)	2,081	(73,214)	(37,700)	1,042	(36,658)
		(21,822)	955	(20,867)	(10,926)	478	(10,448)
Result before income tax and social contribution		90,828	(5,764)	85,064	45,480	(2,887)	42,593
Current income tax and social contribution	(a)	(35,642)	270	(35,372)	(17,846)	135	(17,711)
Deferred income tax and social contribution	(i)	1,564	779	2,343	783	390	1,173
Result for the period after taxes		56,750	(4,715)	52,035	28,417	(2,362)	26,055
Statutory profit sharing	(k)	(5,950)	5,950	-	(2,979)	2,979	-
Minority interest		(15)	-	(15)	(8)	-	(8)
Income for the period		50,785	1,235	52,020	25,430	617	26,047

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Explanation of transition to IFRS

a. Non-consolidated financial statements of Famastil Taurus Ferramentas S.A.

The Company holds a 35% share in the capital of Famastil Taurus Ferramentas S.A. and it is a party to a shareholders' agreement that permits it to participate in material decisions in conducting that Company's business dealings. The Management assessed the main characteristics of the shareholders' agreement in light of the initial adoption and concepts of pronouncement CPC 19 – Jointly controlled ventures and concluded that the level of influence granted by the agreement to the Group characterizes a material influence subject to the equity accounting method.

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Ownership percentage	35%	35%	35%	35%
Amount of the investment in affiliated companies	9,064	10,386	3,878	5,965

The effects of the changes in assets, liabilities and results are presented below:

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Current assets	12,407	13,855	5,309	7,958
Non-current assets	3,380	3,551	1,446	2,039
	<u>15,787</u>	<u>17,406</u>	<u>6,755</u>	<u>9,997</u>
Current liabilities	6,591	9,452	2,820	5,429
Non-current liabilities	1,009	622	432	357
Shareholders' equity	8,187	7,332	3,503	4,211
	<u>15,787</u>	<u>17,406</u>	<u>6,755</u>	<u>9,997</u>

b. Presentation of exchange drafts

For IFRS, pursuant to CPC 37 (IFRS 1), an entity should not present assets and liabilities, and net income and expenses, unless required or permitted by the legislation. The understanding of the pronouncement is that in the event of exchange drafts, an entity should present the assets and liabilities separately, since exchange drafts do not meet the criteria for net presentation. Net presentation, both in the balance sheet and in the income statement, except when the net presentation reflects the substance of the transaction or another event, reduces the capacity of the users of the financial statements to understand the transactions, other events and the conditions under which they occurred, and to estimate the entity's future cash flow. Therefore, the Company reclassified the balances, recording the amounts exchange drafts in non-current liabilities. The amount of R\$ 8,091 was reclassified at December 31, 2009.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

c. Capitalized loan costs

Under previously adopted accounting practices, the Group debited loan costs to the income statement for each year. On the transition date, the Group chose to capitalize loan costs only with respect to qualifiable assets, for which the initial date for capitalization was the transition date, only for the qualifiable assets that were not the object of deemed cost.

The impact of the change is summarized as follows:

	31/12/2009	
	In Thousand of Brazilian Reais	In Thousand of U.S. Dollars (Not Audited)
Consolidated statement of income		
Financial expenses	1,109	637
Adjustment before income tax and social contribution	<u>1,109</u>	<u>637</u>
Consolidated balance sheet		
Fixed assets under construction	1,109	637
Related tax effects	(214)	(123)
Adjustment in retained earnings	<u>895</u>	<u>514</u>

d. Deemed cost

The Group chose to adopt the deemed cost, adjusting the opening balances on the transition date on January 1, 2009 for comparison purposes.

Note	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Deemed cost of fixed assets	67,460	67,460	28,866	38,743
Depreciation of surplus value of deemed cost	-	(6,171)	-	(3,544)
Write-off of assets of property, plant and equipment	(3,262)	(3,262)	(1,396)	(1,873)
Elimination of consolidation Famastil Taurus Ferramentas Ltda.	(a) (2,963)	(2,882)	(1,268)	(1,655)
Addition of capitalizable costs	(c) -	1,109	-	637
Difference in depreciation rates	-	3,244	-	1,863
Other	-	(615)	-	(354)
	<u>61,235</u>	<u>58,883</u>	<u>26,202</u>	<u>33,817</u>

e. Write-off of deferred assets

Pursuant to IFRS, operating expenditures do not fit into the definition of intangible assets and should be recorded as expenditures. The costs incurred for obtaining an intangible asset created in-house are not normally capitalized, unless they are development costs that comply with the specific requirements of IAS 38 (CPC 04).

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Pursuant to BR GAAP, as from January 1, 2008, new pre-operating expenditures also do not fit into the definition of an intangible asset and should be recorded as expenditures. The amount of R\$ 7,479 was written off against retained earnings; and the amount of R\$ 1,672 was reclassified to intangible assets, as it meets the requirements established in IAS 38 (CPC 04) with respect to its existence. See note (g).

During the year ended December 31, 2009, the amounts of R\$ 1,850 (Consolidated) and R\$ 698 (parent company) referring to reversal of amortization of deferred assets were posted.

f. Reclassification of deferred taxes

In Brazil, in accordance with current accounting practices, for purposes of initial recognition of deferred tax assets, the Company should comply, cumulatively, with the following conditions: i) present a past history of profitability; and ii) present expectations of generating future taxable income, brought to present value, based on a technical viability study, which permits realizing the deferred tax asset over a maximum period of 10 years. This technical study should be examined by the Audit Committee and approved by the Company's management and should be reviewed every year, adjusting the amount of the deferred tax asset whenever there is a change in the expectations for its realization.

Pursuant to CPC 37 (IFRS 1), when the entity presents current and non-current assets, and current and non-current liabilities, classifying them separately in the balance sheet, it should not classify deferred tax assets and deferred tax liabilities as current. Therefore, the Company reclassified the net deferred income tax which was classified in current and non-current assets, to non-current deferred income-tax assets and liabilities.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

g. Reclassification of intangible assets

At September 1, 2008 an intangible asset was recorded, generated by the acquisition of the manufacturing process acquired from third parties and licenses of the company DPP Indústria Metalúrgica Ltda. At the January 1, 2009, the amount of R\$ 1,672, previously classified as deferred assets, was reclassified as it meets the requirements established in the concept of intangible assets established in IAS 38 (CPC 04).

h. Reclassification of dividends payable

The Company's bylaws establish that at least 25% of the net income for the year, calculated in accordance with corporation law in Brazil and accounting practices adopted in Brazil, is distributed as dividends. The Company reclassified the amount of R\$ 988 at December 31, 2009 (R\$ 5,954 at January 1, 2009) to present the provision for the amount of the minimum dividend that had not yet been distributed during the year up to the limit of the mandatory minimum dividend described above.

Interest on shareholders' equity was addressed as a distribution of dividends, as this interest has the characteristics of a dividend for presentation purposes in the financial statements.

i. Income tax and social contribution

The changes presented previously reduced (increased) the deferred tax liability, as follows, based on a tax rate of 34%.

	Note	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
		01/01/2009	31/12/2009	01/01/2009	31/12/2009
Cost of loans	(c)	-	(214)	-	(123)
Deemed cost	(d)	(11,208)	(11,208)	(4,796)	(6,437)
Difference in depreciation rates	(d)	-	(814)	-	(467)
Depreciation of surplus value of deemed cost	(d)	-	1,807	-	1,038
Other		-	336	-	192
Decrease in deferred tax liabilities		(11,208)	(10,093)	(4,796)	(5,797)

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

j. Reconciliation of consolidated shareholders' equity

The adoption of new accounting practices changed the consolidated shareholders' equity as presented below:

	Note	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
		01/01/2009	31/12/2009	01/01/2009	31/12/2009
Shareholders' equity (prior to adoption of new accounting practices)		328,633	365,757	140,622	210,060
Deemed cost (surplus value) (net of deferred taxes)	(d)	56,252	56,252	24,070	32,306
Write-off of property, plant and equipment	(d)	(3,262)	(3,262)	(1,396)	(1,873)
Write-off of deferred assets	(e)	(7,479)	(7,479)	(3,200)	(4,295)
Adjustment in minority interest		119	119	51	68
Dividends to be distributed	(h)	5,954	988	2,548	567
Equity valuation adjustment on investments	(a)	1,416	1,416	606	813
Capitalized loan costs (net of deferred taxes)	(c)	-	895	-	514
Difference in depreciation rates	(d)	-	1,953	-	1,122
Depreciation of deemed cost (surplus value) (net of deferred taxes)	(d)	-	(3,413)	-	(1,960)
Reversal of amortization of deferred assets	(e)	-	1,850	-	1,062
Equity accounting results	(a)	-	(51)	-	(29)
Other (net of deferred taxes)		-	(278)	-	(159)
Shareholders' equity (after adoption of new accounting practices)		<u>381,633</u>	<u>414,747</u>	<u>163,301</u>	<u>238,196</u>
Minority interest (prior to adoption of new accounting practices)		194	195	83	112
Interest in write-off of deferred assets					
Taurus Blindagens Ltda.		21	21	9	12
Taurus Security Ltda.		(140)	(140)	(60)	(80)
Minority interest (after adoption of new accounting practices)		<u>75</u>	<u>76</u>	<u>32</u>	<u>44</u>

k. Reclassification of expenditures with idle capacity and statutory profit-sharing

The Group reclassified expenditures with abnormal idle capacity from other operating expenses to cost of goods sold, in the amount of R\$ 26,280. Statutory profit sharing was reclassified to administrative expenses and selling costs.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

32 Explanation of the main effects from adoption of new BRGAAP standards (parent company)

The Company adopted the CPC standards described below during the year ended December 31, 2010, inclusively for the comparative period of December 31, 2009 and in the opening balance sheets on January 1, 2009. The application of these “new” standards impacted amounts previously presented in of the Company’s individual financial statements as presented in item (b) below.

CPC Standards adopted in fiscal year 2010

CPC 15 - Business Combinations
CPC 16 - Inventories
CPC 17 - Building contracts
CPC 18 - Investments in Affiliated Companies and in Subsidiaries
CPC 19 - Participation in Joint-Ventures
CPC 20 - Costs of Loans
CPC 22 - Segment reporting (IFRS 8):
CPC 23 - Accounting policies, changes in estimates and rectification of errors.
CPC 24 - Subsequent events
CPC 25 - Provisions, contingent liabilities and contingent assets
CPC 26 - Presentation of the financial statements
CPC 27 - Property, plant and equipment
CPC 30 - Revenues
CPC 31 - Non-current assets held for sale and discontinued operations
CPC 32 - Taxes on profits
CPC 33 - Employee benefits
CPC 36 - Consolidated statements
CPC 38 - Financial instruments: Recognition and valuation
CPC 39 - Financial instruments: Presentation
CPC 40 - Financial instruments: Proof
CPC 41 - Results per share
CPC 43 - Initial adoption of Technical Pronouncements CPC 15 to 43
ICPC 03 - Complementary aspects of leasing operations
ICPC 04 - Scope of Technical Pronouncement CPC 10 - Share-based payments
ICPC 09 - Individual financial statements, separate statements, consolidated statements and application of the equity accounting method

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

		01/01/2009					
		In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
		Presented previously	Adoption of new standards	After adoption of new standards	Presented previously	Adoption of new standards	After adoption of new standards
Assets							
Cash and cash equivalents		45,567	-	45,567	19,498	-	19,498
Other instruments, including derivatives		-	-	-	-	-	-
Trade accounts receivable	31(b)	69,204	57,685	126,889	29,613	24,683	54,296
Payments in advance		1,305	-	1,305	558	-	558
Inventories	(b)	60,440	-	60,440	25,862	-	25,862
Deferred tax assets	31(f)	15,334	(15,334)	-	6,561	(6,561)	-
Current tax assets		14,100	-	14,100	6,033	-	6,033
Other accounts receivable		11,545	-	11,545	4,941	-	4,941
Total current assets		217,495	42,351	259,846	93,066	18,122	111,188
Trade accounts receivable & other receivables		3,901	-	3,901	1,669	-	1,669
Receivables from related parties		43,379	-	43,379	18,562	-	18,562
Deferred tax assets	31(f)	-	15,334	15,334	-	6,561	6,561
Interest in subsidiaries and affiliated	(a)	213,520	21,667	235,187	91,365	9,271	100,636
Other accounts receivable		131	-	131	56	1	57
Property, plant and equipment	(b)	74,966	22,111	97,077	32,078	9,461	41,539
Intangible assets	31(g)	12,033	1,672	13,705	5,149	715	5,864
Deferred charges	31(e)	4,629	(4,629)	-	1,981	(1,981)	-
Total noncurrent assets		352,559	56,155	408,714	150,860	24,028	174,888
Total assets		570,054	98,506	668,560	243,926	42,151	286,076

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

		31/12/2009					
		In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
		Presented previously	Adoption of new standards	After adoption of new standards	Presented previously	Adoption of new standards	After adoption of new standards
Assets							
Cash and cash equivalents		85,614	-	85,614	49,170	-	49,170
Other instruments, including derivatives		695	-	695	399	-	399
Trade accounts receivable	31(b)	60,515	105,960	166,475	34,754	60,855	95,609
Payments in advance		1,243	-	1,243	714	-	714
Inventories	(b)	58,594	474	59,068	33,652	272	33,924
Deferred tax assets	31(f)	2,425	(2,425)	-	1,393	(1,393)	-
Current tax assets		6,284	-	6,284	3,609	-	3,609
Other accounts receivable		17,345	-	17,345	9,961	-	9,961
Total current assets		232,715	104,009	336,724	133,652	59,734	193,386
Trade accounts receivable & other receivables		46,131	-	46,131	26,494	-	26,494
Receivables from related parties		25,070	-	25,070	14,398	-	14,398
Deferred tax assets	31(f)	-	2,425	2,425	-	1,393	1,393
Interest in subsidiaries and affiliated	(a)	201,415	18,013	219,428	115,676	10,345	126,021
Other accounts receivable		-	-	-	-	-	-
Property, plant and equipment	(b)	90,853	20,507	111,360	52,178	11,778	63,956
Intangible assets	31(g)	11,625	1,367	12,992	6,677	784	7,461
Deferred charges	31(e)	3,626	(3,626)	-	2,082	(2,082)	-
Total noncurrent assets		378,720	38,686	417,406	217,505	22,218	239,723
Total assets		611,435	142,695	754,130	351,157	81,952	433,109

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Voluntary change in accounting practice – Deferred assets

In 2010, aiming at standardization between BR GAAP and IFRS and through understanding that not maintaining the balance of deferred assets results in reliable and more relevant information in the financial statements, the Company's management chose to change the accounting policy with respect to deferred assets and wrote off the total balance against retained earnings as of January 1, 2009, as presented in the table above. The effects of the amortization of deferred assets in 2009 and 2010 are presented in the tables in this note.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

			01/01/2009		
			In Thousand of U.S. Dollars (Not Audited)		
			In Thousand of Brazilian Reais		
			Presented previously	Adoption of new standards	After adoption of new standards
			Presented previously	Adoption of new standards	After adoption of new standards
Liabilities					
Suppliers and other accounts payable			13,489	-	13,489
Loans and financing			34,145	-	34,145
Dividends payable	31(h)		17,646	(5,954)	11,692
Taxes, fees and contributions			9,326	-	9,326
Provisions			9,188	-	9,188
Labor obligations			9,007	-	9,007
Advance from clients			24,299	-	24,299
Derivative financial instruments			38,345	-	38,345
Foreign exchange drafts	31(b)		-	57,685	57,685
Other			12,962	149	13,111
Total current liabilities			168,407	51,880	220,287
Loans and financing			46,097	-	46,097
Debts with related parties			-	-	-
Deferred tax liability	(c)		-	7,986	7,986
Other			12,557	-	12,557
Total non-current liabilities			58,654	7,986	66,640
Total liabilities			227,061	59,866	286,927
Capital			148,001	-	148,001
Capital reserves			17,467	-	17,467
Profit reserve	(d)		178,873	(21,270)	157,603
Dividends to be distributed	(d)		-	5,954	5,954
Equity valuation adjustments	(d)		-	57,647	57,647
Accumulated translation adjustments			(5,039)	-	(5,039)
Revaluation reserve	31(k)		3,691	(3,691)	-
Total shareholders' equity			342,993	38,640	381,633
Total liabilities and shareholders' equity			570,054	98,506	668,560

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

31/12/2009

		In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
		Presented previously	Adoption of new standards	After adoption of new standards	Presented previously	Adoption of new standards	After adoption of new standards
Liabilities							
Suppliers and other accounts payable		14,491	-	14,491	8,322	-	8,322
Loans and financing		72,059	-	72,059	41,385	-	41,385
Dividends payable	31(h)	14,032	(988)	13,044	8,059	(568)	7,491
Taxes, fees and contributions		8,517	-	8,517	4,891	-	4,891
Provisions		11,642	-	11,642	6,686	-	6,686
Labor obligations		13,917	-	13,917	7,993	-	7,993
Advance from clients		4,151	-	4,151	2,384	-	2,384
Derivative financial instruments		-	-	-	-	-	-
Foreign exchange drafts	31(b)	-	105,960	105,960	-	60,855	60,855
Other		11,226	149	11,375	6,447	86	6,533
Total current liabilities		150,035	105,121	255,156	86,167	60,373	146,540
Loans and financing		62,132	-	62,132	35,683	-	35,683
Debts with related parties		9,175	-	9,175	5,269	-	5,269
Deferred tax liability	(c)	-	7,277	7,277	-	4,179	4,179
Other		5,643	-	5,643	3,242	-	3,242
Total non-current liabilities		76,950	7,277	84,227	44,194	4,179	48,373
Total liabilities		226,985	112,398	339,383	130,361	64,552	194,913
Capital		165,000	-	165,000	94,762	-	94,762
Capital reserves		17,467	-	17,467	10,032	-	10,032
Profit reserve	(d)	201,066	(19,931)	181,135	115,476	(11,447)	104,029
Dividends to be distributed	(d)	-	988	988	-	567	567
Equity valuation adjustments	(d)	(2,774)	55,984	53,210	(1,594)	32,153	30,559
Accumulated translation adjustments		-	(3,053)	(3,053)	-	(1,753)	(1,753)
Revaluation reserve	31(k)	3,691	(3,691)	-	2,120	(2,120)	-
Total shareholders' equity		384,450	30,297	414,747	220,796	17,400	238,196
Total liabilities and shareholders' equity		611,435	142,695	754,130	351,157	81,952	433,109

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

Result	Ref	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
		Previously presented	Adoption of new standards	After the adoption of new standards	Previously presented	Adoption of new standards	After the adoption of new standards
Income		426,773	-	426,773	213,686	-	213,686
Cost of sales	31(k)/(b)	(267,077)	(2,570)	(269,647)	(133,726)	(1,287)	(135,013)
Gross profit		159,696	(2,570)	157,126	79,960	(1,287)	78,673
Operating income (expenses)							
Selling expenses	(b)	(37,430)	(9)	(37,439)	(18,741)	(5)	(18,746)
Administrative expenses	31(k)/(b)	(25,619)	(4,982)	(30,601)	(12,827)	(2,495)	(15,322)
Other operating expenses	31(e)	(11,893)	698	(11,195)	(5,955)	350	(5,605)
Equity accounting result	(a)	3,875	(2,623)	1,252	1,940	(1,313)	627
Operating income		88,629	(9,486)	79,143	44,377	(4,750)	39,627
Financial income		41,679	-	41,679	20,869	-	20,869
Financial expenses	(b)	(52,063)	481	(51,582)	(26,068)	241	(25,827)
		(10,384)	481	(9,903)	(5,199)	241	(4,958)
Result before income tax and social contribution		78,245	(9,005)	69,240	39,178	(4,509)	34,669
Current income tax and social contribution		(17,929)	-	(17,929)	(8,977)	-	(8,977)
Deferred income tax and social contribution	(c)	-	709	709	-	355	355
Result for the period after taxes		60,316	(8,296)	52,020	30,201	(4,154)	26,047
Statutory profit sharing	31(k)	(5,950)	5,950	-	(2,979)	2,979	-
Income for the period		54,366	(2,346)	52,020	27,222	(1,175)	26,047

a. Effect of the changes in equity accounting (parent company)

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Exclusion of unearned income in inventories of subsidiaries	(14,364)	(17,945)	(6,146)	(10,306)
Equity valuation adjustments on investments	42,144	40,487	18,033	23,252
Effects of the equity changes in subsidiaries	(6,262)	(4,399)	(2,680)	(2,526)
Other (net of taxes)	149	(130)	64	(75)
	<u>21,667</u>	<u>18,013</u>	<u>9,271</u>	<u>10,345</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

b. Deemed cost

The Group chose to adopt the deemed cost, adjusting the opening balances on the transition date on January 1, 2009 for comparison purposes.

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Deemed cost of fixed assets	23,489	23,489	10,051	13,490
Depreciation of surplus value of deemed cost	-	(4,180)	-	(2,401)
Write-off of assets of property, plant and equipment	(1,378)	(1,378)	(590)	(791)
Addition of capitalizable costs	-	481	-	276
Difference in depreciation rates	-	2,095	-	1,203
	<u>22,111</u>	<u>20,507</u>	<u>9,461</u>	<u>11,777</u>

c. Income tax and social contribution

The changes presented previously reduced (increased) the deferred tax liability, as follows, based on a tax rate of 34%.

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Deemed cost	(7,986)	(7,986)	(3,417)	(4,586)
Difference in depreciation rates	-	(712)	-	(409)
Depreciation of surplus value of deemed cost	-	1,421	-	816
			-	-
Decrease (increase) in deferred tax liabilities	<u>(7,986)</u>	<u>(7,277)</u>	<u>(3,417)</u>	<u>(4,179)</u>

d. The adoption of new accounting practices changed the consolidated shareholders' equity as presented below:

	In Thousand of Brazilian Reais		In Thousand of U.S. Dollars (Not Audited)	
	01/01/2009	31/12/2009	01/01/2009	31/12/2009
Shareholders' equity (prior to adoption of new accounting practices)	342,993	384,450	146,766	220,796
Deemed cost (surplus value) (net of deferred taxes)	15,503	15,503	6,634	8,904
Write-off of property, plant and equipment	(1,378)	(1,378)	(590)	(791)
Write-off of deferred assets	(2,957)	(2,957)	(1,265)	(1,698)
Effects of the change in the net equity of investments	(6,262)	(6,262)	(2,680)	(3,596)
Elimination of unrealized profits in subsidiaries	(14,364)	(17,945)	(6,146)	(10,306)
Dividends to be distributed	5,954	988	2,548	567
Equity valuation adjustment on investments	42,144	40,336	18,033	23,166
Capitalized loan costs (net of deferred taxes)	-	481	-	276
			-	-
Difference in depreciation rates	-	906	-	520
Reversal of amortization of deferred assets	-	698	-	401
Equity accounting results	-	958	-	550
Other (net of deferred taxes)	-	(1,031)	-	(593)
			-	-
Shareholders' equity (after adoption of new accounting practices)	<u>381,633</u>	<u>414,747</u>	<u>163,300</u>	<u>238,196</u>

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

33 Reconciliation of shareholders' equity and results for the year per quarter

The Brazilian Securities Commission (CVM) permitted publicly-held companies to present their interim financial statements during fiscal year 2010 in accordance with accounting standards in effect in 2009. However, it required the companies that adopted this option to re-present the interim financial statements for 2010, comparatively with those of 2009, also adjusted to the new standards for 2010, at least upon presentation of the first interim financial statements for 2010. It also required that the companies that used this option presented a note for each quarter of 2010 and 2009, providing evidence of the effects in the income statement and in shareholders' equity resulting from full adoption of the accounting standards for 2010.

The interim financial statements were subject to the special review procedures applied by the Company's independent auditors in accordance with CVM requirements for interim financial statements (NPA 06 of the Brazilian Institute of Auditors - IBRACON), including the adjustments resulting from the adoption of the new accounting practices, which, therefore, had not been subject to the audit procedures.

Forjas Taurus S.A.

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais, except when stated otherwise)

	Quarter ended 31/03/2009						Quarter ended 30/06/2009					
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP
Parent company												
Shareholders' equity	366,065	35,683	401,748	158,114	15,412	173,526	377,290	35,954	413,244	193,323	18,423	211,746
Net income	8,972	3,491	12,463	3,875	1,510	5,385	26,268	4,029	30,297	13,460	1,838	15,298
Consolidated												
Net equity attributable to majority interests	355,094	46,654	401,748	153,375	20,151	173,526	366,374	46,870	413,244	187,730	24,016	211,746
Net income	12,582	(119)	12,463	5,435	(51)	5,383	30,374	(77)	30,297	15,564	(35)	15,529
	Quarter ended 30/09/2009						Quarter ended 31/03/2010					
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP
Parent company												
Shareholders' equity	376,894	31,348	408,242	211,964	17,630	229,595	405,470	25,098	430,568	227,664	14,092	241,756
Net income	32,940	(1,320)	31,620	18,525	(635)	17,890	19,336	(4,499)	14,837	10,857	(2,499)	8,358
Consolidated												
Net equity attributable to majority interests	361,730	46,512	408,242	203,436	26,158	229,595	383,234	47,334	430,568	215,179	26,577	241,756
Net income	32,136	(516)	31,620	18,073	(248)	17,825	14,850	(13)	14,837	8,338	(7)	8,331
	Quarter ended 30/06/2010						Quarter ended 30/09/2010					
	In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)			In Thousand of Brazilian Reais			In Thousand of U.S. Dollars (Not Audited)		
	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP	Previous BR GAAP	Effect of adoption of new CPCs/IFRS	Re-presented BR GAAP
Parent company												
Shareholders' equity	420,715	20,265	440,980	233,536	11,249	244,785	432,479	20,064	452,543	255,270	11,843	267,113
Net income	42,522	(8,451)	34,071	23,604	(4,704)	18,900	59,942	(7,014)	52,928	35,381	(3940)	31,441
Consolidated												
Net equity attributable to majority interests	394,486	46,494	440,980	218,976	25,808	244,785	407,833	44,710	452,543	240,723	26,390	267,113
Net income	34,043	28	34,071	18,897	16	18,913	53,054	(126)	52,928	31,315	(71)	31,244