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

Interim Financial Statements

September 30, 2011

(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)

Company information / Composition of capital

(Million)

Number of shares	Current quarter 30/09/2011
In capital	
Common shares	47.137.539
Preferred shares	94.275.078
Total	141.412.617
Treasury	
Common shares	2.827.206
Preferred shares	9.608.901
Total	12.436.107

Event	Date	Proceeds	Firts payment date	Type of shares	Amount peer share - R$
Meeting of the board	30/06/2010	Interest on equity	19/07/2010	Common	0,07000
Meeting of the board	30/06/2010	Interest on equity	19/07/2010	Preferred	0,07000
Meeting of the board	17/11/2010	Interest on equity	31/01/2011	Common	0,10000
Meeting of the board	17/11/2010	Interest on equity	31/01/2011	Preferred	0,10000
Meeting of the board	28/03/2011	Dividens	13/05/2011	Common	0,00200
Meeting of the board	28/03/2011	Dividens	13/05/2011	Preferred	0,00200
Meeting of the board	10/08/2011	Interest on equity	17/10/2011	Common	0,03000
Meeting of the board	10/08/2011	Interest on equity	17/10/2011	Preferred	0,03000

Forjas Taurus S.A.
(Public stock corporation)

Balance sheets
Quarter ending September 30, 2011 and December 31, 2010

(In thousands of Reais)

	Parent - BR GAAP	
	30-09-2011	**31-12-2010**
Total Assets	**861.282**	**766.655**
Current	**344.629**	**366.696**
Cash and cash equivalents	3.196	26.259
Financial investments	93.151	112.111
Trade accounts receivable	133.347	105.513
Inventories	84.882	77.697
Taxes recoverable	10.325	12.228
Prepayments	1.351	1.098
Assets od discontinued operations	1.194	-
Other accounts receivable	17.183	31.790
Non current	**516.653**	**399.959**
Long term receivebles	**77.962**	**35.916**
Deferred tax assets	9.177	3.668
Receivable from related parties	49.299	27.385
Other accounts receivable	19.486	4.863
Investments	312.125	247.079
Associated companies	15.552	14.540
Subsidiaries	296.443	232.409
Other investments	130	130
Property, plant and equipment	121.077	110.874
Property, plant and equipment in operation	100.668	102.693
Property, plant and equipment in progress	20.409	8.181
Intangible assets	5.489	6.090

Forjas Taurus S.A.

(Public stock corporation)

Balance sheets

Quarters ending September 30, 2011 and December 31, 2010

(In thousands of Reais)

	Parent - BR GAAP	
	30/09/2011	**31-12-2010**
Total liabilities	**861.282**	**766.655**
Current	**239.245**	**177.267**
Labor and social security charges:	25.101	29.244
Social security	6.246	3.660
Labor charges	18.855	25.584
Suppliers:	15.411	14.636
Domestic	14.072	13.248
Foreign	1.339	1.388
Tax liabilities:	3.055	12.679
IR and CS	-	1.139
Federal taxes	690	3.580
State taxes	2.335	7.940
Municipal taxes	30	20
Loans and financing:	119.927	77.441
Loans and financing	73.500	45.161
Domestic currency	70.525	41.806
Foreign currency	2.975	3.355
Debentures	46.427	32.280
Other accounts payable	74.323	41.952
Dividends payable	2.975	18.706
Advances from customers	5.483	4.930
Commissions payable	2.382	5.833
Currency withdrawals	38.485	4.453
Other accounts payable	24.998	8.030
Provisions:	1.428	1.315
Employee pensions	1.428	1.315
Non current	**298.917**	**128.862**
Loans and financing:	280.805	116.605
Loans and financing:	182.971	43.628
Domestic currency	64.111	33.631
Foreign currency	118.860	9.997
Debentures	97.834	72.977
Other accounts payable	6.488	4.868
Taxes	1.086	1.086
Other accounts payable	5.402	3.782
Deferred tax liabilities	11.624	7.389
Shareholders' Equity	**323.120**	**460.526**
Capital	257.797	201.000
Revenue capital	(73.891)	-
Revenue reserves	106.368	234.290
Legal reserve	23.852	24.604
Dividends to allocate	658	1.766
For investments	81.858	207.920
Equity evaluation adjustments	45.375	49.105
Accumulated conversion adjustments	(12.529)	(23.869)

Forjas Taurus S.A.
(Public stock corporation)

Statements of income
Quarters ending September 30, 2011 and 2010

(In thousand of Reais)

	Parent – BR GAAP			
	01/07/2011 to 30/09/2011	01/01/2011 to 30/09/2011	01/07/2010 to 30/09/2010	01/01/2010 to 30/09/2010
Income	**116.897**	**278.459**	**111.873**	**323.866**
Cost of sales	(71.279)	(194.900)	(71.257)	(210.296)
Gross profit	**45.618**	**83.559**	**40.616**	**113.570**
Operational income (expenses)	10.857	(3.756)	(15.140)	(46.298)
Sales expenses	(7.560)	(26.602)	(11.903)	(29.133)
Administrative and general expenses	(12.923)	(33.602)	(10.465)	(29.329)
Other operational expenses, net	(892)	(2.922)	(2.219)	(7.030)
Equity in income of subsidiaries	32.232	59.370	9.447	19.194
Profit before net financial income (expenses),	**56.475**	**79.803**	**25.476**	**67.272**
Net financial income (expenses)	(29.617)	(38.156)	(1.164)	(541)
Financial income	25.685	34.868	8.993	23.677
Financial expenses	(55.302)	(73.024)	(10.157)	(24.218)
Operational profit before taxes	**26.858**	**41.647**	**24.312**	**66.731**
Income tax and social contribution	1.464	607	(5.372)	(13.802)
Current	487	607	(7.552)	(15.556)
Deferred	977	-	2.180	1.754
Net income from continuing operations	**28.322**	**42.254**	**18.940**	**52.929**
Net result of discontinued operations	**(11.848)**	**(18.854)**	-	-
Net profit for the year	**16.474**	**23.400**	**18.940**	**52.929**
Earnings per ordinary share - basic and diluted (in R$)	0,1165	0,16880	0,14770	0,45700
Earnings per preferential share - basic and diluted (R$)	0,1165	0,16880	0,14770	0,45700

Forjas Taurus S.A.
(Public stock corporation)

Statement of comprehensive income
Quarters ending September 30, 2011 and 2010

(In thousand of Reais)

	Parent - BR GAAP			
	01/07/2011 to 30/09/2011	**01/01/2011 to 30/09/2011**	**01/07/2010 to 30/09/2010**	**01/01/2010 to 30/09/2010**
Net profit for the year	16.474	23.400	18.940	52.929
Other comprehensive income	18.607	15.070	(2.828)	(141)
Accumulated conversion adjustments	17.497	11.340	(4.857)	(3.172)
Realization of equity evaluation adjustments - added value to assets, net of tax effects	1.110	3.730	2.029	3.031
Total comprehensive income	35.081	38.470	16.112	52.788

Forjas Taurus S.A.
(Public stock corporation)

Statements of cash flows
Quarters ending September 30, 2011 and 2010
(In thousands of Reais)

	Parent	
	01/01/2011 to 30/09/2011	01/01/2010 to 30/09/2010
Net cash generated from operational activities	**18.663**	**74.000**
Cash flows from operational activities	**21.943**	**47.031**
Net profit for the year	23.400	52.929
Depreciation and amortization	12.994	14.198
Cost of fixed assets written off	1.659	657
Deferred taxes and contributions	(1.274)	(1.754)
Equity in income	(59.370)	(19.194)
Derivative financial instruments	5.239	195
Under equity discontinued operations	18.854	
Allowance for doubtful accounts	141	-
Change in investment interest in subsidiaries	43	-
Provision for interest on loans	20.257	-
Changes in assets and liabilities	**(18.036)**	**19.532**
Decrease (increase) in trade accounts receivable	(27.975)	17.870
Decrease (increase) in inventories	(7.185)	(22.474)
Decrease (increase) in other accounts receivable	(464)	15.133
Increase (decrease) in suppliers	701	716
(Decrease) increase in accounts payable and provisions	16.887	8.287
Others	**14.756**	**7.437**
Interest paid	(13.446)	-
Dividends received	28.202	7.437
Cash flows from investment activities	**(50.502)**	**1.061**
Receivable from related companies	(21.914)	-
Other receivables	(675)	-
Investments	(3.402)	22.601
Property, plant and equipment	(24.243)	(18.842)
Intangible assets	(268)	(2.698)
Cash flows and financing activities	**(10.184)**	**(33.950)**
Dividends and interest on own capital paid	(12.165)	(22.329)
Loans obtained	261.113	142.520
Payment of loans and financing	(61.238)	(154.141)
Treasury shares	(32.895)	-
Corporate restructuring	(165.000)	-
Others	1	-
Increase in cash and cash equivalents	**(42.203)**	**41.111**
At the beginning of the period	138.370	85.614
At the end of the period	96.347	126.725

Forjas Taurus S.A.
(Public stock corporation)

Statements of changes in shareholders' equity
01/01/2011-30/09/2011

(In thousands of Reais)

						Parent
	Capital	**Revenue capital**	**Revenue reserves**	**Retained earnings**	**Other comprehensive income**	**Total shareholders' equity**
Opening balance	201.000	-	234.290	-	25.236	460.526
Adjusted Opening balance	201.000	-	234.290	-	25.236	460.526
Capital transactions with associates	56.797	(73.891)	(19.766)	(3.869)	-	(40.729)
Capital increase	56.797	-	(18.000)	-	-	38.797
Dividends paid	-	-	(1.766)	(3.869)	-	(5.635)
Treasury shares	-	(32.895)	-	-		(32.895)
Capital transactions	-	(40.996)	-	-		(40.996)
Total comprehensive income	-	-	-	27.856	7.610	35.466
Net profit for the year	-	-	-	23.400	-	23.400
Accumulated conversion adjustments	-	-	-	-	11.340	11.340
Realization of equity evaluation adjustments	-	-	-	4.456	(3.730)	726
Internal changes in shareholders´equity	-	-	(108.156)	(23.987)	-	(132.143)
Reserves	-	-	24.645	(23.987)	-	658
Corporate restructuring	-	-	(132.801)	-		(132.801)
Final balance	257.797	(73.891)	106.368	-	32.846	323.120

Forjas Taurus S.A.
(Public stock corporation)

Statements of changes in shareholders' equity
01/01/2010-30/09/2010
(In thousands of Reais)

						Parent
	Capital	**Capital reserve**	**Revenue reserves**	**Retained earnings**	**Other comprehensive income**	**Total shareholders' equity**
Opening balance	165.000	17.467	199.720	-	32.560	414.747
Adjusted Opening balance	165.000	17.467	199.720	-	32.560	414.747
Capital transactions with associates	36.000	(17.467)	(19.521)	(8.976)	-	(9.964)
Capital increase	36.000	(17.467)	(18.533)	-	-	-
Dividends paid	-	-	(988)	(8.976)	-	(9.964)
Total comprehensive income	-	-	-	52.929	(3.172)	49.757
Accumulated conversion adjustments	-	-	-	-	-	-
Realization of equity evaluation adjustments	-	-	-	52.929	(3.172)	49.757
Internal changes in shareholders´equity	-	-	46.984	(43.953)	(3.031)	-
Reserves	-	-	46.984	(46.984)	-	-
Net profit appropriation	-	-	-	3.031	(3.031)	-
Final balance	201.000	-	227.183	-	26.357	454.540

Forjas Taurus S.A.
(Public stock corporation)

Statements of added value
Quarters ending September 30, 2011 and 2010

(In thousands or Reais)

	Parent	
	30-09-2011	30-09-2010
Income	**340.294**	**379.788**
Sales of goods, products and services	338.780	379.330
Other income	1.655	270
Provision for doubtful receivables	(141)	188
Supplies acquired from third parties	**(131.722)**	**(128.420)**
(Include taxes - ICMS, IPI, PIS and COFINS)		
Cost of products, goods and services sold	(60.089)	(58.186)
Materials, energy, third party services and others	(71.633)	(70.234)
Gross Added Value	**208.572**	**251.368**
Depreciation, amortization and exhaustion	(12.994)	(14.198)
Net added value produced by the company	**195.578**	**237.170**
Added value received in transfer	**75.384**	**42.871**
Equity in income of subsidiaries	59.370	19.194
Financial income	34.868	23.677
Others	(18.854)	-
Total added value to distribute	**270.962**	**280.041**
Distribution of added value	**270.962**	**280.041**
Personnel	**89.337**	**103.215**
Direct Remuneration	74.872	79.012
Benefits	9.381	16.686
F.G.T.S.	5.084	7.517
Taxes and contributions	**67.960**	**83.389**
Federal	48.948	57.294
State	18.869	26.092
Municipal	143	3
Remuneration of third party capital	**90.265**	**40.508**
Interest	73.024	24.218
Rents	6.974	6.110
Others	10.267	10.180
Remuneration of own capital	**23.400**	**52.929**
Dividends and interest on own capital	3.869	8.976
Retained earnings	19.531	43.953

Forjas Taurus S.A.
(Public stock corporation)

Balance sheets
Quarter ending September 30, 2011 and December 31, 2010

(In thousands of Reais)

	Consolidated - IFRS	
	30-09-2011	**31-12-2010**
Total Assets	**1.107.958**	**999.861**
Current	**718.792**	**653.502**
Cash and cash equivalents	60.493	39.650
Financial investments	108.936	149.024
Trade accounts receivable	141.788	148.925
Inventories	227.329	259.639
Taxes recoverable	18.555	16.898
Prepayments	4.940	8.727
Other accounts receivable	21.294	30.639
Assets of discontinued operations	135.457	-
Non current	**389.166**	**346.359**
Non current assests	**76.602**	**63.295**
Trade accounts receivable	-	2.344
Deferred tax assets	55.487	15.697
Receivable from related parties	219	38.761
Other accounts receivable	20.896	6.493
Taxes recoverable	3.876	4.015
Other accounts receivable	17.020	2.478
Investments	16.320	14.827
Associated companies	16.031	14.540
Other investments	289	287
Property, plant and equipment	253.889	258.213
Property, plant and equipment in operation	229.374	240.723
Property, plant and equipment in progress	24.515	17.490
Intangible assets	42.355	10.024

Forjas Taurus S.A.
(Public stock corporation)

Balance sheets
Quarters ending September 30, 2011 and December 31, 2010
(In thousands of Reais)

	Consolidated - IFRS	
	30/09/2011	31-12-2010
Total liabilities	**1.107.958**	**999.861**
Current	**393.940**	**277.488**
Labor and social security charges:	29.533	36.450
Social security	9.107	6.100
Labor charges	20.426	30.350
Suppliers:	20.550	20.148
Domestic	15.672	17.998
Foreign	4.878	2.150
Tax liabilities:	16.705	24.730
IR and CS	9.686	2.532
Federal taxes	1.710	10.307
State taxes	5.241	11.859
Municipal taxes	68	32
Loans and financing:	141.023	118.763
Loans and financing:	94.596	86.483
Domestic currency	94.596	73.741
Foreign currency	-	12.742
Debentures	46.427	32.280
Other accounts payable	184.701	74.685
Other	184.701	74.685
Dividends payable	2.976	18.716
Anticipated real estate credits	7.033	5.990
Prepaid receivables	10.771	18.390
Advances from customers	5.581	11.463
Commissions payable	3.038	6.967
Currency withdrawals	38.485	4.453
Liabilities held for sale	85.155	-
Other accounts payable	31.662	8.706
Provisions:	1.428	2.712
Employee pensions	1.428	1.736
Product warranties	-	976
Non current	**390.998**	**261.794**
Loans and financing:	332.848	206.660
Loans and financing:	235.014	133.683
Domestic currency	75.103	90.540
Foreign currency	159.911	43.143
Debentures	97.834	72.977
Other accounts payable	41.733	43.352
Debts with related parties	219	219
Others	41.514	43.133
Anticipated real estate credits	30.768	36.127
Taxes	5.483	3.356
Other accounts payable	5.263	3.650
Deferred tax liabilities	16.417	11.565
Provisions:	-	217
Employee pensions	-	217
Shareholders' Equity	**323.020**	**460.579**
Capital	257.797	201.000
Revenue capital	(73.891)	
Revenue reserves	106.368	234.290
Legal reserve	23.852	24.604
Dividends to allocate	658	1.766
For investments	81.858	207.920
Equity evaluation adjustments	45.375	49.105
Accumulated conversion adjustments	(12.529)	(23.869)
Non controlling interests	(100)	53

Forjas Taurus S.A.
(Public stock corporation)

Statements of income
Quarters ending September 30, 2011 and 2010
(In thousand of Reais)

				Consolidated - IFRS
	01/07/2011 to 30/09/2011	01/01/2011 to 30/09/2011	01/07/2010 to 30/09/2010	01/01/2010 to 30/09/2010
Income	**139.988**	**443.690**	**152.136**	**439.462**
Cost of sales	(73.741)	(256.129)	(81.337)	(236.549)
Gross profit	**66.247**	**187.561**	**70.799**	**202.913**
Operational income (expenses)	(39.105)	(115.121)	(40.930)	(121.301)
Sales expenses	(17.714)	(60.801)	(22.802)	(62.289)
Administrative and general expenses	(20.824)	(52.509)	(16.083)	(52.097)
Other operational expenses, net	(1.144)	(3.302)	(2.452)	(8.049)
Equity in income of subsidiaries	577	1.491	407	1.134
Profit before net financial income (expenses),	**27.142**	**72.440**	**29.869**	**81.612**
Net financial income (expenses)	(29.304)	(39.051)	(2.423)	(2.590)
Financial income	24.854	37.290	9.983	27.892
Financial expenses	(54.158)	(76.341)	(12.406)	(30.482)
Operational profit before taxes	**(2.162)**	**33.389**	**27.446**	**79.022**
Income tax and social contribution	38.264	22.991	(9.531)	(24.415)
Current	(2.059)	(11.602)	(10.787)	(29.711)
Deferred	40.323	34.593	1.256	5.296
Net income from continuing operations	**36.102**	**56.380**	**17.915**	**54.607**
Net result of discontinued operations	**(19.629)**	**(32.961)**	**1.033**	**(1.655)**
Profit for the year	**16.473**	**23.419**	**18.948**	**52.952**
Non controlling interests	(1)	19	8	23
Net profit for the year	**16.474**	**23.400**	**18.940**	**52.929**
Earnings per ordinary share - basic and diluted (in R$)	0,11650	0,16880	0,14770	0,45700
Earnings per preferential share - basic and diluted (R$)	0,11650	0,16880	0,14770	0,45700

Forjas Taurus S.A.
(Public stock corporation)

Statement of comprehensive income
Quarters ending September 31, 2011 and 2010

(In thousand of Reais)

				Consolidated - IFRS
	01/07/2011 to 30/09/2011	01/01/2011 to 30/09/2011	01/07/2010 to 30/09/2010	01/01/2010 to 30/09/2010
Net profit for the year	16.474	23.400	18.940	52.929
Other comprehensive income	18.607	15.070	(2.828)	(141)
Accumulated conversion adjustments	17.497	11.340	(4.857)	(3.172)
Realization of equity evaluation adjustments - added value to assets, net of tax effects	1.110	3.730	2.029	3.031
Total comprehensive income	35.081	38.470	16.112	52.788
Controlling shareholders	35.071	38.457	16.105	52.766
Non controlling shareholders	10	13	7	22

Forjas Taurus S.A.

(Public stock corporation)

Statements of cash flows

Quarters ending September 30, 2011 and 2010

(In thousands of Reais)

	Consolidated	
	01/01/2011 to 30/09/2011	01/01/2010 to 30/09/2010
Net cash generated from operational activities	**26.094**	**28.253**
Cash flows from operational activities	**39.100**	**71.059**
Net profit for the year	23.400	52.929
Depreciation and amortization	20.145	24.611
Cost of fixed assets written off	2.138	(142)
Deferred taxes and contributions	(34.912)	(5.399)
Equity in income	(1.491)	(1.134)
Derivative financial instruments	4.758	194
Allowance for doubtful accounts	154	-
Non controlling interests	(153)	-
Provision for interest on loans	25.061	-
Changes in assets and liabilities	**(11.517)**	**(42.806)**
Decrease (increase) in trade accounts receivable	(18.803)	(29.404)
Decrease (increase) in inventories	(21.749)	(69.724)
Decrease (increase) in other accounts receivable	9.253	37.760
Increase (decrease) in suppliers	(14.776)	3.975
(Decrease) increase in accounts payable and provisions	34.558	14.587
Others	**(1.489)**	**-**
Interest paid	(13.476)	-
Dividends received	553	-
Assets and Liabilities held for sale	11.434	
Cash flows from investment activities	**(39.511)**	**(38.218)**
Other receivables	(760)	-
Investments	(2)	1.011
Property, plant and equipment	(38.117)	(36.515)
Intangible assets	(632)	(2.714)
Cash flows and financing activities	**(1.370)**	**9.329**
Dividends and interest on own capital paid	(12.182)	(22.329)
Loans obtained	275.762	213.664
Payment of loans and financing	(63.472)	(182.006)
Treasury shares	(32.895)	-
Corporate restructuring	(168.812)	-
Change is cash assets and liabilities held for sale	2.418	-
Others	(2.189)	-
Increase in cash and cash equivalents	**(14.787)**	**(636)**
At the beginning of the period	184.216	176.836
At the end of the period	169.429	176.200

Forjas Taurus S.A.
(Public stock corporation)

Statements of changes in shareholders' equity
01/01/2011-30/09/2011
(In thousands of Reais)

	Capital	Revenue capital	Revenue reserves	Retained earnings	Other comprehensive income	Total shareholders' equity	Non controlling interests	Total shareholders' equity
								Consolidated
Opening balance	201.000	-	234.290	-	25.236	460.526	53	460.579
Adjusted Opening balance	201.000	-	234.290	-	25.236	460.526	53	460.579
Capital transactions with associates	56.797	(73.891)	(19.766)	(3.869)	-	(40.729)	(153)	(40.882)
Capital increase	56.797	-	(18.000)	-	-	38.797	-	38.797
Dividends paid	-	-	(1.766)	(3.869)	-	(5.635)	-	(5.635)
Non controlling interests	-	-	-	-	-	-	(153)	(153)
Treasury shares	-	(32.895)	-	-		(32.895)	-	(32.895)
Capital transactions	-	(40.996)	-	-		(40.996)	-	(40.996)
Total comprehensive income	-	-	-	27.856	7.610	35.466	-	35.466
Net profit for the year	-	-	-	23.400	-	23.400	-	23.400
Accumulated conversion adjustments	-	-	-	-	11.340	11.340	-	11.340
Realization of equity evaluation adjustments	-	-	-	4.456	(3.730)	726	-	726
Internal changes in shareholders´equity	-	-	(108.156)	(23.987)	-	(132.143)	-	(132.143)
Reserves	-	-	24.645	(23.987)	-	658	-	658
Corporate restructuring	-	-	(132.801)	-		(132.801)	-	(132.801)
Final balance	257.797	(73.891)	106.368	-	32.846	323.120	(100)	323.020

Forjas Taurus S.A.

(Public stock corporation)

Statements of changes in shareholders' equity

01/01/2010-30/09/2010

(In thousands of Reais)

	Capital	Capital reserve	Revenue reserves	Retained earnings	Other comprehensive income	Total shareholders' equity	Non controlling interests	Total shareholders' equity
								Consolidated
Opening balance	165.000	17.467	199.720	-	32.560	414.747	76	414.823
Adjusted Opening balance	165.000	17.467	199.720	-	32.560	414.747	76	414.823
Capital transactions with associates	36.000	(17.467)	(19.521)	(8.976)	-	(9.964)	(22)	(9.986)
Capital increase	36.000	(17.467)	(18.533)	-	-	-	-	-
Dividends paid	-	-	(988)	(8.976)	-	(9.964)	-	(9.964)
Non controlling interests	-	-	-	-	-	-	(22)	(22)
Total comprehensive income	-	-	-	52.929	(3.172)	49.757	-	49.757
Accumulated conversion adjustments	-	-	-	-	-	-	-	-
Realization of equity evaluation adjustments	-	-	-	52.929	(3.172)	49.757	-	49.757
Internal changes in shareholders´equity	-	-	46.984	(43.953)	(3.031)	-	-	-
Reserves	-	-	46.984	(46.984)	-	-	-	-
Net profit appropriation	-	-	-	3.031	(3.031)	-	-	-
Final balance	201.000	-	227.183	-	26.357	454.540	54	454.594

Forjas Taurus S.A.
(Public stock corporation)

Statements of added value
Quarters ending September 30, 2011 and 2010

(In thousands or Reais)

	Consolidated	
	30-09-2011	**30-09-2010**
Income	**549.603**	**543.770**
Sales of goods, products and services	544.946	543.594
Other income	4.811	1.338
Provision for doubtful receivables	(154)	(1.162)
Supplies acquired from third parties	**(203.353)**	**(191.798)**
(Include taxes - ICMS, IPI, PIS and COFINS)		
Cost of products, goods and services sold	(109.811)	(97.994)
Materials, energy, third party services and others	(93.542)	(93.804)
Gross Added Value	**346.250**	**351.972**
Depreciation, amortization and exhaustion	(20.145)	(22.252)
Net added value produced by the company	**326.105**	**329.720**
Added value received in transfer	**30.492**	**41.750**
Equity in income of subsidiaries	1.491	1.134
Financial income	37.290	29.628
Others	(8.289)	10.988
Total added value to distribute	**356.597**	**371.470**
Distribution of added value	**356.597**	**371.470**
Personnel	**132.057**	**137.975**
Direct Remuneration	111.444	107.335
Benefits	14.280	22.665
F.G.T.S.	6.333	7.975
Taxes and contributions	**104.506**	**114.032**
Federal	81.645	81.614
State	22.691	32.399
Municipal	170	19
Remuneration of third party capital	**96.634**	**66.534**
Interest	76.341	37.154
Rents	9.024	9.839
Others	11.269	19.541
Remuneration of own capital	**23.400**	**52.929**
Dividends and interest on own capital	3.869	8.976
Retained earnings	19.531	43.953

FORJAS TAURUS S.A.
3Q11

Quotations (30-09-11):
FJTA3 R$ 1,91
FJTA4 R$ 1,79

Porto Alegre, November 11, 2011 - Forjas Taurus S.A. (Bovespa: FJTA3, FJTA4), the largest producer of weapons in Latin America and one of the largest in the world, consisting of companies distributed between eight business units in Brazil and one in the USA, with its main activities involving the production and sale of weapons, motorbike helmets, and forging machinery, announces its results for the third quarter of 2011 (3Q11) and the accumulated results for the first nine months of 2011 (9M11). The Company's operational and financial information, except when stated otherwise, is consolidated in accordance with IFRS – *International Financial Reporting Standards* and the monetary values are expressed in millions of Reais.

Number of shares:

ON	47.137.539
PN	94.275.078
Total	141.412.617

Website:
www.taurusri.com.br

Contact:
Edair Deconto
Executive Director of Investor Relations
Phone: (51) 3021-300
ri@taurus.com.br

COMMENTS ON CONSOLIDATED PERFORMANCE

1 – Economic – financial performance

1.1 – Main economic-financial indicators

Amounts consolidated in millions of R$, except when stated otherwise

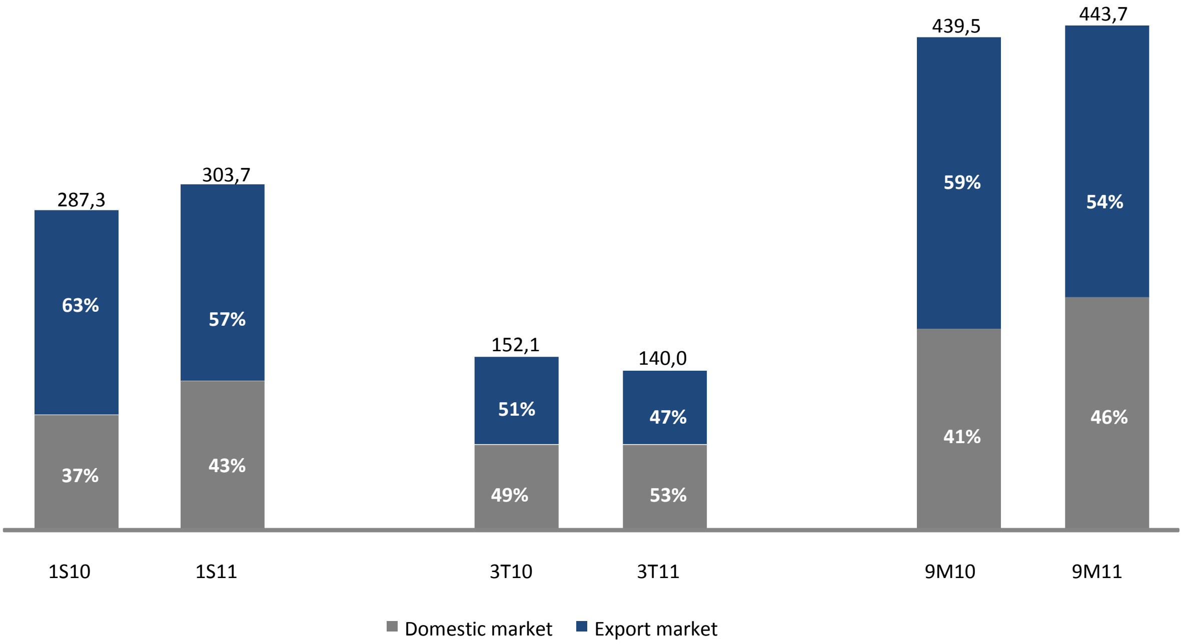
	Quarter			Accumulated		
	3Q10	3Q11	Variation	9M10	9M11	Variation
Net income	152,1	140,0	-8,0%	439,5	443,7	1,0%
Domestic market	75,0	74,1	-1,3%	182,3	204,6	12,2%
Foreign market	77,1	65,9	-14,5%	257,2	239,1	-7,0%
Exports – US$	44,8	40,9	-8,5%	142,8	147,9	3,6%
Gross profit	70,8	66,2	-6,4%	202,9	187,6	-7,6%
Gross margin -%	46,5	47,3	-0,8 p.p.	46,2	42,3	-3,9 p.p.
Operational profit (EBIT)	29,5	26,6	-9,8%	80,5	70,9	-11,8%
Net profit	18,9	16,5	-13,0%	52,9	23,4	-55,8%
Net margin - %	12,4	11,8	-0,6 p.p.	12,0	5,3	-6,7 p.p.
EBITDA [1]	38,2	34,1	-10,7%	107,5	93,7	-12,9%
EBITDA margin - %	25,1	24,4	-0,7 p.p.	24,5	21,1	-3,4 p.p.
Total assets	996,7	1.107,9	11,2%	996,7	1.107,9	11,2%
Shareholders' equity	454,5	323,0	-28,9%	454,5	323,0	-28,9%
Investments	12,7	11,8	-6,9%	36,7	38,7	5,7%

1 - EBITDA = profit before interest, taxes, depreciation and amortization

1.2 – Consolidated net income

Consolidated net income reported in 3Q11 amounted to R$ 140 million (R$ 152,1 million in 3Q10). For the accumulated 9M11, consolidated net income reported an increase of 1% compared to the same period from the previous year, reaching R$ 443,7 million.
On the domestic market, net income reached R$ 204,6 million for 9M11, 12,2% greater than the R$ 182,3 million reported for 9M10. The main factor contributing to this increase in income was the growth of 28,6% in net sales for the motorcycle helmets segment.
During the 9M11, net income for the export market decreased by 7% compared to the same period from 2010, reaching R$ 239,1 million. This variation in net income reflects, mainly, the valuation of the Brazilian real against the North American currency, since, when measured in US

dollars, sales on the export market amounted to US$ 147,9 million, representing an increase of 3,6% compared to the US$ 142,8 million registered in the same period from the previous year.
The following graph illustrates the Company's sales, by market, in millions of reais, for 2011, compared to 2010.



1.3 – Information by business segment

The following table illustrates the consolidated financial highlights by business segment:

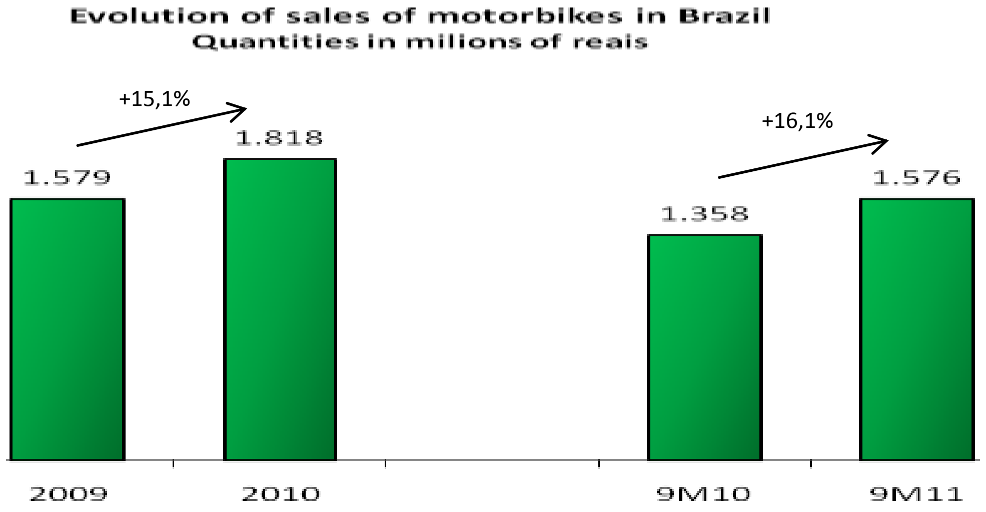
	Net income			Groos profit			Gross margin			Result before taxes		
	9M10	9M11	Var.	9M10	9M11	Var.	9M10	9M11	Var.	9M10	9M11	Var.
Guns	321,4	320,4	-0,3%	171,2	143,9	-15,9%	53,3%	44,9%	-8,4 p.p.	63,5	6,2	-90,2%
Helmets	67,5	86,8	28,6%	29,5	37,3	26,4%	43,7%	43,0%	-0,7 p.p.	19,5	31,8	63,1%
Others	50,6	36,5	-27,9%	2,2	6,4	190,9%	4,4%	17,4%	+13 p.p.	(3,9)	(4,6)	17,9%
Total	439,5	443,7	1,0%	202,9	187,6	-7,5%	46,2%	42,3%	-3,9 p.p.	79,1	33,4	-57,8%

(i) Guns – operations undertaken by Forjas Taurus S.A. and Taurus Holdings, Inc. (United States);
(ii) Motorcycle helmets – operations undertaken by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;
(iii) Machinery – operations undertaken by Taurus Máquinas-Ferramenta Ltda.;
(iv) Others – Forging segments (Forjas Taurus S.A.), boilers (9M10 Forjas Taurus S.A. and 9M11 Taurus Máquinas-Ferramenta Ltda.), bullet proof jackets and plastic products (Taurus Blindagens Ltda.)

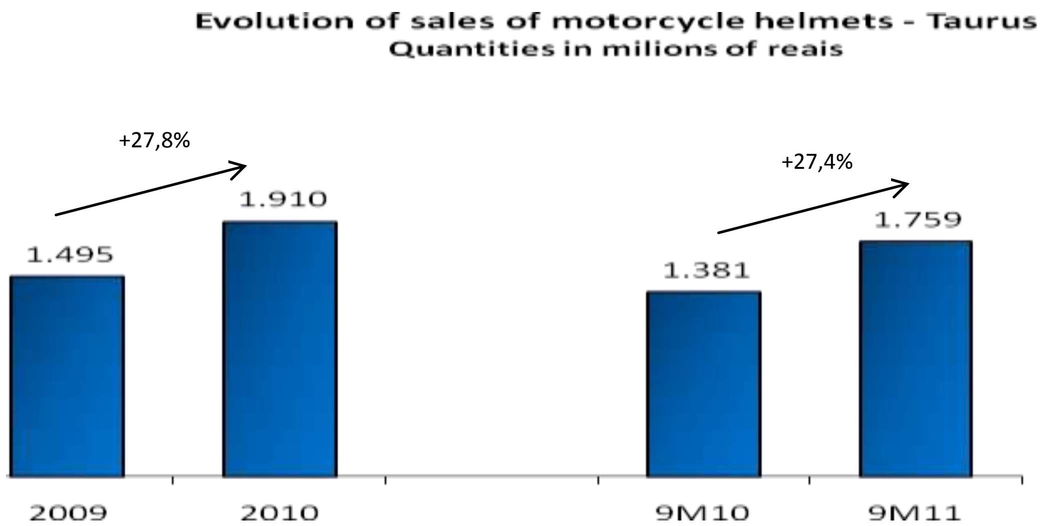
Guns
Sales of guns in 3Q11 represented 69,3% of total consolidated net income, reaching R$ 97 million (R$ 112,5 million, equivalent to 74% of total consolidated net income in 3Q10). For 9M11, the segment reported consolidated net income of R$ 320,4 million, representing 72,2% of total consolidated net income (R$ 321,4 million, representing 73,1% of total consolidated net income for 9M10).

Motorcycle helmets
Sales of motorcycle helmets represented 21,4% (R$ 30 million) of total consolidated net income in 3Q11, representing an increase of 27% of the R$ 23,6 million, equivalent to 15,5% of total consolidated net income, reported in 3Q10. For 9M11, the segment represented 19,6% of total

consolidated net income, reaching R$ 86,8 million, 28,6% greater than the R$ 67,5 million, or 15,4%, of total consolidated net income for 9M10.
Sales of motorbikes in Brazil in 2010 and in the first nine months of this year, leveraged the sales of motorcycle helmets, with the main consumer market being individuals, mainly from economic classes C and D.
Presented below is the evolution of sales for the motorbike market in Brazil and the evolution of sales of motorcycle helmets manufactured by Taurus, in the years 2009 and 2010 and for the first nine months of 2010 and 2011.



Source: Abraciclo



Source: Company date

Other segments
Net income from other products, amounted to R$ 13 million in 3Q11, representing 9,3% of total consolidated net income (R$ 16 million, equivalent to 10,5% of total consolidated net income in 3Q10). Accumulated for the 9M11, net income reached R$ 36,5 million, equivalent to 8,2% of total consolidated net income (R$ 50,6 million, or 11,5% of total consolidated net income for 9M10).

1.4 – Gross profit and gross margin

Consolidated gross profit reached R$ 66,2 million in 3Q11, representing a gross margin of 47,3% (R$ 70,8 million registered in 3Q10 and gross margin of 46,5%). In 9M11, gross profit reached R$ 187,6 million and gross margin of 42,3% (R$ 202,9 million and gross margin of 46,2% in 9M10).

The gross profit and gross margin were influenced mainly by the following factors: (i) valuation of the Real against the North American currency; and (ii) increase in the costs of production and raw materials for weapons and motorcycle helmets, respectively.

1.5 – Net operational expenses

Operational expenses (selling, general, administrative and other), net of other operational income, in 3Q11, amounted to R$ 39,7 million or 28,3% of total consolidated net income, (R$ 41,3 million, equivalent to 27,2% of total consolidated net income for 3Q10). In 9M11, operational expenses amounted to R$ 116,6 million, equivalent to 26,3%, of total consolidated net income, 1,6 p.p. below the R$ 122,4 million, equivalent to 27,9%, of total consolidated net income registered in 9M10.

1.6 – Operational profit - EBIT

Consolidated operational profit, measured based on the concept of EBIT (profit before interest and taxes), in 3Q11, amounted to R$ 26,6 million, resulting in an operational margin of 19% (R$ 29,5 million and operational margin of 19,4% in 3Q10). In 9M11, operational profit amounted to R$ 70,9 million and the operational margin was 16% (R$ 80,5 million and operational margin of 18,3% in 9M10).

1.7 – EBITDA and EBITDA margin

The generation of consolidated cash in 3Q11, measured based on EBITDA (profit before interest, taxes, depreciation and amortization), amounted to R$ 34,1 million and registered an EBITDA margin of 24,4% (R$ 38,2 million and EBITDA margin of 25,1% in 3Q10). The EBITDA for 9M11 amounted to R$ 93,7 million and the EBITDA margin was 21,1% (R$ 107,5 million and EBITDA margin of 24,5% in 9M10). The variation in the EBITDA was due mainly to the reduction reported for gross profit, as reported in item 1.4 above and the reduction of 3% in total operational expenses, net, as reported in item 1.5.

1.8 – Financial results

The net financial expenses in 3Q11 amounted to R$ 29,3 million (R$ 2,4 million, for the same period in 2010). The accumulated expenses to 9M11, amounted to R$ 39,1 million (R$ 2,6 million in 9M10). This increase in net financial expenses is due to the following factors: (i) valuation of the Real against the North American currency, resulting in a currency loss resulting in a currency loss on liabilities of approximately R$ 19,7 million, representing 50,4% of total net financial results; and (ii) increase in financial charges for loans and financing, contracted at the Selic rate and CDI.

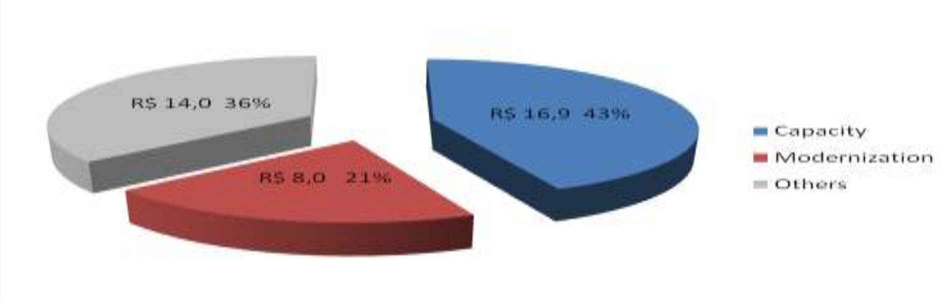
1.9 – Net profit

Consolidated net results for 3Q11, was R$ 16,5 million (net profit of R$ 18,9 million in 3Q10). In 9M10, Forjas Taurus S.A. and the consolidated companies reported net profit of R$ 23,4 million (R$ 52,9 million for the same period in 2010). This decrease in consolidated net profit was due mainly to the following factors: (a) Positive: (i) decrease in net operational expenses; (ii) realization of profits on consolidated inventories; (b) Negative: (i) valuation of the Real against the US dollar; (ii) increase in the production costs and costs of raw materials for weapons and motorcycle helmets, respectively; and (iii) increase in net financial expenses.

1.10 – Consolidated investments

The consolidated investments in property, plant and equipment in 3Q11 amounted to R$ 11,8 million (R$ 12,7 million in 3Q10). Depreciation and amortization amounted to R$ 6,7 million (R$ 7,4 million in 3Q10). Accumulated investments in the first nine months of 2011, amounted to R$ 38,7 million (R$ 36,7 million in 9M10) and depreciation and amortization amounted to R$ 20,1 million (R$ 22,3 million in 9M10).

Equipment, facilities and production processes used by the Company and its subsidiaries enable the investment program to be managed in accordance with product launches and in accordance with market demand. Within this context, in 9M11, investments in property, plant and equipment were made as demonstrated in the following graph:



1.11 – Financial position

Cash and cash equivalents amounted to R$ 169,4 million at 30-09-11 (R$ 188,7 million at 31-12-10). Of this total, R$ 108,9 million (R$ 149 million at 31-12-10) comprises post fixed CDBs, remunerated at rates that vary between 98 and 103,5% of CDI, contracted from top line financial institutions.

The loans and financing for the Taurus companies are allocated mainly to finance: (i) working capital; (ii) investments to modernize the factory park; and (iii) exports.

The financial composition presented below, which includes prepaid real estate credits – CRI and the sureties and guarantees, illustrates the effects from incorporating the debt from the company Polimetal Participações S.A. and the acquisition, by the Company, of shares in treasury (recess by shareholders guaranteed by the AGEP minutes of 27-05-2011), the main effects of the corporate restructuring which occurred on 07-07-2011. The variations in relation to 31-12-10 and 30-06-2011 and the main related indices, are demonstrated below:

Amounts in millions of reais

	31-12-2010	30-06-2011	30-09-2011	Variation june-sept/11
Short term indebtedness	86,5	99,8	94,6	-5,2%
Long term indebtedness	133,7	132,0	235,0	78,0%
Foreing currency withdrawals	4,5	7,80	38,6	394,9%
Debentures	105,3	90,3	144,3	59,8%
Prepaid real estate credits - CRI	42,1	39,3	37,8	-3,8%
Derivatives	(2,6)	(1,7)	2,2	-229,4%
Sureties and guarantees	131,2	111,1	-	
Gross indebtedness	500,7	478,6	552,5	15,4%
(-) Cash, cash equivalents and financial investments	188,7	187,0	169,4	-9,4%
Net indebtedness	**312,0**	**291,6**	**383,1**	**31,4%**
EBITDA	139,3	119,8 (1)	121,5 (2)	1,4%
Net indebtedness / EBITDA	2,24	2,43	3,15	+0,72 x
EBITDA/Financial expenses, net	5,2	3,16	3,17	+0,01 x

(1) Amount refers to EBITDA 12 months in the period ended 30-06-2011
(2) Amount refers to EBITDA 12 months in the period ended 30-09-2011

2 – Discontinued operations
Taurus Máquinas-Ferramenta Ltda.

In September 2011, Company management prepared a plan for the sale of the subsidiary Taurus Máquinas-Ferramenta Ltda., and anticipates concluding this transaction within the next 12 months.
As a result of the decision to discontinue the investment, it has been classified as “held for sale” and recorded in accordance with technical pronouncement IFRS 5 and CPC 31 – Non-current Assets Held for Sale and Discontinued Operations.
The consolidated results of the discontinued operations included in the statement of income for 2011, are presented below.

Loss for the period from discontinued operations	30-09-11	30-09-10
Income	30,4	38,9
Expenses	(63,4)	(40,6)
Loss for the period from discontinued operations	(33,0)	(1,7)

3 – Capital markets
Share performance of Forjas Taurus S.A. - Bovespa

The Company’s shares have been listed on Bovespa since March 1982. The preferred shares, (FJTA4), which have greater market liquidity, closed 9M11 quoted at R$ 1,79.

	30-09-10	30-12-10	30-09-11
(i) Share quotation – R$ historic			
ON (FJTA3)	5,01	5,50	1,91
PN (FJTA4)	4,64	4,10	1,79
(ii) Number of shares			
ON	42.744.720	42.744.720	47.137.539
PN	85.489.440	85.489.440	94.275.078
Total	128.234.160	128.234.160	141.412.617
(ii) Market value – in thousands of R$			
ON	214.151	235.096	90.033
PN	396.671	350.507	168.752
Total	610.822	585.603	258.785

4 – Guidance 4T11

Forjas Taurus S.A. and its consolidated companies present below the consolidated guidance for 4T11:

Net income	**R$ 159 millions**
EBITDA	**R$ 121 millions**
Investments	**R$ 10 millions**

1 Operations

Forjas Taurus S.A. (the "Company") is a Brazilian stock corporation, with its registered office in Porto Alegre (RS), and its activities include the manufacture and sale of revolvers, military and civilian pistols, ammunition, industrialization of metal parts made to order, industrial boilers and investing in other companies.

The subsidiary companies produce and sell civilian pistols, glasses, bullet proof jackets, motorbike helmets, injected plastic products, tools for civil construction, mechanical, gardening and similar products, the purchase, sale and rental of own and third party real estate, tooling machinery, and machining of metals to order.

At September 30, 2011, the Company and its subsidiaries operated 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.

Sales made by the Company and its subsidiaries are directed mainly at private clients on the foreign market, particularly those located in North America, and also public bodies on the domestic market, mainly the state, civil and military police. Sales made by the Company and its subsidiaries are not subject to restrictions and there is no significant concentration that implies dependence on government bodies or any other single client. Given the specific characteristics of the Weapons and ammunitions market, the Company and its subsidiaries are supervised and comply with the norms issued by the national and foreign security bodies for part of their operations.

The Company's shares, ON (FJTA3) and PN (FJTA4), have been listed on Bovespa since March 1982.

2 The Company's investment interests

		Investment interest	
	Country	**30-09-2011**	**31-12-2010**
Taurus Blindagens Ltda.	Brazil	99,86%	99,86%
Taurus Blindagens Nordeste Ltda.*	Brazil	99,86%	99,86%
Taurus Holdings, Inc.	United States	100,00%	100,00%
Taurus Security Ltda.	Brazil	60,00%	60,00%
Taurus Máquinas-Ferramenta Ltda.* (a)	Brazil	99,98%	99,98%
Taurus Investimentos Imobiliários Ltda.*	Brazil	99,96%	99,96%
Famastil Taurus Ferramentas S.A.	Brazil	35,00%	35,00%
Taurus Helmets Indústria Plástica Ltda. *	Brazil	99,86%	99,86%
Polimetal Participações S.A. (b)	Brazil	100,00%	-

(*)The investments reported represent the percentage interest held by the investing Company directly or indirectly in the capital of the subsidiary and associated companies.

a. Investments held for sale

The Company holds an investment in its subsidiary Taurus Máquinas-Ferramenta Ltda. ("Taurus Máquinas"), whose corporate activities include the production of industrial machinery in Gravataí - RS. In September 2011, Management decided to implement various actions aimed at disposing of the investment in the subsidiary Taurus Máquinas. These actions include contracting specialized consultants and negotiating with interested third parties. These actions are characterized as a firm commitment to sell the investment, with the prospect of realizing this within 12 months.

b. Corporate restructuring

On July 4, 2011, the date of the first Management Board meeting with the members elected in the Company's Extraordinary General Meeting and Special Preferred Shareholders Meeting, held on May 27, 2011, Company management ratified the corporate restructuring involving the subsidiary Polimetal Participações S.A. ("Restructuring") and the Company implemented this restructuring as follows:

(i) the incorporation of all of the shares issued by Company to the equity of Polimetal Participações S.A. ("Polimetal"), in accordance with the terms of articles 252 and 264 of corporation law, which permitted the temporary migration of the non controlling shareholders from the Company to Polimetal;

(ii) the redemption of shares issued by Company, the support of the existing revenue reserves account, without reducing capital, in accordance with the terms of article 44 of law 6.404/76, for the amount of R$ 165 million, to settle the debt registered in the balance sheet of Polimetal;

(iii) the subsequent incorporation of all of the shares issued by Polimetal to the equity of Company, with the definitive conversion of Polimetal into a wholly owned subsidiary, in accordance with the terms of articles 252 to 264 of law 6.404/76, which permitted the return of the share base to the Company; and

(iv) the segmentation of the activities undertaken by the Company between the "Taurus segment" and the "Polimetal segment", to be implemented by means of a future capital increase of Polimetal, by means of a contribution, by the Company, of assets and participations that refer to the "Polimetal segment", and also the incorporation of other companies operating in the Polimetal segment, currently controlled by the Company.

The restructuring will be considered fully implemented with the total transfer to Polimetal of the activities involving the manufacture and commercialization of the business for forged and machined parts in general, metal injection (*MIM technology - Metal Injection Molding*), thermal treatment of metals, manufacture of helmets and accessories for motorbike riders, bullet proof jackets, plastic containers and manual tools and other activities not exclusively related to Weapons manufacture ("Polimetal Segment"), which is forecast to occur by January 01, 2012.
Company management considered the following assumptions for the Restructuring: (i) preservation of the necessary registers, certificates, authorizations and manufacturing licenses for the use, import, export, customs clearance, transit and sale of products and activities related to the manufacture and sale of weapons, according to the terms of Decree 3.665, of November 20, 2000; (ii) retention and benefit of the accumulated balances for tax loss carryforwards and the negative calculation base for social contribution on net profit ("CSLL") registered in Polimetal; (iii) the liquidation of the indebtedness registered in the balance sheet of Polimetal; (iv) the fair and proportional consideration regarding the redemption of shares to all of the Company's existing non controlling shareholders; (v) use of a control chain vehicle to develop the operational activities.

As a result of implementing the Restructuring and the effects from the split and subsequent grouping, the Company's capital is now divided into 141.412.617 (one hundred and forty one million, four hundred and twelve thousand, six hundred and seventeen) shares, being 47.137.539 (forty seven million, one hundred and thirty seven thousand, five hundred and thirty nine) ordinary shares and 94.275.078 (ninety four million, two hundred and seventy five thousand, and seventy) preferred shares.

The dissenting non controlling shareholders opted for the right of recess provided in Law 6.404/76, and the Company registered the purchase of the shares in treasury of 9.965.702 ordinary and preferred shares, amounting to R$ 32.895.

The changes in the investment interests held in the subsidiary Polimetal and in the Company were registered as capital transactions. The carrying values of the controlling and non controlling shareholders were adjusted to reflect the changes in their investments in the Company, and the differences between the fair value of the payment made and received was recognized directly to shareholders' equity attributable to the Company's controllers.

3 Basis for preparation

a. Statement of compliance (in accordance with International Financial Reporting Standards and CPC norms)

These 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 policies adopted in Brazil (BR GAAP) and the individual financial statements of the parent company prepared in accordance with BR GAAP.

The Parent Company's individual financial statements were prepared in accordance with BR GAAP, and in the case of the Company, these practices differ from IFRS applicable to individual financial statements, since the investments held in subsidiaries and associated companies are valued using the equity method in BR GAAP, whilst for purposes of IFRS they are valued at cost or fair value.

However, there is no difference between the consolidated shareholders' equity and results and the shareholders' equity and results reported by the parent company in its individual financial statements. Thus, the consolidated financial statements and the parent company's individual financial statements are presented side by side as one set of financial statements.

b. Basis for measurement

The individual and consolidated financial statements were prepared based on historic cost, except for the following material items recognized in the balance sheets: derivative financial instruments stated at fair value and the financial instruments stated at fair value through profit or loss.

c. Functional currency and currency of presentation

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., located in the United States, is the North American dollar. All of the accounting information reported in Reais has been rounded to the nearest thousand, except when stated otherwise.

d. Use of estimates and judgments

Preparation of individual and consolidated financial statements in accordance with IFRS and the norms issued by the CPC requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, income and expenses. The actual results could differ from these estimates.

Estimates and assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information on critical judgments that refer to the accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements are included in the following notes: 13 – deferred tax assets and liabilities, 21 – Contingences and 22 – Financial Instruments.

The information on uncertainties, assumptions and estimates that represent a significant risk of resulting in a material adjustment within the next financial year has been included in the following notes: 13 – deferred tax assets and liabilities, 21 – Contingences and 22 – Financial Instruments.

4 Significant accounting polices

The accounting policies described in detail below have been applied consistently for all of the periods presented in these individual and consolidated financial statements.

The accounting policies have been applied consistently by the Company's investee companies:

a. Basis of consolidation

(i) Business combinations

Acquisitions prior to January 01, 2009

As part of the transition to IFRS and CPC the Company opted not to represent the business combinations prior to January 01, 2009. With respect to the acquisitions prior to January 01, 2009, the goodwill represents the amount recognized based on accounting practices previously adopted. These intangible assets were tested for impairment losses on the transition date, as described in Note 4e (i). No liabilities were identified that had not been registered prior to adopting the IFRS that should be adopted at the time of the transition to IFRS.

(ii) Acquisitions of investments of non controlling shareholders

Registered as transactions between shareholders. Consequently, no goodwill is recognized as a result of these transactions.

(iii) Subsidiaries

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

In the parent company's individual financial statements and the financial information of the subsidiaries and associated companies, the investments in subsidiaries and associated companies are recognized using the equity method.

(iv) Investment in associated companies

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

Investments in associated companies are accounted for using the equity method and are initially recognized at cost. The Company's investment includes the goodwill identified upon acquisition, net of any accumulated impairment losses (the goodwill in the associated company is not registered and tested for impairment separately). The consolidated financial statements include income and expenses and equity variations in the associated company, after making the adjustments to align the accounting policies with those of the Company, as from the date the significant influence began until the date it ended. When the Company's interest in the losses of an investment interest whose shareholders' equity has been registered exceeds its shareholding interest in this company registered using the equity method, the book value of this interest, including any long term investments, is reduced to zero, and recognition of additional losses is ended, except in the case where the Company has constructive obligations or has made payments in the name of the investment interest, when a provision is then registered for loss in investments.

(v) Transactions eliminated on consolidation

Intercompany balances and transactions and any income or expenses derived from intercompany transactions, are eliminated for purposes of preparing the consolidated financial statements. Unrealized gains derived from transactions with investment interests registered using the equity method are eliminated against the investment in the proportion to the investment interest held by the Company. Unrealized losses are eliminated in the same way as the unrealized gains, but only to the extent that there is no evidence of impairment of the asset.

Despite the significant influence in the economic and operational activities, the financial statements of Famastil Taurus Ferramentas S.A. were not consolidated since the parent company did not comply with the specific criteria of CPC 18 and IAS 28 for recognition of the joint control of this company.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currency are translated to the functional currencies of the Company's entities at the exchange rate on the dates of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair values are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. The foreign currency differences arising on retranslation are recognized to profit or loss. Non monetary items that are measured in terms of historic costs in foreign currency are translated at the exchange rate on the transaction date.

Overseas operations

Assets and liabilities from overseas operations, including goodwill and fair value adjustments are converted to the Real at the exchange rate on the reporting date. Income and expenses from overseas operations are converted to the Real at the exchange rate on transaction date. No operations were undertaken in hyper-inflationary economies.

Foreign currency differences are recognized to other comprehensive income, and included in shareholders' equity. Since January 01, 2009, the date the Company adopted CPC Pronouncement 02 – Effect from Changes in Exchange Rates and Conversion of Financial Statements, these differences have been recognized as accumulated conversion adjustments.

Exchange gains or losses resulting from monetary items receivable or payable, from an overseas operation, whose liquidation had not been planned or anticipated to occur in the foreseeable future and whose essence is considered as being part of the net investment in the overseas operation, are recognized as other comprehensive income.

c. Financial instruments

(i) Non derivative financial assets

The Company initially recognizes loans, receivables and deposits on the date they originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiations when the Company became one of the parties to the contractual rulings for the instrument.

The Company no longer recognizes a financial asset when the contractual rights from the cash flows from the asset have expired, or when the Company transfers the rights to receive the contractual cash flows from a financial asset under a transaction in which essentially all of the risks and benefits of ownership to the financial asset have been transferred. Any participation that is created or retained by the Company to financial assets is recognized as an individual asset or liability.

Financial assets and liabilities are compensated and the net value reported in the balance sheet when, and only when, the Company has the legal right to compensate the amounts and intends to liquidate on a net base or to realize the asset and liquidate the liability simultaneously.

The Company has the following non derivative financial assets: cash, cash equivalents, loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or calculated payments that are not quoted on an active market. These assets are recognized initially at fair value plus any attributable transaction costs. After the initial recognition, the loans and receivables are stated at amortized cost using the effective interest method, less any loss from reduction to the recoverable value.

Loans and receivables include trade accounts receivable and other receivables.

Cash and cash equivalent include the balances for cash and financial investments that are immediately liquid with no penalties for the Company. Limits for bank overdrafts that have to be paid in cash and which are an integral part of the Company's cash management are included as an item of cash and cash equivalents for purposes of the cash flow statement

(ii) Non derivative financial liabilities

The Company initially recognizes debt titles issued and subordinated liabilities on the dates that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognized on the date of the negotiation on which the Company becomes a party to the contractual rulings for the instrument. The Company writes off a financial liability when its contractual obligations no longer exist, have been cancelled or have expired.

Financial assets and liabilities are compensated and the net value reported in the balance sheet when, and only when, the Company has the legal right to compensate the amounts and intends to liquidate on a net base or to realize the asset and liquidate the liability simultaneously.

The Company has the following non derivative financial liabilities: loans, financing, non convertible debentures, bank overdraft limits, suppliers and other accounts payable.

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

(iii) Capital

Ordinary shares

Ordinary shares are classified as shareholders' equity.

Preferred shares

Preferred capital is classified as shareholders' equity, since there is no forecast to redeem them by the preferred shareholders, since this is at their criterion. Preferred shares do not have voting rights or differentiated dividends, but have preference in liquidation of capital.

Minimum compulsory dividends as defined in the Statutes are recognized as liabilities. The balance for the remaining profit is retained to revenue reserves in shareholders' equity until allocation is approved in the shareholders' meeting.

(iv) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, or if a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

At the time of initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transactions and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is reclassified to profit or loss in the same period that the cash flow hedges affect the profit or loss to the same line in the statement of income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The Company did not have any operations designated as accounting for hedges at September 30, 2011 and December 31, 2010.

When a hedge instrument no longer meets the hedge accounting criteria, expires, is sold, ended, exercised or its designation is revoked, then hedge accounting is discontinued prospectively. The accumulated results, previously recognized to comprehensive income and reported to the hedging reserve in equity, remain there until the forecast transaction affects the profit or loss. When the hedged item is a non financial asset, the amount recognized to comprehensive income is transferred to the book value of the asset when the asset is realized. If there are no expectations that the forecast transaction will occur, the balance in comprehensive income is then immediately recognized to profit or loss. In other cases the amount recognized to comprehensive income is transferred to profit or loss in the same period that the hedged item affects the results.

Other non-trading derivatives

When a derivative financial instrument is not held for trading and is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

d. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at historic purchase or construction cost, less accumulated depreciation and impairment losses, when applicable.

The Company opted to revalue its fixed assets at deemed cost at January 01, 2009. The effects of deemed cost increased the values for fixed assets and the corresponding entry was recognized to shareholder' equity, net of tax effects. The costs include expenditure that is directly attributable to the acquisition of an asset. The cost of assets constructed by the entity include the cost of materials and direct labor and any other costs to bring the assets to the location and in the conditions necessary for their intended use, the costs of dismantling and restoring the site where these assets were located and the cost of loans for qualified assets for which the start date for capitalization is January 01, 2009, or a subsequent date.

Purchased software that is integral for the functioning of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the sale of fixed asset items are calculated by comparing the proceeds from the sale with the book value of the fixed asset item, and are recognized net to other income, to profit or loss.

(ii) Subsequent costs

The reposition cost of a fixed asset item is recognized at the book value of the item if it is probable that the economic benefits incorporated to the component will flow to the Company and that the cost can be reliably measured. The book value of a component that has been replaced by another is written off. The day-to-day maintenance costs of property plant and equipment are recognized to profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable values, which is the cost of an asset, or other amount that substitutes cost, less residual values.

Depreciation is recognized to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this method best reflects the standard of usage of the future economic benefits incorporated to the asset. Land is not depreciated.

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

	As from 01-01-2009
Buildings	27 years
Machinery and equipment	15 to 20 years
Fixtures and fittings	15 years
Other components	5 to 6 years

The depreciation methods, useful lives and residual values are revised at the reporting date of the financial statements and any adjustments are recognized as changed to accounting estimates.

e. Intangible assets

(i) Goodwill

Goodwill that arises from the acquisition of subsidiaries is included in intangible assets.

When the acquisition occurred prior to January 01, 2009, the goodwill is included based on deemed cost, which represents the amount registered according to accounting practices previously adopted, adjusted for the reclassification of certain intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. With respect to equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying value of the equity-accounted investee.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowings costs for qualified assets for which the start date for capitalization is January 01, 2009, or a subsequent date. Other development expenditure is recognized to profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(iv) Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, form the date that they are available for use, since this method best reflects the standard usage of future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods for the manufacturing processes acquired from third parties is five years.

f. Trade accounts receivable

Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company is responsible

The present value calculation 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 0.93% p.m. The counter entry of the adjustments to present value of trade accounts receivable is made against gross revenue in the income statement. The difference between the present value of a transaction and the face value of the asset is considered financial income and will be appropriated over the term of the transaction using the amortized cost and effective interest rate method.

The provision for doubtful receivables was registered for 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 and net realizable value. Cost of inventory is based on weight average cost, and includes the costs incurred to acquire the inventories, production and transformation costs and other costs incurred to bring them to their existing locations and conditions. In the case of manufactured inventory, work in progress and finished goods, the costs include the general factory overhead expenses based on normal operating capacity.

The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Impairment

(i) Financial assets (including receivables)

A financial asset not stated at fair value through profit or loss is valued at every reporting date to determine whether there is objective evidence of impairment losses. A loss to the recoverable value of an asset occurs if there is evidence that a loss event occurred after initial recognition of the asset, and that this loss event had a negative impact on the forecast future cash flows, and can be estimated reliably.

Objective evidence that a financial asset (including equity securities) has incurred an impairment loss can include default or delinquency by a debtor, the restructuring of an amount due to the Company under terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment losses.

The Company considers evidence of impairment for receivables and equity securities held to maturity at both individual and collective level. All receivables and equity securities held to maturity that are individually significant are evaluated for specific impairment loss.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(ii) Non financial assets

The book values of the Company's non financial assets, which are not inventories or deferred income tax and social contribution, are revised at every reporting date to determine whether there is evidence of impairment. If such evidence exists, the recoverable value of the asset is determined. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU (cash generating unit) is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the recovery period for the capital and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or CGU. For purposes of goodwill impairment testing, the goodwill acquired in a business combination is allocated to the CGU or groups of CGUs that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes and is not greater than an operational segment determined in accordance with IFRS 8 and CPC 22.

The Company's corporate assets do not generate separate cash inflows. If there is evidence of impairment of a corporate asset then the recoverable value is allocated to the CGU or group of CGUs to which the corporate asset belongs on a reasonable and consistent basis.

An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognized to profit or loss. Impairment losses recognized in respect of CGUs are initially allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortization, if no impairment loss had been recognized.

The goodwill included in the carrying value of an investment in an associated company is not recognized individually and therefore, is not tested individually for impairment losses. Instead, the total value of an investment in as associated company is tested for impairment as a single asset when there is objective evidence that the investment in an associated company could demonstrate impairment losses.

(iii) Employee benefits

Defined contribution plans

A defined contribution plan is a post employment benefit plan, according to which a legal entity pays fixed contributions to a separate entity (pension fund) and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized to the profit and loss as employee benefit expenses during the periods in which services are provided by the employees. Prepaid contributions are recognized as an asset, provided that a cash reimbursement or reduction to future payments occurs. The contributions to a defined contribution plan for which maturity is anticipated for 12 months after the end of the period during which the employee provides services are discounted to their present value.

Employees' short term benefits

Employees' short term benefits are reported on a non discounted basis and incurred as expenses as the related service is provided.

The liability is recognized for the amount expected to be paid for the benefit plans in cash or short term profit sharing if the Company has a legal or constructive obligation to pay the amount as a result of past services rendered by an employee and if the obligation can be estimated reliably.

h. Provisions

A provision is recognized when the Company has a legal or constituted obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all probabilities of incurring expenses.

i. Operational income

Sales of goods

Operational income from the sale of goods during the normal course of activities is stated at the fair value of the consideration received or receivable. Operational income is recognized when there is convincing evidence that the most significant risks and benefits, inherent to ownership of the assets, have been transferred to the buyer and it is probable that the financial economic benefits will flow to the Company, that the associated costs and possible return of the goods can be reliably estimated, that there is no continued involvement with the goods sold, and that the value of operational income can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

j. Financial income and financial expenses

Financial income comprises interest income from funds invested, variations in fair value of financial assets stated at fair value through profit or loss and gains on hedge instruments that are recognized to profit or loss. Interest income is recognized to profit or loss, using the effective interest rate method.

Financial expenses comprise interest expenses on borrowings, net of provisions discounted to present value, variations in fair value of financial assets stated at fair value through profit or loss, impairment losses recognized on financial assets, losses on hedge instruments that are recognized to profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized to profit or loss using the effective interest rate method.

k. Income tax and social contribution

Current and deferred income tax and social contribution are calculated based on rates of 15%, plus a surtax of 10% on taxable profit in excess of R$ 180 thousand for income tax and 9% on taxable profit for social contribution on net profit, and consider compensation of tax losses and the negative social contribution base, limited to 30% of taxable profit.

The income tax and social contribution expense includes current and deferred taxes. Current and deferred taxes are recognized to results unless they refer to business combinations or items directly recognized to shareholders' equity or other comprehensive income.

Current tax is the tax payable or receivable anticipated on the taxable profit or loss for the year, at the tax rates decreed or substantially decreed on the reporting date of the financial statements and any adjustments to taxes payable from prior years.

Deferred tax is recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding values used for tax purposes. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities from a transaction that is not a business combination and does not affect the accounting or taxable profit or loss and differences related to investments in subsidiaries when it is probable that they will not be reversed within the foreseeable future. In addition, deferred tax is not recognized for temporary tax differences resulting from the initial recognition of goodwill. Deferred tax is measured at rates that are expected to be used for the temporary differences when they are reversed, based on the laws that were decreed or substantially decreed to the reporting date of the financial statements. The deferred income tax and social contribution assets and liabilities are compensated only where there is an unquestionable legal right to compensate current tax assets against current tax liabilities and when they refer to income taxes registered by the same taxation authority on the same entity subject to taxation.

A deferred social contribution and income tax asset is recognized for tax losses, tax credits and temporary differences deductible and not used, when it is probable that future profits subject to taxation will be available and against which the asset will be used.

Deferred social contribution and income tax assets are revised at the reporting date and reduced when realization is no longer probable.

The Company opted for the Transition Taxation System to determine income tax and social contribution for the years ended December 31, 2009. This system is compulsory as from the year 2010.

l. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's controlling and non controlling shareholders by the weighted average number of ordinary and preferred shares outstanding during the period. Diluted earnings per share is determined based on the same weighted average number of shares outstanding, adjusted for instruments potentially convertible into shares, having a dilutive effect, for the years presented, in accordance with the terms of CPC 41 and IAS 33.

m. Segment reporting

An operating segment is defined as a component of the company that undertakes business activities that can result in income and incur expenses, including income and expenses related to transactions with the Company's other components. All of the operational results of operational segments are revised frequently by management for decision making regarding the allocation of resources to the segment and to evaluate performance, and for which individual financial information is available.

The results of the segments that are reported to Management include items directly attributable to the segment, and those that can be allocated on a reasonable basis.

The capital expenditures by segment are total costs incurred during the period to purchase fixed assets and intangible assets, other than goodwill.

n. Dividend distribution

A liability is recognized when the dividends are approved by the Company's shareholders. The Company's Statutes provide that a minimum of 35% of annual net profit, calculated in accordance with Brazilian corporate legislation and accounting practices adopted in Brazil, shall be distributed as dividends; therefore, the Company registers a provision, at the end of the financial year, for the value of the minimum dividend that has still not been distributed during the year up to the limit of the minimum compulsory dividends described above.

o. Noncurrent assets held for sale and results from discontinued operations

The Company classifies a non current asset as held for sale if the carrying value will be recovered through the sale of such. For this to be the case, the asset or group of assets held for sale should be available for immediate sale in their existing conditions, subject only to the terms that are normal and customary for the sale of such assets held for sale. Consequently, the sale of these assets should be highly probable.

For a sale to be highly probable, management should be committed to a sales plan for the asset, and should have begun a firm program to locate a buyer and to conclude the plan. In addition, the asset held for sale should be made available for sale at a price that is reasonable in relation to its current fair value. Furthermore, the company should anticipate that the sale will be concluded within one year as from the date of its classification.

The group of assets maintained for sale is stated at the lower of the book value and fair value less selling expenses. In the event the book value is less than the fair value, any impairment loss is recognized to profit or loss. Any reversal or gain is only recognized up to the limit of the loss recognized.

The depreciation of assets available for trading ends when the group of assets is allocated as held for sale. The assets and liabilities from the group of discontinued assets are reported in separate lines for assets and liabilities.

The results from the discontinued operations are reported as a single amount in the statements of income and cash flows, reflecting the total results after income tax from these operations less any impairment loss. The net cash flows attributable to the operational, investment and financing activities from the discontinued operations are reported in Note 8.

5 Measurement of fair values

Several of the Company's policies and disclosures require that fair values be measured, for both financial and non financial assets and liabilities. The fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, additional information on the assumptions adopted for measuring the fair values is disclosed in the specific note to that asset or liability.

(i) Property, plant and equipment

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

(ii) Inventories

The fair value of inventories acquired from a business combination is determined based on the estimated sales price during the normal course of business activities, less estimated conclusion costs and sales expenses and a reasonable profit margin based on the effort required to conclude and sell the inventories.

(iii) Accounts receivable and other receivables

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

(iv) Derivatives

The fair value of future foreign exchange contracts is based on the listed market price, when available. If a listed market price is not available, the fair value is estimated discounting from the difference between the contractual futures price and the current futures price for the remaining period of the contract using a risk free interest rate (based on public securities).

The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonableness by means of discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument calculated at the measurement date. The fair values reflect the credit risk of the instrument and include adjustments to consider the credit risk of the Company and counterparties when appropriate.

(v) Non derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using the market interest rate determined at the reporting date of the financial statements. For liability components of convertible debt instruments, the market interest rate is determined by reference to similar liabilities that do not have conversion options. For financing leases, the interest rate is determined by reference to similar leasing contracts.

6 Financial risk management

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

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

(i) *Risk management structure*

The risk management policies are established to identify and analyze the risks faced by the Company, to define appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management systems and policies are revised frequently to reflect any changes in market conditions and the Company's activities. The Company, based on its norms, training procedures and management, aims to develop a disciplined and constructive control environment, where all of the employees understand their roles and obligations.

Management accompanies compliance with the Company's risk management procedures and policies and revises the adequacy of the risk management structure in relation to the risks faced by the Company.

(ii) Credit risk

Credit risk is the risk of financial losses for the Company in the event a customer or counter party to a financial instrument fails to comply with its contractual obligations, and refers mainly to trade accounts receivable and investment securities.

(iii) Trade accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client. The Company and its subsidiaries adopt the practice to analyze the financial and equity situation of its counter parties, and also define credit limits and permanently accompany outstanding balances. With respect to the financial institutions, the Company and its subsidiaries only undertake operations with low risk financial institutions. The Company's sales income is not concentrated with a single client, and there is concentration of credit risk.

The Company established a credit policy where the credit ability of every new client is analyzed individually before the Company's standard payment and delivery terms and conditions are offered. This analysis includes external evaluations, when available, and in some cases references from banking institutions. Purchase limits are established for each client, which represent the maximum amount available without prior approval being required, with these limits revised quarterly. Clients that fail to comply with the credit limit established can only operate with the Company based on advance payments. For public bodies Company management individually evaluates the ability to pay and the bid requirements for making the sales.

For purposes of monitoring credit risk from clients, the clients are grouped based on their credit characteristics, including whether they are individuals or corporate entities, retailers or public entities, their geographical location, industry and the existence of any prior financial difficulties.

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

(iv) Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in fulfilling its obligations associated with its financial liabilities which are liquidated with cash payments or with other financial assets. The Company's approach for liquidity management is to guarantee, as far as possible, that it always has sufficient liquidity to fulfill its obligations that fall due, under normal and stress conditions, without causing unacceptable losses or risks that would adversely affect the Company's reputation.

Typically, the Company ensures that it has sufficient cash to meet its expected operational expenses for approximately 60 days, including fulfilling financial obligations; this does not include the potential impact from extreme circumstances that cannot be reasonable forecast, such as natural disasters. In addition, the Company has the following credit lines:

The Company has credit lines contracted with financial institutions, as reported in Note 18, and all of these credit lines are being fully used, except by the subsidiary Taurus Holdings, Inc. which has a credit line for the amount of USD 25,000 thousand and at 30-09-2011 was using USD 20,000 thousand.

In addition, the Company has credit lines, not contracted, from the largest banks that operate in Brazil, for approximately R$ 500.000 thousand, at market rates and terms.

(v) Market risk

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

The Company uses derivative financial instruments and also fulfills its financial obligations to manage market risks. All of these operations are undertaken within the guidelines established by Management. In certain circumstances, the Company seeks to apply hedge accounting to guarantee its budgeted operational results from exports; and which are not characterized as speculative operations.

(vi) Foreign currency risk

The Company is subject to foreign currency risk from sales, purchases and loans denominated in a currency different from the respective functional currencies of the Company's entities, which in the majority of cases is the Real (R$), but also the US dollar (USD). The main currency in which these transactions are denominated is the US dollar (USD).

In general, the Company aims to protect its expected exposure to foreign currencies in relation to sales forecast for the next six months. The Company uses future market contracts to protect against exchange risk, the majority of which mature in less than one year from the date of the financial statements. When necessary, the futures markets contracts are renewed when they mature.

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

In relation to other monetary assets and liabilities denominated in foreign currency, the Company aims to ensure that its net exposure is maintained at an acceptable level, buying and selling foreign currency at spot interest rates, when necessary, to deal with short term instabilities.

(vii) Interest rate risk

The Company adopts a policy to guarantee that approximately 30% of its exposure to changes in interest rates for loans is based on a fixed rate.

(viii) Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated with the Company's processes, personnel, technology and infra-structure and external factors, except credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards for business conduct. Operational risks arise from all of the Company's operations.

The Company's objective is to administer operational risk to avoid financial losses occurring and damage to its reputation, and to ensure efficient costs and to avoid control procedures that restrict initiative and creatively.

The main responsibility to develop and implement controls to deal with operational risks is attributed to top management within each business unit. This responsibility is supported by the

Company's general standards developed to administer operational risks in the following areas: Requirements for adequate segregation of duties, including independent authorization of operations; requirements to reconcile and monitor operations; compliance with regulatory and legal requirements; documentation of controls and procedures; Requirements for the periodic evaluation of operational risks faced and adequate controls and procedures to deal with the risks identified; requirements to report operational losses and the corrective actions proposed; development of contingency plans; professional training and development; ethical and commercial standards; and mitigating risks, including insurance when effective.

Compliance with the Company's norms is supported by a program involving the periodic analyses of the responsibilities of internal audit. The results of the internal audit analyses are discussed with management from the related business unit, and a summary is sent to the Company's top management.

(ix) Capital management

The Directors' policy is to maintain a solid capital base to maintain investor, creditor and market confidence and ensure the future development of the business. The Directors monitor the returns on capital, which the Company defines as results from operational activities divided by total shareholders' equity, excluding non redeemable preferred shares and non controlling interests. The directors also monitor the level of dividends for the ordinary and preferred shareholders.

The Company's consolidated debt in relation to adjusted capital at the end of the period is presented below:

	30-09-2011	31-12-2010
Total liabilities	784.938	539.282
Less: cash and cash equivalents	(169.429)	(188.674)
Net debt (A)	615.509	350.608
Total shareholders' equity (B)	323.120	460.526
Ratio of net debt to shareholders' equity (A/B)	1,90	0,76

There were no changes in the Company's approach to managing capital during the period. Neither the Company nor its subsidiaries or associated companies are subject to capital requirements imposed externally. The entity manages its capital requirements in an aggregated manner.

7 Operational segments

The Company has four publishable segments, as described below, which are its strategic business units. The strategic business units offer different products and services and are administered separately, since they require different technologies and marketing strategies. For each one of the strategic business units, management analyzes the internal reports at least every quarter. The following summary describes the operations of each one of the Company's reporting segments:

Weapons – the weapons production process, since its refers mainly to a metallurgical industry, is based on the following basic stages: forging (based on flat sheets), machining, (based on flat steel sheets and milling, drilling, lathes, broaching machines, etc.), MIM – *Metal Injection Moulding* (metal injected parts); assembly (manual), finishing (basically polishing), surface thermal treatment and final assembly (necessary adjustments); these operations are undertaken by Forjas Taurus S.A. and Taurus Holdings, Inc. and its subsidiaries.

Helmets – the helmet production process is based on the following stages: Injection (based on ABS – *Acrylonitrile Butadigne Styrene*), painting and finishing (based on injected parts, using manual and automated painting processes), sewing (based on cloth, sponge and polycarbonate sheets, using cutting and sewing machines) and final assemble; these operations are undertaken by Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Helmets Industria Plástica Ltda.

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations are undertaken by Taurus Máquinas-Ferramenta Ltda.

Others – the result of the forging and boiler segment (Forjas Taurus S.A.); bullet proof jackets and plastic products (Taurus Blindagens Ltda.). also includes other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. None of these operational segments reached any of the quantitative limits for determining segments to be published in 2011 or 2010.

Information on the results of each reportable segment is included below. Performance is evaluated based on the profit of the segment before income tax and social contribution, as included in the internal management reports which are analyzed by Company management. The segment's profit is used to evaluate performance, since Management understands that this information is more relevant in evaluating the results of certain segments in relation to other entities that operate in these industries. The pricing of transactions between segments is determined based on market terms.

The reconciliation of income, profits and losses, assets, liabilities and other material items is presented below:

		Weapons		Helmets		Machinery (discontinued)		Others		Total
	30-09-2011	30-09-2010	30-09-2011	30-09-2010	30-09-2011	30-09-2010	30-09-2011	30-09-2010	30-09-2011	30-09-2010
External income	320.405	321.354	86.786	67.484	22.808	37.689	36.499	50.624	466.498	477.151
Inter-segment income	-	4.331	181	34	174	1.634	8.845	7.618	9.200	13.617
Costs of sales	(176.523)	(150.163)	(49.475)	(37.980)	(24.521)	(27.859)	(30.131)	(48.406)	(280.650)	(264.408)
Gross profit (loss)	143.882	175.522	37.492	29.538	(1.539)	11.464	15.213	9.836	195.048	226.360
Selling expenses	(46.820)	(51.812)	(6.464)	(8.980)	(8.797)	(3.733)	(6.959)	(674)	(69.040)	(65.199)
General and administrative expenses	(43.808)	(45.084)	(1.088)	(5.771)	(2.935)	(2.290)	(6.173)	(1.304)	(54.004)	(54.449)
Depreciation and amortization	(1.751)	(653)	(113)	(2)	(123)	(75)	(134)	(105)	(2.121)	(835)
Other operational income (expenses), net	(2.541)	(9.262)	234	868	(14.071)	(1.062)	(995)	344	(17.373)	(9.112)
Equity in income	-		-	-	-	-	1.491	1.134	1.491	1.134
	(94.920)	(106.811)	(7.431)	(13.885)	(25.926)	(7.160)	(12.770)	(605)	(141.047)	(128.461)
Operational profit (loss)	48.962	68.711	30.061	15.653	(27.465)	4.304	2.443	9.231	54.001	97.899
Financial income	31.679	23.664	2.766	4.900	813	1.112	2.845	64	38.103	29.740
Financial expenses	(74.459)	(25.687)	(856)	(1.054)	(6.364)	(5.540)	(1.026)	(4.477)	(82.705)	(36.758)
Net financial results	(42.780)	(2.023)	1.910	3.846	(5.551)	(4.428)	1.819	(4.413)	(44.602)	(7.018)
Profit per segment publishable before income tax and social contribution	6.182	66.688	31.971	19.499	(33.016)	(124)	4.262	4.818	9.399	90.881
Elimination of inter-segment income	-	(4.331)	(181)	(34)	(174)	(1.634)	(8.845)	(7.618)	(9.200)	(13.617)
Profit before income tax and social contribution	6.182	62.357	31.790	19.465	(33.190)	(1.758)	(4.583)	(2.800)	199	77.264
Assets of publishable segments	671.174	589.372	145.629	152.438	135.457	160.397	155.698	85.287	1.107.958	987.494
Liabilities of publishable segments	634.133	369.585	37.215	45.917	85.155	94.271	28.435	23.126	784.938	532.899

Reconciliation of income and profits from the published segments

	30-09-2011	30-09-2010
Income		
Total income from published segments	466.498	477.151
Elimination of discontinued operations	(22.808)	(37.689)
Consolidated income	443.690	439.462
Profits or losses		
Total profits from published segments	9.399	90.881
Elimination inter-segment profits	(9.200)	(13.617)
Elimination of discontinued operations	33.190	1.758
Consolidated profits before income tax and social contribution	33.389	79.022

Geographical segments

For purposes of presenting information for geographical segments, segment income is based on the geographical location of the client.

		Weapons
	30-09-2011	30-09-2010
Domestic market		
Southeast	34.495	77.533
South	16.359	14.814
Northeast	7.171	18.448
North	7.032	6.888
Central West	14.062	14.547
	79.119	132.230
Foreign market		
United States	216.978	177.265
Argentina	4.020	2.270
Filipinas	3.369	1.426
Peru	2.125	-
Thailand	1.623	1.368
Venezuela	-	1.292
Other countries	13.171	5.503
	241.286	189.124
	320.405	321.354

	Helmets	
	30-09-2011	30-09-2010
Domestic market		
Southeast	26.510	21.730
South	5.235	4.863
Northeast	26.664	18.460
North	14.212	12.507
Central West	13.360	9.289
	85.981	66.849
Foreign market		
Argentina	-	41
Bolivia	47	-
Paraguay	654	-
Peru	20	-
Uruguay	84	594
	805	635
	86.786	67.484

	Máquinas	
	30-09-2011	30-09-2010
Domestic market		
Southeast	14.985	24.654
South	5.782	10.707
Northeast	-	319
North	2	1.655
	20.769	37.335
Foreign market		
United States	2.039	347
Venezuela	-	5
Other countries	-	2
	2.039	354
	22.808	37.689

The sales made by the Company's other segments are concentrated on the domestic market and are spread throughout Brazil.

The sales made the Company and its subsidiaries are not subject to restrictions and are not concentrated in such a way that they can be characterized as being significantly dependent on government bodies or any other single client.

8. Assets and liabilities held for sale and discontinued operations

In September 2011, Management prepared a plan for the sale of the subsidiary Taurus Máquinas, as reported in Note 2.a., and it is anticipated that this transaction will be concluded within the next 12 months. In the Company's individual comparative financial statements, the investment in the subsidiary Taurus Máquinas is recognized using the equity method and reclassified to assets held for sale.

As a result of Management's decision to sell its investment in the subsidiary Taurus Máquinas, in September 2011, the assets and liabilities that referred to this subsidiary were classified in the consolidated financial statements as "held for sale", in compliance with technical pronouncements IFRS 5 and CPC 31 – Non Current Assets Held for Sale and Discontinued Operations.

The consolidated results from the discontinued operations included in the consolidated statement of income are presented below. The comparative results and cash flows from the discontinued operations have been represented to include these operations classified as discontinued during the current period.

There were no groups classified as held for sale at December 31, 2010.

a. Loss for the period from discontinued operations

	30-09-2011	30-09-2010
Loss for the period from discontinued operations		
Income	30.420	38.904
Expenses	(63.381)	(40.559)
Loss for the year from discontinued operations	(32.961)	(1.655)

b. Assets and liabilities related to the discontinued operations:

The operations of the subsidiary Taurus Máquinas were classified and recorded at September 30, 2011, as a group of assets held for sale, as follows:

	Consolidated
	30-09-2011
Assets related to discontinued operations	
Cash and cash equivalents	2.039
Trade accounts receivable	16.373
Inventories	49.759
Taxes recoverable	3.109
Fixed and intangible assets	21.784
Derivative financial instruments	151
Receivable from related parties	34.136
Other assets	8.106
	135.457

	Consolidated
	30-09-2011
Liabilities related to discontinued operations	
Suppliers	2.678
Provisions	4.373
Advances from customers	5.725
Loans and financing	69.461
Other liabilities	2.918
	85.155

Immediately prior to the initial classification of assets and liabilities as being held for sale, the book values were measured in accordance with the technical pronouncements applicable. The subsidiary Taurus Máquinas recognized, in accordance with IAS 36 and CPC 01 – Reduction to Recoverable Value of Assets, the impairment loss from reducing assets held for sale to their fair values less selling expenses, as presented below:

	Consolidated
	30-09-2011
Adjustment of book value to fair value less selling expenses	
Inventories	(11.723)

The book values of the other assets and liabilities held for sale were compared with the fair values less selling expenses, and there was no need to register other impairment losses.

c. The net cash flows for assets held for sale are presented below:

	Subsidiary Taurus Máquinas (Discontinued operations)	
	30-09-2011	30-09-2010
Cash flows from operational activities	(14.111)	(9.148)
Cash flows from investment activities	219	(6.001)
Cash flows from financing activities	11.474	14.519
Total cash flows	(2.418)	(630)

Reconciliation of cash flows	30-09-2011
Effect from eliminations on consolidation	(19.109)
Results from discontinued operations	32.961
Net change in assets and liabilities held for sale	11.434

9 Cash and cash equivalent

	Consolidated		Parent	
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
Cash balance	76	98	25	31
Cash deposits	60.417	39.552	3.171	26.228
Financial investments	108.936	149.024	93.151	112.111
Cash and cash equivalents	169.429	188.674	96.347	138.370

The marketable securities are remunerated at rates that vary between 98 and 103% of CDI (98 and 103% of CDI at 31-12-2010) with the counter parties being top line banks. The Company's exposure to interest rate risks and the sensitivity analysis of financial assets and liabilities are disclosed in note 22.

10 Trade accounts receivable

	Consolidated		Parent	
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
Domestic customers	70.529	107.592	42.780	56.842
Customers – domestic related parties	-	-	67	488
Provision for doubtful receivables - domestic	(3.619)	(6.337)	(2.792)	(3.224)
Domestic present value adjustments	(246)	(555)	(209)	(264)
Foreign customers	78.013	54.426	46.473	13.001

Customers - foreign related parties	-	-	47.040	39.068
Provision for doubtful receivables - foreign	(2.889)	(3.857)	(12)	(398)
Total	141.788	151.269	133.347	105.513
Non current	141.788	148.925	133.347	105.513
Current	-	2.344	-	-

The Company's exposure to credit and currency risks and impairment losses related to trade accounts receivable and other receivables, is disclosed in Note 22.

11 Inventories

	Consolidated		Parent	
	30-09-2011	**31-12-2010**	**30-09-2011**	**31-12-2010**
Finished products	131.798	124.185	23.600	23.863
Work in progress	42.072	53.205	38.897	32.180
Raw materials	43.628	69.944	12.598	10.386
Auxiliary materials and maintenance materials	9.831	12.305	9.787	11.268
	227.329	259.639	84.882	77.697

12 Taxes recoverable

	Consolidated		Parent	
	30-09-2011	**31-12-2010**	**30-09-2011**	**31-12-2010**
ICMS	6.181	5.896	5.502	4.331
IPI	1.518	1.958	463	386
PIS	464	603	435	414
COFINS	2.141	2.772	2.010	1.909
ISSQN	-	8	-	-
Income tax and social contribution	12.127	9.676	5.558	8.462
Total	22.431	20.913	13.968	15.502
Current	18.555	16.898	10.325	12.228
Non current	3.876	4.015	3.643	3.274

ICMS – Value added sales tax

The balance consists of credits calculated from trade operations and purchases of fixed asset items generated at the Company's and its subsidiaries' productive and commercial units.

PIS and COFINS

The balance consists of credits originated from non cumulative charges for PIS and COFINS, calculated mainly on the purchases of fixed asset items, which are compensated in successive monthly installments, in accordance with legislation.

IPI – Excise tax

The balance refers mainly to amounts originating from trade operations.
Income tax and social contribution

Refers to withholding tax on financial investments and prepayments of income tax and social contribution made through compensation against federal taxes and contributions payable.

13 Deferred tax assets and liabilities

Deferred income tax and social contribution are registered to reflect the future tax effects attributable to temporary differences between the fiscal base for assets and liabilities and their respective carrying values. The balances registered originate, mainly, from various temporary provisions.

The carrying value of the deferred tax asset is revised monthly. Management considers that the deferred assets arising from temporary differences are realized in proportion to the final resolution of the events that gave rise to such.

The amount registered that can be compensated refers to the deferred income tax asset and liability to which the entity is legally entitled to compensate and which it intends to make on a net basis.

Deferred tax assets and liabilities were attributed as follows:

		Consolidated
	30-09-2011	31-12-2010
Assets		
Provision for commissions	755	2.177
Present value adjustment	222	233
Provision for labor process	539	562
Provision for employer process	714	408
Provision for doubtful receivables	1.770	1.970
Provision for product warranties	67	392
Provision for loss of tax incentives	-	13
Derivative financial instruments	6.644	-
Tax loss and negative base CSLL (b)	37.448	-
Inventories – unrealized profits	6.972	9.804
Other items	356	138
	55.487	15.697
Liabilities		
Equity evaluation adjustments	(5.126)	(6.651)
Difference in depreciation base	(4.830)	(3.354)
Financial charges	(901)	(682)
Derivative financial instruments	(5.560)	(878)
	(16.417)	(11.565)
Total assets and liabilities	39.070	4.132

		Parent
	30-09-2011	31-12-2010
Assets		
Provision for commissions	755	1.929
Present value adjustment	222	233
Provision for labor process	539	501
Provision for employer process	714	408
Provision for doubtful receivables	459	459
Derivative financial instruments	6.351	-
Other items	137	138
	9.177	3.668
Liabilities		
Equity evaluation adjustments	(4.092)	(5.175)
Difference in depreciation base	(1.224)	(917)
Financial charges	(859)	(419)
Derivative financial instruments	(5.449)	(878)
	(11.624)	(7.389)
Total assets and liabilities	(2.447)	(3.721)

a. The subsidiary Taurus Máquinas Ferramenta Ltda. has tax credits arising from tax loss carryforwards and negative social contribution base for the amount of R$ 31.208 at 30-09-2011 (R$ 24.747 at 31-12-2010), not recognized in the accounting registers. Income tax and social contribution on the balances for tax loss carryforwards and negative social contribution base are recognized when there is evidence that realization will be probable within the near future.

b. As part of the corporation restructuring, which occurred on July 04, 2011, which deals with taking advantage of the economic benefits and market strategies for new segments (see note 2.b), Company management considered the existence of the accumulated balances for tax losses and the negative calculation base for social contribution on net profit registered by the subsidiary Polimetal Participações S.A. for purposes of registering the deferred tax assets. The book value will be realized when it is probable that there will be sufficient taxable profit to compensate these losses in the future. The evaluation of the existence of future taxable profit was based on the operational activities to be undertaken by the subsidiary in the new market segment "Polimetal Segment", which will be responsible for a significant part of the Group's operations.

The forecasts identify that the balance for tax credits registered in the accounting books at September 30, 2011, in the subsidiary Polimetal Participações S.A. will be absorbed by taxable profits estimated for the next ten years, as presented below:

Year	IRPJ	CSLL	Total	% interest
2012	1.874	674	2.548	6,80%
2013	2.029	730	2.760	7,37%
2014	2.198	791	2.989	7,98%
2015	2.380	857	3.237	8,64%
From 2016 to 2021	19.055	6.860	25.914	69,20%
Total	27.536	9.912	37.448	100,00%

14 Anticipated real estate credits

On 11-08-2008 the subsidiary Taurus Investimentos Imobiliários Ltda. agreed several contracts with CIBRASEC – Companhia Brasileira de Securitização, aimed at promoting the securitization of real estate receivables, arising from hire contracts agreed for a period of 7 (seven) years with the Company and its subsidiaries, for the amount of approximately R$ 51.000, net of R$ 2.272 related to the commission for structuring the operation.

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. The terms and maturity dates for these certificates are fixed monthly, the first of which matured on 15-09-2008 and the last will mature on 15-07-2015. At 30-09-2011 the total corrected balance (short and long term) was R$ 37.801 (R$ 42.117 at 31-12-2010).

15 Investments

	Direct investment	Number of shares/quotas	Balances outstanding between the subsidiaries and Parent: Current assets (Clients)	Noncurrent assets	Total assets	Current liabilities	Total liabilities	Shareholders' equity	Investment	Effects of results of transactions between subsidiaries and the Parent: Income	Expenses	Profits or losses	Equity in income
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	77.063	189.887	-	18.908	18.725
Taurus Security Ltda.	60,00%	60.000	-	547	547	-	-	(249)	300	-	-	-	-
Taurus Máquinas-Ferramenta Ltda.	53,97%	58.631.830	488	26.838	27.326	424	424	37.080	20.048	7.715	-	(12.286)	(23.832)
Taurus Investimentos Imobiliários Ltda.	71,13%	21.414.136	-	-	-	-	-	36.951	25.506	-	-	13.849	10.131
Famastil Taurus Ferramentas S.A.	35,00%	1.400.000	-	-	-	-	-	32.987	13.760	-	-	5.008	1.753
			39.556	27.385	66.941	726	726		246.949	197.602	-		30.878
30-09-2011													
Taurus Blindagens Ltda.	99,86%	80.209.131	-	-	-	-	-	109.566	109.418	-	-	19.168	19.142
Taurus Blindagens Nordeste Ltda.	0,10%	1	-	-	-	-	-	12.338	12	-	-	3.943	1
Taurus Holdings,Inc.	100,00%	302.505	85.636	-	85.636	528	528	111.927	102.288	147.720	-	6.418	12.704
Taurus Security Ltda.	60,00%	60.000	-	328	328	-	-	(249)	300	-	-	-	-
Taurus Máquinas-Ferramenta Ltda.	53,97%	58.631.830	67	48.752	48.819	37	37	2.068	-	2.691	365	-	-
Taurus Investimentos Imobiliários Ltda.	73,42%	21.944.929	-	-	-	-	-	26.822	18.013	-	5.441	2.063	(10.839)
Famastil Taurus Ferramentas S.A.	35,00%	1.400.000	-	-	-	-	-	37.249	15.252	-	-	4.262	1.491
Polimetal Participações S.A.	100,00%	1.050.000	-	-	-	-	-	66.710	66.712	-	-	29.561	36.871
			85.703	49.080	134.783	565	565		311.995	150.411	5.806		59.370

The financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 251.508 (R$ 203.537 at 31-12-2010) and current and noncurrent liabilities of R$ 139.581 (R$ 110.548 at 31-12-2010). Taurus Holdings, Inc., located in the State of Florida, United States, is the parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in North America, operating mainly in the resale of Weapons imported from Forjas Taurus S.A., on this wholesale market. The consolidated net income of Taurus Holdings Inc. reported at 30-09-2011 was equivalent to R$ 216.978 (R$ 239.082 at 30-09-2010) and net profit equivalent to R$ 6.418 (R$ 15.456 at 30-09-2010).

The following charges are made on the loans from Taurus Máquinas-Ferramenta Ltda.: on R$ 40.680 (R$ 15.020 in 31-12-2010) 100% of CDI and on R$ 8.072 (R$ 11.818 in 31-12-2010), TJLP and interest between 0,16 and 2% p.a.

The commercial terms for the trade transactions undertaken between the Taurus companies are similar to those practiced with third parties considering the volume, continuity of sales, payment terms and selling and administrative expenses assumed by the buyer.

16 Property, plant and equipment

	Land, buildings and facilities	Machinery and equipment	Molds and tooling	Fixtures and computers	Vehicles	Assets under construction	Advances to suppliers	Total
								Consolidated
Cost or deemed cost								
Balance at December 31, 2010	85.437	160.572	32.516	19.847	5.279	17.490	1.749	322.890
Additions	6.318	2.704	471	1.110	609	22.859	4.257	38.328
Disposals	-	(141)	(9)	(40)	(798)	(723)	(646)	(2.357)
Other changes	(1)	(855)	51	12	2	-	-	(791)
Transfers of assets under construction	8.420	5.182	5.127	706	-	(20.448)	-	(13)
Effect from changes in exchange rates	2.055	1.520	-	252	11	-	-	3.838
Transfers to assets held for sale	(1.352)	(21.970)	(3.172)	(1.303)	(958)	(23)	-	(28.778)
Balance at September 30, 2011	101.877	147.012	34.984	20.584	4.145	19.155	5.360	333.117
Depreciation and impairment losses								
Balance at December 31, 2010	6.029	38.749	11.465	7.223	1.211	-	-	64.677
Depreciation for the period	2.613	12.000	4.555	1.913	631	-	-	21.712
Disposals	(1.179)	(225)	(9)	(12)	(279)	-	-	(1.704)
Effect from changes in exchange rates	504	857	-	186	5	-	-	1.552
Transfers to assets held for sale	(443)	(3.915)	(1.618)	(689)	(344)	-	-	(7.009)
Balance at September 30, 2011	7.524	47.466	14.393	8.621	1.224	-	-	79.228
Book value								
At December 31, 2010	79.408	121.823	21.051	12.624	4.068	17.490	1.749	258.213
At September 30, 2011	94.353	99.546	20.591	11.963	2.921	19.155	5.360	253.889

								Parent
	Land, buildings and facilities	**Machinery and equipment**	**Molds and tooling**	**Fixtures and computers**	**Vehicles**	**Assets under construction**	**Advances to suppliers**	**Total**
Cost or deemed cost								
Balance at December 31, 2010	1.183	106.218	18.861	6.600	3.175	8.181	1.487	145.705
Additions	(1)	518	172	475	529	19.634	2.916	24.243
Disposals	-	(120)	(9)	(15)	(765)	(721)	-	(1.630)
Other changes	-	(845)	55	11	7	-	-	(772)
Transfers of assets under construction	826	4.726	4.872	651	-	(11.088)	-	(13)
Balance at September 30, 2011	2.008	110.497	23.951	7.722	2.946	16.006	4.403	167.533
Depreciation and impairment losses								
Balance at December 31, 2010	175	25.331	6.192	2.363	770	-	-	34.831
Depreciation for the period	111	8.285	2.628	759	329	-	-	12.112
Disposals	-	(204)	(9)	(4)	(270)	-	-	(487)
Balance at September 30, 2011	286	33.412	8.811	3.118	829	-	-	46.456
Book value								
At December 31, 2010	1.008	80.887	12.669	4.237	2.405	8.181	1.487	110.874
At September 30, 2011	1.722	77.085	15.140	4.604	2.117	16.006	4.403	121.077

Guarantees

In order to mitigate financial expenses on loans and financing, the Company normally uses its own assets as guarantees for the funds obtained from financial institutions. Although a significant part of the fixed assets act as guarantees for financing and loan operations, historically the Company has liquidated its obligations within the contractual terms and the guarantees provided in the form of fixed assets have not been realized.

Deemed cost

The Company opted to adopt deemed cost, adjusting the opening balances on the transition date at January 01, 2009.

The fair values used for adopting deemed cost were estimated by external specialists with professional experience and skills, objectivity and technical knowledge of the assets evaluated. To undertake this work the external specialists considered information on the use of the assets being valued, technological changes that have occurred, replacement costs and use of the assets. As part of the process to adopt deemed cost, Company management evaluated all of the classes of fixed asset at January 01, 2009. In addition, the estimated useful lives and residual values were also revised. The estimated useful lives of assets included to property, plant and equipment before and after this review are presented in Note 4d (iii).

17 Intangible assets

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

					Consolidated
	Goodwill	Brands and patents	Development costs	Implantation of systems	Total
Cost					
Balance at December 31, 2010	-	3.580	8.965	382	12.927
Acquisitions from incorporation (Note 2.b)	33.144	-	347	286	33.777
Disposals	-	-	(347)	-	(347)
Transfers other groups	-	-	-	13	13
Effect from changes in exchange rates	-	(123)	(80)	-	(203)
Transfer to assets held for sale	-	-	-	(20)	(20)
Balance at September 30, 2010	33.144	3.457	8.885	661	46.147
Amortization					
Balance at December 31, 2010	-	-	2.862	41	2.903
Amortization for the period	-	-	814	80	894
Transfer to assets held for sale	-	-	-	(5)	(5)
Balance at September 30, 2010	-	-	3.676	116	3.792
Book value					
At December 31, 2010	-	3.580	6.103	341	10.024
At September 30, 2011	33.144	3.457	5.209	545	42.355

				Parent
	Brands and patents	Development costs	Implantation of systems	Total
Cost				
Balance at December 31, 2010	237	8.448	300	8.985
Acquisitions	-	-	268	268
Disposals	-	-	-	-
Transfers other groups	-	-	13	13
Balance at September 30, 2010	237	8.448	581	9.266
Amortization				
Balance at December 31, 2010	-	2.862	33	2.895
Amortization for the period	-	814	68	882
Balance at September 30, 2010	-	3.676	101	3.777
Book value				
At December 31, 2010	237	5.586	267	6.090
At September 30, 2011	237	4.772	480	5.489

18 Loans and financing

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

		Consolidated
	30-09-2011	31-12-2010
Current liabilities		
Guaranteed bank loans		
Working capital	45.995	43.998
FINAME	5.966	11.330
FINEP	6.604	11.922
BNDES-PEC	5.650	5.745
FNE	64	-
BNDES-Exim-Pré-embarque	-	28
BNDES Revitaliza	-	11
Working capital USD	28.392	12.742
FINIMP	1.925	707
	94.596	86.483
Noncurrent liabilities		
Guaranteed bank loans		
Working capital	49.579	24.191
FINAME	8.758	3.323
FINEP	5.090	39.271
BNDES-PEC	1.870	5.417
FNE	9.806	9.806
BNDES-Exim-Pré-embarque	-	5.000
BNDES Revitaliza	-	2.845
Working capital USD	159.452	43.143
FINIMP	459	687
	235.014	133.683
	329.610	220.166

		Parent
	30-09-2011	31-12-2010
Current liabilities		
Guaranteed bank loans		
Working capital	45.995	22.362
FINAME	5.529	7.036
FINEP	5.808	5.956
BNDES-PEC	5.650	5.745
Working capital USD	8.593	3.355
FINIMP	1.925	707
	73.500	45.161
Noncurrent liabilities		
Guaranteed bank loans		
Working capital	49.579	9.792
FINAME	7.572	8.212
FINEP	5.090	9.523
BNDES-PEC	1.870	5.417
Working capital USD	118.401	9.997
FINIMP	459	687
	182.971	43.628
	256.471	88.789

Terms and timetable for amortization of debts

The terms and conditions for loans outstanding were as follows:

							Consolidated
				30-09-2011		31-12-2010	
	Currency	Nominal interest rate	Year of maturity	Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R$	CDI + 1,8 to 3,91% p.a..	2011-2013	102.700	95.574	76.490	68.189
FINAME	R$	TJLP + 1 to 7,0% p.a..	2011-2020	22.531	8.892	19.249	4.557
FINAME	R$	4,50 to 5,50% p.a..	2011-2020	6.633	5.832	18.924	10.096
FINEP	R$	TJLP + 0,16 to 2% p.a..	2012-2014	29.601	10.898	34.300	17.578
FINEP	R$	5,25% p.a..	2017	4.699	796	27.788	33.615
BNDES-PEC	R$	12,90% p.a..	2013	10.000	7.520	10.000	11.162
FNE	R$	9,50% p.a..	2019	9.806	9.870	9.806	9.806
BNDES-Exim-Pré-embarque	R$	4,50% p.a..	2012	-	-	5.000	5.028
BNDES Revitaliza	R$	9% p.a..	2017	-	-	2.846	2.856
Working capital	USD	Libor + 0,79 to 4,8%	2011-2017	103.117	187.844	39.268	55.885
Financing for acquisition of fixed	USD	Libor + 1,25 to 3,0%	2011-2014	824	772	3.711	1.394
FINIMP	USD	Libor + 1,1% p.a.	2012	868	1.612	-	-
Total liabilities subject to interest					329.610		220.166

							Parent
				30-09-2011		31-12-2010	
	Currency	Nominal interest rate	Year of maturity	Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R$	CDI + 1,8 to 3,91% p.a..	2011-2014	102.700	95.574	35.700	32.154
FINAME	R$	TJLP + 2,25 to 7,0%	2011-2014	20.216	7.269	15.215	10.691
FINAME	R$	4,50 to 5,50% p.a..	2011-2021	6.633	5.832	3.709	4.557
FINEP	R$	TJLP + 0,16 a 2% p.a..	2012-2014	29.601	10.898	29.601	15.479
BNDES-PEC	R$	12,90% p.a..	2013	10.000	7.520	10.000	11.162
Working capital	USD	Libor + 0,79 to 4,8%	2011-2017	71.849	126.994	8.000	13.352
Financing for acquisition of fixed	USD	Libor + 1,25 to 3,0%	2011-2014	1.692	772	3.711	1.394
FINIMP	USD	Libor + 1,1 % p.a.	2012	868	1.612	-	-
Total liabilities subject to interest					256.471		88.789

Maturity dates:

	30-09-2011		31-12-2010	
Year	Consolidated	Parent	Consolidated	Parent
2012	8.605	7.972	51.866	33.555
2013	87.072	57.693	42.545	6.055
2014	64.154	61.242	19.056	2.966
2015	29.855	27.510	6.685	216
2016 onwards	45.328	28.554	13.531	836
	235.014	182.971	133.683	43.628

The loans and financing are guaranteed by promissory notes, chattel mortgages for machinery and equipment, real estate mortgages and sureties from directors. The sureties granted by the directors, parent company and the sureties granted by the Company to its subsidiaries and parent company are reported in note 23 – Related parties.

The loan and financing contracts agreed between the Company and its subsidiaries include restrictive clauses that limit certain corporate alterations and require that certain financial indices be maintained. At 30-09-2011, all of these clauses had been complied with by the Taurus companies.

19 Debentures

On June 08, 2010, and September 06, 2011, the Company agreed private instruments for the public registration of the 1st and 2nd issue of debentures, for the total nominal value of R$ 103.000 and R$ 50.000, respectively.

The issue was made in a single series, corresponding to 10.300 debentures for the 1st issue and 200 debentures for the 2nd issue, distributed on the secondary market through the National Debentures System, with restricted placement, aimed exclusively at qualified investors.

For the 1st issue, the unit nominal value will be paid in 7 six monthly installments, with a grace period of 12 months, as from April 15, 2011. For the 2nd issue, the unit nominal value will be paid in 20 six quarterly installments, with a grace period of 3 months, as from April 23, 2011.
Interest is charged on the amount calculated based on the compound capitalization system, equivalent to the accumulated variation in the average daily rates for DI – Interbank deposits, plus interest as detailed below:

						30-09-2011
	Index	Current	Non Current	Transaction costs incurred	Transaction costs appropriated	Transaction costs to appropriate
Debentures :						
1st issue	DI + 4,1%	35.666	57.864	1.006	324	682
2nd issue	DI + 2,8%	10.761	39.970	591	-	591
		46.427	97.834	1.597	324	1.273

The debentures have personal guarantees from the subsidiaries of Forjas Taurus S.A. in Brazil, constituted in the form of bonds granted jointly.

The instrument provides for anticipated maturity of all obligations object of the registration in certain circumstances, which include: change in the direct or indirect control of the Company, capital reduction in the Company and/or its parent company, dividend distribution, payment of interest on own capital or other payments made to shareholders by the Company and/or its parent in the event of delays with any of its obligations, decrease in the Company's capital and/or that of Polimetal (1), made by the Company or by the guarantors of any type of sale or transfer of assets that has an impact of equal to or greater than 15% of the company's consolidated assets or equal to or greater than 20% of consolidated gross income of the Company (2), undertaking, by the Company or its subsidiaries, of financing operations, advance or loan operations, in the role of creditors, with any of its direct or indirect controlling companies, except for the exclusive purpose of refinancing obligations agreed prior to the issuing of the debentures, the granting, by the Company or its subsidiaries, of bonds or any type of guarantee for the financial operations of direct or indirect controlling companies for amounts in excess of those existing at the date of issuing the debentures, maintaining minimum financial indices (net debt/EBITDA) equal to or less than 3,25 times (1st and 2nd issues) and EBITDA/net financial expenses equal to or greater than 2,75 times (1st issue), where: net debt is equal to total debts (including sureties and guarantees) less cash and cash equivalents EBITDA is equal to profit before taxes, interest, depreciation and amortization in the previous 12 months and net financial expenses refers to total financial income less financial expenses for the previous 12 months (3).

(1) The occurrence of such events may be approved by the titleholders of at least 2/3 of the debentures in circulation, without the obligations maturing in advance.

(2) The occurrence of such events may be approved by the titleholders of at least 75% of the debentures in circulation, without the obligations maturing in advance.

(3) the General Meeting of Debenture Holders of the First Public Issue of Unsecured Debentures, with personal guarantees, and non convertible into shares, of Forjas Taurus S.A., held on September 29, 2011, approved the alterations to item XXII of Clause 6.21 of the Private Instrument for the Register of the First Public Issue of Unsecured Debentures, with Personal Guarantees and Non Convertible into Shares of Forjas Taurus S.A. agreed on June 08, 2010, between the Company and Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários, acting as trustee. Through the payment of a bonus by the Company, for the amount of 0.6% (zero point six percent) of the Nominal Unit Value of the Debentures, the minimum financial indices reported were altered from (net debt/EBITDA) equal to or less than 2,5 times, to equal to or less than 3,25 times, and(EBITDA/net financial expenses) equal to or greater than 3,0 times, to equal to or greater than 2,75 times.

Management from the Company and its subsidiaries monitor these indices on a systematic and constant basis, to ensure that the terms are met. All of the restrictive terms and clauses have been completed with.

20 Provisions

			Consolidated
	For guarantees	**Civil and labor**	**Total**
Balance at December 31, 2010	976	1.953	2.929
Provisions made during the period	947	190	1.137
Provisions used during the period	(206)	(16)	(222)
Reversal of discount	-	-	-
Reclassification to liabilities held for sale	(1.717)	(699)	(2.416)
Balance at September 30, 2010	-	1.428	1.428
Non current	-	-	-
Current	-	1.428	1.428

		Parent
	Civil and labor	**Total**
Balance at December 31, 2010 - current	1.315	1.315
Provisions made during the period	113	113
Provisions used during the period	-	-
Reversal of discount	-	-
Balance at September 30, 2010 - current	1.428	1.428

Provision for warranties

The provision for warranties refers basically to the machinery sold during 2010 and guaranteed until 30-09-2011. The provision is based on historic data of the warranties associated with similar products and services. The Company anticipates that it will incur the majority of the liabilities within the coming year.

21 Contingencies

a. Consolidated

The Taurus companies, in the same way as the parent company, Forjas Taurus S.A., based on information from their legal advisors and analyses of pending legal demands, have registered a provision on consolidation, to other accounts payable, for the amount of R$ 4.853 (R$ 5.309 at 31-12-2010) considered sufficient to cover estimated losses from the ongoing claims evaluated as representing probable risks, as presented below:

			30-09-2011	31-12-2010
	Provision	**Legal deposits**	**Net**	**Net**
Labor	1.428	1.751	(323)	304
Tax	-	-	-	-
Federal	-	423	(423)	(423)
State	3.425	364	3.061	3.117
	4.853	2.538	2.315	2.998

The Taurus companies have other processes that have been evaluated by the legal advisors as representing possible or remote risks, without being measured with sufficient accuracy, for the consolidated amount of approximately R$ $ 23.517 (R$ 21.705 at December 31, 2010) for which no provision has been registered, given that accounting practices adopted in Brazil do not require such.

b. Parent

The Company and its subsidiaries are parties to legal claims and administrative processes with various courts and government bodies, arising from the normal course of their operations, involving labor, tax and civil questions and other issues.

Management, based on information from its legal advisors, analysis of pending legal claims has registered a provision to other accounts payable, for the amount of R$ 2.476 (R$ 2.401 at 31-12-2010) considered sufficient to cover estimated losses from the ongoing claim, evaluated as representing probable risks, as follows:

			30-09-2011	31-12-2010
	Provision	**Legal deposit**	**Net**	**Net**
Labor	1.428	1.124	304	278
Tax	-	-	-	
Federal	-	423	(423)	(423)
State	1.086	340	746	966
	2.514	1.887	627	821

At the same time, the Company filed various claims aimed at recognizing various tax credits, which will be recognized as and when they are realized.

The Company has other processes evaluated by its legal advisors as representing possible or remote risks, without being measured with sufficient accuracy, for the consolidated amount of approximately R$ 19.532 (R$ 18.032 at December 31, 2010) for which no provision has been registered, given that accounting practices adopted in Brazil do not require such.

22 Financial instruments

The Company and its subsidiaries Taurus Blindagens Ltda. and Taurus Helmets Indústria Plástica Ltda., undertake operations with derivative financial instruments. Administration of these instruments is by means of operational strategies and internal controls aimed at ensuring liquidity, profitability and security. The contracting of financial instruments for hedging purposes is made based on a periodic analysis of the exposure to risk that management intends to cover (foreign exchange, interest rate, etc.). The control policy consists of permanently accompanying the terms contracted versus the existing market terms.

All of the operations involving financial instruments are recognized in the Company's financial statements, as presented below, which reports the outstanding derivatives, organized by maturity date, counterparty, notional value and fair value:

			30-09-2011		31-12-2010	
	Contracting party	Contracted currency for notional value	Notional - in thousands	Fair value	Notional in thousands	Fair value
Swap Libor **6m x CDI**						
	Forjas Taurus S.A.	American dollars - USD	12.000	59	-	-
Swap Fixed **x CDI**						
	Forjas Taurus S.A.	Reais- BRL	37.356	1.838	-	-
	Taurus Blindagens Ltda.	Reais- BRL	9.652	331	-	-
	Taurus Helmets Ltda.	Reais- BRL	4.355	150	-	-
Swap **US$ x CDI**						
	Forjas Taurus S.A.	Reais- BRL	188.000	9.657	-	-
	Forjas Taurus S.A.	American dollars- USD	868	193	-	-
	Taurus Máquinas-Ferramenta Ltda.	American dollars - USD	680	151	-	-
Non-deliverable forward **(exports)**						
	Forjas Taurus S.A.	American dollars - USD	93.100	(14.404)	36.000	2.584
				(2.023)		2.584

	30-09-2011	31-12-2010
Parent		
Derivative financial instruments – assets	16.313	2.584
Derivative financial instruments – liabilities	(18.968)	-
Consolidated		
Derivative financial instruments – assets	16.794	2.584
Derivative financial instruments – liabilities	(18.968)	-
Assets held for sale (see note 8)	151	-

a. Credit risk

Exposure to credit risks

The carrying values of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date for the financial statements was as follows:

	Consolidated	
	Carrying values	
	30-09-2011	31-12-2010
Financial assets held to maturity	594	403
Trade accounts receivable	148.296	161.463
Other loans and receivables	18.222	57.341
Cash and cash equivalents	169.429	188.674
Foreign exchange forward and interest rate swap contracts used for asset hedging	16.794	2.584
Total	353.335	410.465

	Parent	
	Carrying values	
	30-09-2011	31-12-2010
Financial assets held to maturity	594	403
Trade accounts receivable	136.151	109.135
Other loans and receivables	14.224	12.301
Cash and cash equivalents	96.347	138.370
Foreign exchange forward and interest rate swap contracts used for asset hedging	16.313	2.584
Total	263.629	262.793

The maximum exposure to credit risk for trade accounts receivable and other loans and receivables at the reporting date by geographical region was as follows:

	Consolidated		Parent	
	Carrying values		Carrying values	
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
Domestic – Trade accounts receivable	70.283	107.037	42.638	57.066
United States – Trade accounts receivable	71.560	53.543	87.087	51.715
Other	6.453	883	6.426	354
Total	148.296	161.463	136.151	109.135

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was as follows:

	Consolidated		Parent	
	Carrying values		Carrying values	
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
Customers – Public bodies	32.271	42.322	30.535	43.322
Customers – distributors	99.406	53.543	89.106	51.069
End Customers	16.619	65.598	16.510	14.744
Total	148.296	161.463	136.151	109.135

Impairment losses

The maturity dates of loans and receivables granted on the reporting date for the financial statements were as follows:

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
Not overdue	123.818	120.178	-	-
Overdue 0-30 days	12.264	22.131	-	-
Overdue 31-360 days	8.985	13.169	(558)	(197)
More than one year	3.229	5.985	(5.950)	(9.997)
Total	148.296	161.463	(6.508)	(10.194)

				Parent
	Gross	Gross	*Impairment*	*Impairment*
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
Not overdue	123.323	95.618	-	-
Overdue 0-30 days	2.259	5.375	-	-
Overdue 31-360 days	7.777	5.682	(558)	(197)
More than one year	2.792	2.460	(2.246)	(3.425)
Total	136.151	109.135	(2.804)	(3.622)

Based on historic default rates, the Company believes that no provision for impairment losses is necessary in relation to trade accounts receivable not overdue or overdue by up to 30 days; a significant part of the balance, which includes the amount due by the Company's most important clients, refers to clients that have a good history of payment with the Company.

During 2011, the parent company transferred to third parties, credits receivable from the subsidiary Taurus Holdings, Inc. for the amount of R$ 10.771, without right of return. In the financial statements, this amount was recognized as advances of receivables.

b. Liquidity risk

Presented below are the contractual maturities of financial liabilities, including payments of estimated interest, excluding the impact of currency negotiation agreements at the net position:

						Consolidated
						30-09-2011
	Carrying 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	329.610	441.053	79.092	30.881	247.985	83.096
Debt titles issued	144.261	216.480	16.981	39.249	135.853	24.397
Certificates of real estate receivables	37.801	51.058	7.506	11.729	31.823	-
Foreign exchange withdrawals	38.485	38.911	38.911	-	-	-
Derivative financial liabilities						
Derivative instruments (**Output**)	18.968	18.968	17.275	1.693	-	-
Derivative instruments (**Input**)	(16.313)	(16.313)	(2.365)	(3.220)	(3.220)	(7.508)
	552.812	750.157	157.399	80.332	412.440	99.985

	Consolidated 31-12-2010					
	Carrying 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
Debt titles issued	106.106	134.604	34.824	36.039	63.741	-
Certificates of real estate receivables	42.117	54.354	6.255	8.502	39.597	-
Foreign exchange withdrawals	4.453	4.899	4.899	-	-	-
Derivative financial liabilities						
Derivative instruments (**Output**)	-	-	-	-	-	-
Derivative instruments (**Input**)	(2.584)	(2.584)	(2.584)	-	-	-
	370.258	460.912	126.870	98.523	207.512	28.007

	Parent 30-09-2011					
	Carrying 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	256.471	341.698	77.477	9.256	206.838	48.127
Debt titles issued	144.261	216.480	16.981	39.249	135.853	24.397
Foreign exchange withdrawals	38.485	38.911	38.911	-	-	-
Derivative financial liabilities						
Derivative instruments (**Output**)	18.968	18.968	17.275	1.693	-	-
Derivative instruments (**Input**)	(16.313)	(16.313)	(2.365)	(3.220)	(3.220)	(7.508)
	441.872	599.745	148.279	46.978	339.471	65.017

	Parent 31-12-2010					
	Carrying 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	-
Debt titles issued	106.106	134.604	34.824	36.039	63.741	-
Certificates of real estate receivables	4.453	4.899	4.899	-	-	-
Foreign exchange withdrawals	-	-	-	-	-	-
Derivative financial liabilities						
Derivative instruments (**Output**)	-	-	-	-	-	-
Derivative instruments (**Input**)	(2.584)	(2.584)	(2.584)	-	-	-
	196.764	242.446	85.620	68.422	88.404	-

Management does not anticipate that cash flows, included in the maturity analyses, will occur at significantly earlier date or at significantly different amounts.

c. Foreign exchange risk

The Company's exposure to foreign exchange risk was a follows (in nominal values):

	Consolidated	
	USD	
	30-09-2011	31-12-2010
Accounts receivable	40,511	32,665
Foreign exchange withdrawals	(20,753)	(2,673)
Guaranteed bank loans	(102,582)	(33,540)
Foreign suppliers	(2,631)	(1,290)
Net balance sheet exposure	(85,455)	(4,838)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 32,814 at 30-09-2011 (USD 19,658 at 31-12-2010).

	Parent	
	USD	
	30-09-2011	31-12-2010
Accounts receivable	25,061	7,803
Accounts receivable – overseas related parties	25,367	23,447
Foreign exchange withdrawals	(20,753)	(2,673)
Guaranteed bank loans	(69,768)	(8,850)
Foreign suppliers	(722)	(2,014)
Net exposure of the balance sheet	(40,816)	17,713

The following exchange rates were used during the year:

	Average rate		Spot rate	
	30-09-2011	31-12-2010	30-09-2011	31-12-2010
R$/USD	1,6335	1,7602	1,8544	1,6662

Sensitivity analysis

The strengthening of the Real against the North American dollar, at September 30, 2011, increased equity and the results as reported below. This analysis is based on the variation in the foreign exchange rate that the Company considered reasonably possible at the reporting date of the report. The analysis considered that all the other variables, particularly interest rates, would be remain constant. The analysis was made with the same base, for December 31, 2010, despite the reasonably possible change in the foreign exchange rate being different, as presented below:

	Consolidated		Parent	
	Shareholders' equity	Profit for the period	Shareholders' equity	Profit for the period
September 30, 2011				
R$/USD (25%)	21.364	21.364	10.204	10.204
R$/USD (50%)	42.727	42.727	20.408	20.408
December 31, 2010				
R$/USD (25%)	2.015	2.015	7.378	7.378
R$/USD (50%)	4.031	4.031	14.757	14.757

A devaluation of the Real in relation to the US dollar, at September 30, 2011, would have the same effect, however, with the opposite effect on the currency presented above, considering that all of the other variables remain constant.

d. Interest rate risk

Sensitivity analysis of the fair value for fixed rate instruments

The Company did not register any financial asset or liability with fixed interest rate at fair value through profit or loss, and the Company does not designate derivatives (interest rate *swaps*) as protection instruments using hedge accounting at fair value. Therefore, a change in interest rates at the reporting date would not affect the results.

Sensitivity analysis of cash flows for variable rate instruments

A variation of 10 points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and profit or loss for the year, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, remain stable. The analysis has been prepared with the same base for December 31, 2010.

	Consolidated	
	Carrying value	
	30-09-2011	**31-12-2010**
Fixed rate instruments		
Financial liabilities	90.776	84.262
Variable rate instruments		
Financial assets	125.730	151.608
Financial liabilities	478.349	287.731

	Parent	
	Carrying value	
	30-09-2011	**31-12-2010**
Fixed rate instruments		
Financial liabilities	38.485	30.863
Variable rate instruments		
Financial assets	109.464	114.695
Financial liabilities	419.700	167.636

Sensitivity analysis of cash flows for variable rate instruments

A variation of 10 points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and profit or loss for the year on the balance for interest not liquidated, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, remain stable.

	Consolidated	
	Shareholders' equity and results for the period	
	30-09-2011	30-09-2010
Change in interest rate on financing	(4.429)	(2.664)
Change in interest rate on financial investments	1.145	1.381

	Parent	
	Shareholders' equity and results for the period	
	30-09-2011	30-09-2010
Change in interest rate on financing	(4.722)	(1.886)
Change in interest rate on financial investments	1.060	1.111

Fair values versus Carrying values

The fair values of financial assets and liabilities, together with the carrying values reported in the balance sheets, are as follows:

	Consolidated			
	30-09-2011		31-12-2010	
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	16.313	16.313	2.584	2.584
Assets stated at amortized cost				
Cash and cash equivalents	169.429	169.429	188.674	188.674
Trade accounts receivable and other receivables	141.788	141.788	151.269	151.269
	311.217	311.217	339.943	339.943
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	18.968	18.968	-	-
Liabilities stated at amortized cost				
Guaranteed bank loans	329.610	318.635	220.166	220.166
Issue of debt securities	144.261	158.170	106.106	106.106
Foreign exchange withdrawals	38.485	38.911	4.453	4.453
Suppliers and other accounts payable	24.110	24.110	38.538	38.538
Prepaid real estate credits	37.801	37.801	42.117	42.117
	574.267	577.627	411.380	411.380

	Parent			
	30-09-2011		31-12-2010	
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	16.313	16.313	2.584	2.584
Assets stated at amortized cost				
Cash and cash equivalents	96.347	96.347	138.370	138.370
Trade accounts receivable and other receivables	133.347	133.347	105.513	105.513
	229.694	229.694	243.883	243.883
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	18.968	18.968	-	-
Liabilities stated at amortized cost				
Guaranteed bank loans	256.471	252.230	88.789	88.789
Issue of debt securities	144.261	158.170	106.106	106.106
Foreign exchange withdrawals	38.485	38.485	4.453	4.453
Suppliers and other accounts payable	18.971	18.971	14.636	14.636
	458.188	467.856	213.984	213.984

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted at the market interest rate calculated at the reporting date for the financial statements. The interest rates used to discount the estimated cash flows, when applicable, are based on forecast rates for the interbank certificates of deposits (CDI) at the balance sheet date.

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

23 Related parties

Remuneration of key management personnel

At September 30, 2011, remuneration paid to key management personnel, which included the Company's directors and management board, amounted to R$ 22.910 (R$ 20.748 at September 30, 2010), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Parent	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Remuneration and benefits of statutory directors and management board	12.743	12.127	12.743	11.258

Remuneration of key personnel	10.167	8.621	5.477	5.999
Total	22.910	20.748	18.220	17.257

The Company does not have remuneration benefit policies for key management personnel characterized as: post employment benefits, benefits from rescission of employment contract, share based remuneration or other long term benefits.

Operations of directors and key management personnel

The directors and key management personnel directly control 23,3% of the Company's voting capital.

Some of the key management personnel hold quotas in other entities, resulting in them having control or significant influence over the financial or operating policies of these companies. The pending balances with these related parties are evaluated based on market terms and are detailed below:

Transactions between related parties not eliminated on consolidation

In the consolidated financial statements at September 30, 2011 and December 31, 2010, the subsidiary Taurus Máquinas-Ferramenta Ltda. reported a balance receivable from Wotan Máquinas Ltda., for the amount of R$ 34.136.

Sureties between related parties

The loans and financing are guarantees by promissory notes, chattel mortgages over machinery and equipment, real estate mortgages and sureties from the directors. The sureties granted by the directors, the parent company and the sureties granted by the company to its subsidiaries and parent company are presented below:

Sureties from directors:

	30-09-2011	**31-12-2010**
Forjas Taurus S.A.	23.649	16.636

The Company provided sureties to its subsidiaries, as presented below:

Sureties to subsidiaries:

	30-09-2011	**31-12-2010**
Taurus Máquinas-Ferramenta Ltda.	22.159	31.256
Taurus Holdings, Inc.	60.850	42.533
	83.009	73.789

24 Capital and reserves (Parent)

Capital and reserves

Authorized shares (in thousands of shares)

	30-09-2011	31-12-2010
Ordinary shares	51.851	50.000
Preferred shares	103.702	100.000
	155.553	150.000

Shares issued and fully paid up

	Ordinary		Preferred	
	Number in thousands	R$ 000	Number in thousands	R$ 000
At December 31, 2010				
ON - R$ 5,50 - PN - R$ 4,10*	42.745	235.098	85.489	350.505
At September 30, 2011				
ON - R$ 1,91 - PN - R$ 1,79 *	47.138	90.034	94.275	168.752

* quotation for last transaction of shares on the date stated, multiplied by total shares existing on this date.

Legal reserve

This is registered at the rate of 5% of net profit earned each year, in accordance with the terms of art. 193 of law 6.404/76, up to a limit of 20% of capital.

Statutory reserve and profit retention

Reserve for investments – constituted to cover investments to be made in subsequent years, based on the capital budget.

Equity evaluation adjustments

The reserve for equity evaluation adjustments includes adjustments from adopting deemed cost for fixed assets at the transition date. The amounts registered to equity evaluation adjustments are reclassified partially or fully to profit or loss for the year, when the assets to which they refer are sold.

Accumulated conversion adjustments

Accumulated conversion adjustments include all of the foreign currency differences arising from conversion of the financial statements of foreign entities.

Earnings per share

The basic earnings per share were calculated based on the results for the period attributable to the Company's controlling and non controlling shareholders, to September 30, 2011, and the respective average number of ordinary shares in circulation during the period, compared with the period to September 30, 2010, as presented in the following table:

Date	History	Number of shares	Weighted average
31-12-2009	Opening balance for shares	106.861.800	106.861.800
30-04-2010	Increase in capital and number of shares – weighted average	21.372.360	8.958.825
30-09-2010	Closing balance for shares	128.234.160	115.820.625

Date	History	Number of shares	Weighted average
31-12-2010	Opening balance for shares	141.057.576	141.057.576
01-07-2011	Purchase of own shares (Note 2.b)	(9.965.702)	(2.484.600)
04-07-2011	Effect of share split (Note 2.b)	355.041	88.517
30-09-2011	Closing balance for shares	131.446.915	138.661.493

	30-09-2011	30-09-2010
Results for the period from ongoing operations	56.361	54.584
Net results from discontinued operations	(32.961)	(1.655)
Profit (loss) attributable to shareholders	23.400	52.929
Balance at the beginning of the period	141.057.576	106.861.800
Capital increase and increase in the number of shares – weighted average	-	8.958.825
Effect from purchasing own shares – weighted average	(2.484.600)	-
Effect from share split – weighted average	88.517	-
Weighted average shares	138.661.493	115.820.625
Basic and diluted earnings per share, in R$	0,1688	0,4570
Basic and diluted earnings per share from ongoing operations, in R$	0,4065	0,4713

Basic and diluted earnings per share are calculated based on the results for the period attributed to the Company's shareholders and the weighted average number of shares in circulation during the period. At September 30, 2011, the Company reported diluted earnings per share equal to the basic earnings per share, given that there are no financial instruments with share conversion rights and its ordinary shares do not have preference in profit sharing.

25 Operational income

	Consolidated		Parent	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Sales of products	525.992	520.179	322.579	370.943
Services rendered	2.619	2.510	91	37
Total income	528.611	522.689	322.670	370.980

The reconciliation between gross sales for tax purposes and income reported in the statements of income is presented below:

	Consolidated		Parent	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Gross tax income	528.611	522.689	322.670	370.980
Sales taxes	(81.775)	(81.248)	(41.159)	(45.513)
Returns and discounts	(3.146)	(1.979)	(3.052)	(1.601)
Total book income	443.690	439.462	278.459	323.866

26 Other operational expenses, net

	Consolidated		Parent	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Research and development	(2.305)	(1.947)	(2.305)	(1.947)
Cost of fixed assets sold	(1.319)	(336)	(1.291)	-
Amortization of intangible assets	(666)	(1.434)	(657)	(342)
Employee profit sharing	(874)	(5.559)	-	(4.200)
Other	(2.949)	(1.189)	(324)	(811)
	(8.113)	(10.465)	(4.577)	(7.300)
Other operational income	4.811	2.416	1.655	270
	(3.302)	(8.049)	(2.922)	(7.030)

27 Financial income and expenses

	Consolidated		Parent	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Financial expenses				
Interest	(30.804)	(25.918)	(23.267)	(15.227)
Capitalized interest on fixed assets	1.383	745	1.294	563
Exchange variations	(45.139)	(7.295)	(44.519)	(6.714)
IOF	(524)	(294)	(7)	(2)
Other expenses	(7.621)	(3.260)	(6.525)	(2.838)
Financial expenses from discontinued operations	6.364	5.540	-	-
	(76.341)	(30.482)	(73.024)	(24.218)
Financial income				
Interest	11.563	15.124	9.594	11.591
Exchange variations	8.324	10.848	7.926	10.398
Other income	18.216	3.032	17.348	1.688
Financial income from discontinued operations	(813)	(1.112)	-	-
	37.290	27.892	34.868	23.677
Net financial results	(39.051)	(2.590)	(38.156)	(541)

28 Income tax and social contribution expense

The reconciliation of the expense calculated using the combined tax rates and the income tax and social contribution expense debited to profit and loss is demonstrated below:

	Consolidated		Parent	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Book profit before income tax and social contribution	33.389	79.022	41.647	68.550
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution: at the combined tax rate	(11.352)	(26.867)	(14.160)	(23.307)
Permanent additions:				
Non deductible expenses	(98)	(662)	(91)	(654)
Permanent exclusions:				
Tax exempt income – equity in income	-	-	13.776	8.795
Other – Law 11.196/05	41	1.970	-	1.931
Interest on own capital	1.316	3.052	1.316	3.052
Tax loss recognized to assets (Note 13.b)	37.448	-	-	-
Other items	(4.364)	(1.908)	(234)	(3.619)
Income tax and social contribution on the results for the year	22.991	(24.415)	607	(13.802)
Composition of income tax and social contribution on the results for the year:				
Current	(11.602)	(29.711)	-	(15.556)
Deferred	34.593	5.296	607	1.754
	22.991	(24.415)	607	(13.802)
Effective rate	-68,86%	30,90%	-1,46%	20,13%

The subsidiary Polimetal Participações S.A., based on the expectation of generating future taxable profits, recognized tax credits arising from the tax losses and the negative social contribution base on net profit for the amount of R$ 37.448 thousand, for which there is no limitation period, with compensation limited to 30% of annual taxable profits.

29 Insurance coverage

The Company adopts the policy to contract insurance coverage for assets subject to risks for amounts considered sufficient to cover claims, considering the nature of its activities. The risk premises adopted, given their nature, are not part of the scope of an audit of the financial statements, consequently, they were not analyzed by our independent auditors.

At September 30, 2011, the Company's insurance coverage was as follows:

	30-09-2011	
	Consolidated	Parent
Material damage	160.759	103.796
Civil responsibility	7.480	7.480
Lost profits	3.100	-

30 Subsequent events

In order to complete its product segment obtained from the M.I.M method (*Metal Injection Molding*), the Company has been negotiating with Lupatech S.A., a Brazilian public stock company, located in the city of Caxias do Sul - RS, in order to define the basic conditions to purchase all of the quotas from its subsidiary Steelinject Injeção de Aços Ltda., which is also located in Caxias do Sul - RS. The conclusion of the anticipated purchase, to be made for the total price of R$ 14 million, is subordinated to a due diligence investigation at the limited company, and also has to be submitted by the Executive Directors for consideration by the Company's Management Board.

Comments on the behavior of business forecasts published for 3Q11

In the ITR 3Q11 published by the Company, management presented the consolidated Guidance for 3Q11. Presented below is a comparison with the performance reported for the quarter:

	Consolidated net income	**Consolidated EBITDA**	**Consolidated Investments**
Guidance	R$ 196,0 million	R$ 30,0 million	R$ 10,0 million
Actual	R$ 140,0 million	R$ 31,4 million	R$ 11,8 million

Consolidated net income in 3Q11 for the amount of R$ 140,0 million was below the guidance published, due mainly to the following factors: (i) Sales income from the subsidiary Taurus Máquinas-Ferramenta Ltda. was not consolidated (as reported in Note 8) which was included in the Guidance*; and (*ii) market demand below that forecast by the Company.
With respect to the other indices, the actual figures reported in the quarter were consistent with those forecast by the Company.

REPORT ON REVIEW OF QUARTERLY INFORMATION

To the Management Board and Shareholders
Forjas Taurus S.A.
Porto Alegre – Rio Grande do Sul

Introduction

We have revised the individual and consolidated interim financial statements of Forjas Taurus S.A., included in the Quarterly Information Forms, for the quarter ended September 30, 2011, which include the balance sheet at September 30, 2011, and the related statements of income, comprehensive income for the three months and nine months then ended, and the statements of changes in shareholders' equity and cash flows for the three months and nine months then ended, including a summary of the significant accounting policies and other notes to the financial statements.

Management is responsible for preparing the individual financial statements in accordance with Technical Pronouncement CPC 21 - Interim Statements and the consolidated interim financial statements in accordance with Technical Pronouncement CPC 21and the international standard IAS 34 – *Interim Financial Reporting*, issued by the *International Accounting Standards Board* – IASB, and for presenting this information in a manner consistent with the norms issued by the Securities Commission, applicable for preparing Quarterly Information . Our responsibility is to express a conclusion on these interim financial statements based on our review.

Extent of our review

We performed our review in accordance with Brazilian and international standards for reviewing interim information (NBC TR 2410 – Review of Interim Information Performed by the Entity's Auditors and ISRE 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, respectively). A review of interim information consists of making enquiries, mainly of persons responsible for financial and accounting issues and applying analytical procedures and other review procedures. The extent of our review is significantly less than that for an audit undertaken in accordance with auditing standards and consequently, did not enable us to obtain assurance that we were informed of all of the significant issues that could be identified during an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual interim financial statements

Based on our review, we are not aware of any fact that leads us to understand that the aforementioned individual interim financial statements included in the Quarterly Information referred to above were not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Quarterly Information – ITR and presented in a manner consistent with the norms issued by the Securities Commission.

Conclusion on the consolidated interim financial statements

Based on our review, we are not aware of any fact that leads us to understand that the aforementioned consolidated interim financial statements included in the Quarterly Information referred to above were not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Quarterly Information and presented in a manner consistent with the norms issued by the Securities Commission.

Other issues

Interim statements of added value

We also reviewed the individual and consolidated interim statements of added value, for the three months and nine months ended September 30, 2011, which are management's responsibility and presentation of which, in the interim statements, is required according to the norms issued by the Securities Commission (CVM), applicable for preparing Quarterly Information and considered supplementary information by the IFRS, which do not require a statement of added value to be reported. These statements were subject to the same review procedures described previously, and based on our review, we are not aware of any fact that leads us to understand that they were not prepared, in all material respects, in accordance with the interim individual and consolidated statements taken as a whole.

Porto Alegre, November 11, 2011.

KPMG Auditores Independentes
CRC 2SP014428/F-RS

Cristiano Jardim Seguecio
Accountant CRC SP244525/O-9-T-RS