Deloitte Touche Tohmatsu
Auditores Independentes
Rua Dona Francisca, 260 – 15º andar
Joinville – SC – 89201-250
Brasil

Tel: + 55 (47) 3025-5155
Fax: + 55 (47) 3025-5155
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Management and Shareholders of
Tupy S.A.
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Tupy S.A. ("Company"), included in the Interim Financial Information (ITR) form for the six months ended June 30, 2011, which comprise the balance sheets and the statements of income, statements of changes in equity and statements of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the individual interim financial information, in accordance with Technical Pronouncement CPC 21 - Interim Financial Reporting, and of the consolidated interim financial information, in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM), which are applicable to the preparation of the Interim Financial Information (ITR). Our responsibility is to express an opinion on these interim financial information based on our review.

Scope of the review

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

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Other matters

Interim financial statements of value added

We have also reviewed the individual and consolidated interim statements of value added (DVA) for the six months ended June 30, 2011, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for IFRS that does not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

Joinville, August 11, 2011

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Wagner Promenzio
Engagement Partner

MANAGEMENT REPORT

This report must be analyzed together with the **Interim Financial Statements**.

HIGHLIGHTS FOR THE PERIOD (2Q11 over the same quarter of last year)

- **Operating Revenue** of R$537.0 million, up 15%;
- **Profit after Financial Income (Expenses)** of R$71.2 million, 15% higher;
- **Net Profit** of R$41.1 million, accounting for 8% of the operating revenue and an 18% growth;
- **Adjusted EBITDA** of R$84.4 million, an 11% growth;
- **Net cash provided by operating activities** of R$33.2 million against R$61.9 million, a reduction of 46%;
- **Cash and Cash Equivalents** of R$479.4 million.
- **Net Debt** of R$319.9 million.

	Consolidated (in thousands of Brazilian reais)					
SUMMARY OF RESULTS	2nd QUARTER 2011	2nd QUARTER 2011	Variation	1st SEMESTER 2011	1st SEMESTER 2010	Variation
Operating revenue	**537,008**	**467,367**	**15%**	**1,047,671**	**874,933**	**20%**
Domestic market	293,950	268,365	10%	579,742	503,402	15%
Foreign market	243,058	199,002	22%	467,929	371,531	26%
Cost of sales and expenses	(471,652)	(408,616)	15%	(924,060)	(762,529)	21%
Profit before financial income	65,356	58,751	11%	123,611	112,404	10%
% of operating revenue	**12%**	**13%**		**12%**	**13%**	
Financial (expenses) income, net	5,867	3,316	77%	13,140	1,527	761%
Profit after financial income (expenses)	71,223	62,067	15%	136,751	113,931	20%
% of operating revenue	**13%**	**13%**		**13%**	**13%**	
Other operating income (expenses)	(7,461)	(5,934)	26%	(12,409)	(11,399)	9%
Profit before taxes	63,762	56,133	14%	124,342	102,532	21%
% of operating revenue	**12%**	**12%**		**12%**	**12%**	
Income tax end social contribution	(22,637)	(21,399)	6%	(42,938)	(38,486)	12%
Profit for the period	41,125	34,734	18%	81,404	64,046	27%
% of operating revenue	**8%**	**7%**		**8%**	**7%**	

MANAGEMENT'S COMMENTS ON THE PERFORMANCE

The second quarter of 2011 closed with a 15% increase in Operating Revenue, with the same rate being posted for Cost of Sales and Operating Expenses when compared to the same quarter of last year. Highlights are summarized below:

Operating Revenue:

- Sales volume grew by 8%;

- Prices were adjusted to pass on inflation costs, especially for metal inputs;
- Appreciation of the Brazilian real compared to the same period of 2010 (average rate of R$/US$1.57 against R$/US$1.78), which adversely impacted sales to the foreign market.

Costs of Sales and Operating Expenses:

- Sales volume grew by 8%;
- Inflation costs of inputs and electric power;
- Salary adjustment;
- Lower productivity due to a more intensive use of less efficient assets and due to the use of other assets beyond the ideal capacity, making it difficult to better schedule production and distribution.

Improvements in productivity are expected when the Company's expansion investments are placed into operation.

Considering the effects above, profit before financial income (expenses) recorded R$65.4 million, 12% of the operating revenue, against R$58.7 million recorded in the same period of 2010, accounting for 13% of the operating revenue for that period. In absolute values, there was an 11% growth.

Net financial income (expenses) of R$5.9 million (positive) over R$3.3 million in the same period of 2010 arises from income on short-term investments made using cash and cash equivalents, as the balance of cash in excess this year is greater than that recorded in the first half of prior year.

Net profit in the quarter was R$41.1 million, against R$37.7 million in the same period of previous year, representing a growth of 18% and a margin of 8% of the operating revenue. A margin of 7% was posted in the same period of 2010.

Adjusted EBITDA

	Consolidated (in thousands of Brazilian reais)					
RECONCILIATION OF NET INCOME TO EBITDA	2nd QUARTER 2011	2nd QUARTER 2011	Variation	1st SEMESTER 2011	1st SEMESTER 2010	Variation
Profit for the period	41,125	34,734	18%	81,404	64,046	27%
(-) Financial (expenses) income, net	5,867	3,316	77%	13,140	1,527	761%
(+) Income tax end social contribution	22,637	21,399	6%	42,938	38,486	12%
(+) Depreciation and amortization	19,545	17,905	9%	39,057	35,577	10%
= EBITDA (methodology as law 01/07 CVM - marlket regulator)	77,440	70,722	9%	150,259	136,582	10%
EBITDA Margin	**14%**	**15%**		**14%**	**16%**	
(+) Other operating income (expenses) *(except depreciation of non-operating assets)*	7,017	5,667	24%	11,513	10,795	7%
= EBITDA Adjusted	**84,457**	**76,389**	**11%**	**161,772**	**147,377**	**10%**
EBITDA Adjusted Margin	**16%**	**16%**		**15%**	**17%**	

MANAGEMENT'S COMMENTS ON THE EBITDA

2Q11 adjusted EBITDA totaled R$84.5 million, 11% up year on year.

The main reasons for such adjusted EBITDA are the same as those already mentioned for changes in the results.

Adjusted EBITDA: Net income plus income tax and social contribution, financial income (expenses), depreciation and amortization and adjusted by the addition of the other operating expenses or subtraction of the other net operating revenues.

CASH FLOW

	Consolidated (in thousands of Brazilian reais)					
CASH FLOW SUMMARY	2nd QUARTER 2011	2nd QUARTER 2011	Variation	1st SEMESTER 2011	1st SEMESTER 2010	Variation
Cash and cash equivalents for the period ended	**479,375**	**336,929**	**42%**	**479,375**	**336,929**	**42%**
Cash flows from investing activities:	33,186	61,957	-46%	112,030	128,133	-13%
Cash flows from financing activities:	(60,155)	(30,171)	99%	(104,850)	(64,920)	62%
Effect of exchanges differences on cash for the year	(81,570)	(122,822)	-34%	(104,534)	(172,371)	-39%
Increase in cash and cash equivalents	(1,879)	1,433	-231%	(1,637)	8,847	-119%
Cash and cash equivalents at end of year	(110,418)	(89,603)	23%	(98,991)	(100,311)	-1%

MANAGEMENT's COMMENTS ON CASH FLOWS

The Company closed the second quarter of 2011 with a cash balance of R$479.4 million, down R$110.4 million from the previous quarter. The main reasons for the reduction are in the cash flows provided by the operating activities versus the cash flows used in investing and financing activities, as follows:

The cash flows provided by the operating activities impacted by the payment of 2010 profit sharing to employees and directors made in the second quarter of 2011, as may be seen from changes in "Payroll, related taxes and profit sharing", under "Changes in operating assets and liabilities". The operating activities generated R$33.2 million, 46% less than in the second quarter of 2010.

The amount of $60.2 million was used in investing activities, which comprise capacity expansion (R$26.1 million), maintenance of the operating capacity (R$29.1 million) and environment (R$5.0 million). The amount of R$81.6 million was allocated to financing activities, especially repayment of borrowings and financing (R$19.1 million) and payment of dividends (R$62.5 million).

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT JUNE 30, 2011 AND DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

A S S E T S

		Company		Consolidated	
	Note	06/30/11	12/31/10	06/30/11	12/31/10
CURRENT ASSETS					
Cash and cash equivalents	3	459,825	558,168	479,375	578,366
Trade receivables, net	5	222,782	200,615	238,037	214,737
Inventories	6	166,307	172,663	194,853	201,196
Third-party tools		38,445	30,259	38,445	30,259
Recoverable taxes	7	39,494	18,433	44,381	23,758
Notes and other receivables		23,626	18,045	28,454	18,945
Held-for-sale assets	11	-	-	4,574	4,574
Total current assets		950,479	998,183	1,028,119	1,071,835
NONCURRENT ASSETS					
Long-term cash investments	4	22,803	19,963	22,803	19,963
Recoverable taxes	7	163,209	190,215	164,963	192,213
Deferred income tax and social contribution	8	72,263	82,747	74,129	85,229
Eletrobrás receivables	10	93,983	90,284	93,983	90,284
Escrow and other deposits		3,000	2,961	3,760	3,626
Investments:					
Subsidiaries	12	78,350	75,686	-	-
Other investments	12	582	582	944	922
Property, plant and equipment	13	1,020,379	955,870	1,025,877	961,249
Total noncurrent assets		1,454,569	1,418,308	1,386,459	1,353,486
Total assets		2,405,048	2,416,491	2,414,578	2,425,321

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT JUNE 30, 2011 AND DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	06/30/11	12/31/10	06/30/11	12/31/10
CURRENT LIABILITIES					
Trade payables		150,691	119,276	153,036	121,291
Borrowings and financing	14	71,548	75,718	71,548	75,718
Taxes and payroll taxes in installments	15	11,552	11,193	11,552	11,193
Taxes payable		7,611	2,454	8,165	2,963
Payroll, related taxes and profit sharing	16	74,205	89,901	74,585	90,687
Advances from customers		31,472	38,946	44,634	56,015
Dividends and interests on capital		129	42,933	129	42,933
Notes and other payables		28,810	32,098	26,850	25,248
Total current liabilities		376,018	412,519	390,499	426,048
NONCURRENT LIABILITIES					
Borrowings and financing	14	727,721	762,599	727,721	762,599
Taxes and payroll taxes in installments	15	9,764	14,372	9,764	14,372
Subsidiaries and associates	9	5,559	5,728	-	-
Provisions for tax, civil, social security, and labor contingencies	17	157,406	150,903	158,014	151,932
Deferred taxes on revaluation reserves	8	97,187	97,138	97,187	97,138
Other noncurrent liabilities		1,236	2,473	1,236	2,473
Total noncurrent liabilities		998,873	1,033,213	993,922	1,028,514
EQUITY					
Capital	18	398,395	398,395	398,395	398,395
Valuation adjustments to equity	18	139,239	148,490	139,239	148,490
Earnings reserve		401,868	423,874	401,868	423,874
Retained earnings		90,655	-	90,655	-
Total equity		1,030,157	970,759	1,030,157	970,759
Total liabilities and equity		2,405,048	2,416,491	2,414,578	2,425,321

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

INCOME STATEMENT
FOR THE QUARTERS ENDED JUNE 30, 2011 AND 2010
(In thousands of Brazilian reais - R$, except earnings per share)

		Company		Consolidated	
	Note	04/01/11 06/30/11	04/01/10 06/30/10	04/01/11 06/30/11	04/01/10 06/30/10
OPERATING REVENUE	19	531,229	459,703	537,008	467,367
Cost of sales	20	(435,533)	(373,489)	(432,663)	(371,782)
GROSS PROFIT		95,696	86,214	104,345	95,585
Selling expenses	20	(21,979)	(19,510)	(25,626)	(23,228)
Administrative expenses	20	(12,218)	(10,492)	(12,890)	(11,131)
Management compensation		(473)	(2,475)	(473)	(2,475)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES), EQUITY IN SUBSIDIARIES, AND TAXATION		61,026	53,737	65,356	58,751
Financial expenses	21	(9,556)	(8,989)	(9,864)	(10,049)
Financial income	21	18,281	9,780	18,302	10,892
Inflation adjustment and exchange differences, net	21	379	4,080	(2,571)	2,473
PROFIT AFTER FINANCIAL INCOME (EXPENSES)		70,130	58,608	71,223	62,067
Equity in subsidiaries		(34)	(1,676)	-	-
Other operating income (expenses)	22	(7,472)	(2,795)	(7,461)	(5,934)
OPERATING PROFIT		62,624	54,137	63,762	56,133
Income tax and social contribution	23	(21,499)	(19,403)	(22,637)	(21,399)
PROFIT FOR THE YEAR		41,125	34,734	41,125	34,734
EARNINGS PER SHARE					
Basic and diluted earnings per share	24	0.7197	0.6079		

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In thousands of Brazilian reais - R$, except earnings per share)

		Company		Consolidated	
	Note	06/30/11	06/30/10	06/30/11	06/30/10
OPERATING REVENUE	19	1,027,890	855,585	1,047,671	874,933
Cost of sales	20	(836,579)	(695,607)	(838,195)	(696,518)
GROSS PROFIT		191,311	159,978	209,476	178,415
Selling expenses	20	(50,687)	(34,918)	(59,471)	(41,735)
Administrative expenses	20	(23,191)	(19,495)	(24,584)	(20,883)
Management compensation	9	(1,810)	(3,393)	(1,810)	(3,393)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES), EQUITY IN SUBSIDIARIES, AND TAXATION		115,623	102,172	123,611	112,404
Financial expenses	21	(19,210)	(18,697)	(20,359)	(20,512)
Financial income	21	33,347	18,992	33,360	20,923
Inflation adjustment and exchange differences, ne	21	3,516	3,700	139	1,116
PROFIT AFTER FINANCIAL INCOME (EXPENSES)		133,276	106,167	136,751	113,931
Equity in subsidiaries	12	2,664	(2,057)	-	-
Other operating income (expenses)	22	(13,574)	(4,961)	(12,409)	(11,399)
OPERATING PROFIT		122,366	99,149	124,342	102,532
Income tax and social contribution	23	(40,962)	(35,103)	(42,938)	(38,486)
PROFIT FOR THE YEAR		81,404	64,046	81,404	64,046
EARNINGS PER SHARE					
Basic and diluted earnings per share	24	1.4247	1.1209		

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
Cash flows from operating activities:	Note	06/30/11	06/30/10	06/30/11	06/30/10
Profit for the year		122,366	99,149	124,342	102,532
Adjustments to reconcile profit for the year with cash provided by operating activities					
Depreciation and amortization	13	38,994	35,485	39,057	35,577
Equity in subsidiaries	12	(2,664)	2,057	-	-
Gain (loss) on sale of forestry assets		-	-	-	(35)
Write-off fixed asset	13	1,133	-	1,147	-
Accrued interest and exchange differences		17,293	21,130	16,795	24,845
Allowance for doubtful accounts	5	821	263	821	263
Provision for invetory losses	6	(1,111)	-	(1,111)	-
Provisions for tax, civil, social security, and labor contingencies	17	(1,479)	(1,119)	(1,900)	(1,130)
Other noncurrent liabilities		(1,237)	(207)	(1,237)	(207)
		174,116	156,758	177,914	161,845
Changes in operating assets and liabilities:					
Trade receivables		(22,988)	(68,351)	(24,121)	(69,682)
Inventories		7,467	(3,834)	7,454	(3,403)
Customers' tools		(8,186)	454	(8,186)	454
Recoverable taxes		8,001	21,861	8,683	22,865
Notes and other receivables		(5,581)	(3,004)	(9,509)	(2,610)
Escrow and other deposits		(33)	-	(33)	-
Trade payables		31,415	35,995	31,745	35,695
Taxes payable		5,157	1,466	5,202	2,772
Payroll, related taxes and profit sharing		(15,696)	28,428	(16,102)	28,335
Advances from customers		(7,474)	(3,412)	(11,381)	(6,287)
Notes and other payables		(3,288)	(1,352)	1,602	2,817
Interest paid		(19,449)	(13,475)	(19,449)	(13,475)
Income tax and social contribution paid		(30,429)	(26,552)	(31,789)	(31,193)
		(61,084)	(31,776)	(65,884)	(33,712)
Net cash provided by operating activities		113,032	124,982	112,030	128,133
Cash flows from investing activities:					
Increase in property and equipment	13	(104,636)	(64,848)	(104,850)	(64,920)
Net cash used in investing activities		(104,636)	(64,848)	(104,850)	(64,920)
Cash flows from financing activities:					
Repayment of borrowings and financing		(43,868)	(56,001)	(43,868)	(56,001)
Amortization of taxes in installments		(4,669)	(58,085)	(4,669)	(58,085)
New borrowings and financing		11,653	8,564	11,653	8,564
Subsidiaries and associates		(199)	379	-	-
Interest on capital and dividends paid		(64,810)	(64,889)	(64,810)	(64,889)
Long-term cash investments	4	(2,840)	(1,960)	(2,840)	(1,960)
Net cash provided by financing activities		(104,733)	(171,992)	(104,534)	(172,371)
Effect of exchanges differences on cash for the year		(2,006)	6,457	(1,637)	8,847
Increase in cash and cash equivalents		(98,343)	(105,401)	(98,991)	(100,311)
Cash and cash equivalents at beginning of year		558,168	408,578	578,366	437,240
Cash and cash equivalents at end of year		459,825	303,177	479,375	336,929

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
(In thousands of Brazilian reais - R$)

			Earnings reserves				
	Capital	Valuation adjustments to equity	Legal reserve	Investment reserve	Proposed additional dividends	Retained earnings	Total
BALANCE AT DECEMBER 31, 2009	**398,395**	**164,160**	**19,562**	**277,144**	**22,348**	**-**	**881,609**
Profit for the year	-	-	-	-	-	64,046	64,046
Realization of valuation adjustments to equity	-	(8,900)	-	-	-	8,900	-
Approval of additional dividends of 2009	-	-	-	-	(22,348)	-	(22,348)
BALANCE AT JUNE 30, 2010	**398,395**	**155,260**	**19,562**	**277,144**	**-**	**72,946**	**923,307**
BALANCE AT DECEMBER 31, 2010	**398,395**	**148,490**	**27,284**	**374,584**	**22,006**	**-**	**970,759**
Profit for the year	-	-	-	-	-	81,404	81,404
Realization of valuation adjustments to equity	-	(9,251)	-	-	-	9,251	-
Approval of additional dividends of 2010	-	-	-	-	(22,006)	-	(22,006)
BALANCE AT JUNE 30, 2011	**398,395**	**139,239**	**27,284**	**374,584**	**-**	**90,655**	**1,030,157**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE PERIODS ENDED JUNE 30, 2011 AND 2010
(Em milhares de reais)

		Company		Consolidated	
	Note	06/30/11	06/30/10	06/30/11	06/30/10
Creation of wealth		1,179,318	987,501	1,199,112	1,006,915
Product sales less returns and discounts	19	1,180,139	987,764	1,199,933	1,007,178
Allowance for doubtful accounts	5	(821)	(263)	(821)	(263)
(-) Inputs purchased from third parties		750,221	622,918	758,131	635,637
Raw and processing materials consumed		568,310	489,075	569,518	485,386
Supplies, power, outside services and other		181,911	133,843	188,613	150,251
GROSS VALUE ADDED		429,097	364,583	440,981	371,278
Retentions:		38,994	35,485	39,057	35,577
Depreciation and amortization	13	38,994	35,485	39,057	35,577
Wealth created		390,103	329,098	401,924	335,701
Wealth received in transfer		36,011	16,935	33,360	20,923
Equity in subsidiaries	12	2,664	(2,057)	-	-
Financial income	21	33,347	18,992	33,360	20,923
WEALTH FOR DISTRIBUTION		**426,114**	**346,033**	**435,284**	**356,624**
Distribution of value added					
Personnel		200,709	173,987	203,194	176,442
Employees		156,934	123,666	159,136	125,795
Payroll taxes - Severance Pay Fund (FGTS)		14,301	11,557	14,301	11,557
Profit sharing		-	13,385	-	13,385
Management compensation		1,810	3,393	1,810	3,393
Occupational health and safety		19,379	15,768	19,379	15,768
Meals		5,521	4,180	5,521	4,180
Education, training and professional development		880	469	890	490
Other		1,884	1,569	2,157	1,874
Government		128,307	93,003	130,466	96,740
Federal taxes and fees		109,661	86,731	111,722	90,280
State taxes		17,201	5,436	17,201	5,436
Municipal and other taxes		1,445	836	1,543	1,024
Lenders and lessors		15,694	14,997	20,220	19,396
Financial expenses	21	19,210	18,697	20,359	20,512
Inflation adjustment and exchange differences, net	21	(3,516)	(3,700)	(139)	(1,116)
Shareholders		81,404	64,046	81,404	64,046
Retained earnings		81,404	64,046	81,404	64,046
TOTAL WEALTH		**426,114**	**346,033**	**435,284**	**356,624**

1. GENERAL INFORMATION

Tupy S.A. ("Tupy" or "Company") is a corporation established in Brazil, with manufacturing plants in Joinville, Santa Catarina State, and Mauá, São Paulo State. Tupy holds a solid position in the domestic and foreign foundry markets as the second largest independent foundry of cast iron engine blocks and cylinder heads and the largest in Latin America. It has a diversified customer base in the Americas, Europe, and is engaged in the manufacturing of automotive and industrial products. (Note 26)

In addition to its plants, the Company has the following wholly-owned subsidiaries:

- Tupy American Foundry Co., located in the United States, and Tupy Europe GmbH, headquartered in Germany, which operate as an extension of the automotive operations in Brazil, and are engaged in logistics, the sale of and provision of technical assistance for automotive products sold to customers in North America and Europe;

- Tupy American Iron & Alloys Co., located in the United States, and Tupy Argentina S.R.L., headquartered in Argentina, which operate as an extension of the operations in Brazil, and are engaged in logistics, the sale of and provision of technical assistance for automotive products sold to customers in North America and Argentina;

- Tupy Agroenergética Ltda., Brazilian company located in Joinville, Santa Catarina, operating in the reforestation segment, originally established to provide alternative sources of energy and whose assets are currently being sold;

- Sociedade Técnica de Fundições Gerais S.A. – Sofunge, "under liquidation".

2. PRESENTATION AND PREPARATION OF INTERIM FINANCIAL STATEMENTS

The Company's interim financial statements comprise:

- The parent company's individual interim financial statements identified as Company, which were prepared and are presented in accordance with Technical Pronouncement CPC 21 – Interim Financial Reporting, pursuant to the terms of the Brazilian Corporation Law as well as the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Statements (ITR) and incorporate the amendments brought by Laws 11638/07 and 11941/09; and

- The consolidated interim financial statements indentified as Consolidated, prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and CPC 21 – Interim Financial Reporting, and presented in conformity with the standards issued by the CVM.

The individual interim financial statements present the valuation of investments in subsidiaries by the equity method of accounting, pursuant to prevailing Brazilian statutes. Accordingly, these individual interim financial statements are not considered as in accordance with IFRSs, which require the measurement of such investments in separate interim financial statements of the parent, at their fair values or at cost.

As there is no difference between the consolidated equity and the consolidated profit attributable to the owners of the Company, disclosed in the consolidated interim financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the Company's equity and profit disclosed in the individual interim financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these individual and consolidated interim financial statements in a single set, side by side.

2.1. Basis of preparation and functional and reporting currency

The interim financial statements have been prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

The functional currency of the Company and its subsidiaries is the Brazilian real (R$), which is also the currency used in the preparation and reporting of the Company's individual and consolidated interim financial information.

2.2. Use of estimates and judgment

The preparation of individual and consolidated interim financial statements pursuant to IFRSs and the accounting practices adopted in Brazil requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and assumptions are reviewed at the end of each annual reporting period. Revised accounting estimates are recognized in the period in which estimates are reviewed and in any affected future periods.

Information on assumptions and estimates with a significant risk of resulting in a material adjustment in the following year is disclosed in the notes Deferred income tax and social contribution (note 08), Provisions for tax, civil, social security and labor contingencies (note 17), and Financial instruments (note 27).

2.3. Significant accounting polices

The accounting policies described in detail below have been consistently applied in all the periods presented in these individual and consolidated interim financial statements, just as they were applied to the individual and consolidated Financial Statements as of December 31, 2010.

a. Basis of consolidation

Subsidiaries

The consolidated interim financial statements incorporate the interim financial statements of the subsidiaries. The accounting policies of the subsidiaries are aligned with the policies used by the Company.

Interim financial information on subsidiaries and is recognized in the individual interim financial statements of the Company by the equity method of accounting.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Unrealized gains or losses arising from transactions with subsidiaries, recognized by the equity method, are eliminated against the investment to the extent of the Company's interest in the subsidiary.

b. Foreign currency

Foreign currency transactions

Foreign currency-denominated transactions are translated into the Company's functional currency at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, assets and liabilities denominated and determine in foreign currencies are translated into the functional currency at the rates prevailing at that date. Exchange differences are recognized in profit or loss in the period in which they arise.

Foreign subsidiaries' operations

The balance sheet and income and expense information of subsidiaries that use functional currencies other than the Company's functional currency are translated into the presentation currency, the Brazilian real (R$), as follows:

- Assets and liabilities are translated into Brazilian reais (R$) using exchange rates prevailing at the end of the reporting period;
- Income and expense from foreign operations are translated into Brazilian reais (R$) at the average monthly exchange rates; and

- As these subsidiaries do not have their own management bodies or administrative autonomy, do not enter into own transactions, and, in substance, operate as an extension of the Company, the exchange effects on investments in subsidiaries are recognized in profit for the year.

c. Financial instruments

Financial assets and financial liabilities are recognized when the Company is a party to the underlying contract.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair values of financial assets and financial liabilities after their initial recognition, if applicable, and are immediately recognized in profit or loss.

When the Company has the legal right of offset amounts and the intent to settle them on a net basis or simultaneously realize the asset and settle the liability, the Company can present the net amount in the balance sheet. (Note 27)

Derivative financial instruments

The Company has financial instruments to hedge against fluctuations in foreign currencies.

These instruments are recognized at fair value and respective transaction costs are recorded in the statement of income as incurred.

Financial assets

The Company recognizes loans, receivables, and deposits initially at the date they were originated. All other financial assets are initially recognized on trade date when the Company becomes a party to the underlying contract.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Company has the following financial assets: cash and cash equivalents, held-to-maturity investments, trade receivables, and other.

Cash and cash equivalents

Consist of bank accounts, short-term investments in Brazil and abroad, and highly-liquid securities redeemable within 90 days or less from the investment date, subject to an immaterial risk of change in value. (Note 3)

Short-term investments

Held-to-maturity short-term investments are measured at the amortized cost plus interest, exchange differences, less impairment losses, when applicable, incurred through the end of the reporting period. (Note 4)

Trade receivables

Carried amortized cost, less impairment losses. Accounts receivable from foreign customers are adjusted based on exchange rates in effect at the end of the reporting period.
The allowance for doubtful accounts is recognized based on the aging of past-due receivables, in an amount considered sufficient to cover possible losses on trade receivables. (Note 5)

Financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities at the date they are originated. All other financial liabilities are initially recognized on trade date when the Company becomes a party to the underlying contract. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or settled.

The Company has the following financial liabilities: borrowings and financing, trade payables, and other.

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

Borrowings and financing

Initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts borrowed (less transaction costs) and the settlement amount is recognized in the income statement during the period the borrowings remain outstanding, using the effective interest rate method. (Note 14)

d. Inventories

Carried at average acquisition and/or production cost, by the full manufacturing costs absorption method, less an allowance for impairment losses, where applicable. The analysis for the recognition of the allowance takes into account applicability, recovery ability, and indications of obsolescence.

Inventory costs include the expenses incurred on the purchase of inputs, transportation to their current location, and all direct and indirect fixed and variable production costs required to transform inputs into finished, saleable products.
Inventory costs do not exceed the lower of the cost and the net realizable value.

The net realizable value is the sale price estimated in the normal course of business less selling expenses. (Note 6)

e. Third-party tools

Refer to tools used in production to complete contracts with customers. They are carried at average acquisition or production cost, less an allowance for adjustment to probable realizable values, where applicable. When completed, the tools are billed to customers and remain in the Company under free-lease agreements, to be used in the production process.

f. Income tax and social contribution

Income tax and social contribution expenses represent the sum of the taxes currently payable and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they are related to items recognized directly in equity or other comprehensive income. (Note 8 and 23)

Current taxes

The provision for income tax and social contribution is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income and social contribution taxes is calculated separately for each Group company based on the tax rates prevailing at the end of the reporting period.

Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the interim financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured are the tax rates expected to be applied on temporary differences when reversed, based on the statutory tax rates that have been enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same entity subject to taxation.

A deferred income tax and social contribution asset is recognized for all unutilized deductible tax losses, tax credits, and temporary differences to the extent that it is probable that taxable profits will be available against which those tax losses, tax credits, and deductible temporary differences can be utilized.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

g. Assets held for sale

Assets are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. (Note 11)

h. Investments

The Company fully consolidated the interim financial statements of Tupy S.A. and all its subsidiaries. There is control when the Company holds, directly or indirectly, most of the voting rights at the Shareholders' Meeting or has the power to determine the financial and operational policies, to obtain benefits from its activities.

Investments in subsidiaries are measured by the equity method and any gains not realized by the end of the reporting period are eliminated. Other investments are carried at acquisition cost less an allowance for adjustment to probable realizable value, where applicable. (Note 12)

i. Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are measured are the historical acquisition or construction cost, less accumulated depreciation and, where applicable, accumulated impairment losses. (Note 13)

Historical cost includes expenditures directly attributable to the installation of assets. The cost of assets built by the Company includes supplies, labor, and any other costs required to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Both include borrowing costs incurred during the installation or construction of the related qualifying assets.

Depreciation

Depreciation is calculated using the cost of an asset and recognized in profit or loss based on the estimated useful life of each asset or portions of each asset, using the straight-line method, as this method is more representative of the time pattern in which economic benefits from the asset are consumed.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company as they refer to the financing of property, plant and equipment items. On initial recognition, a leased asset is measured at the lower of its fair value or the present value of the minimum lease payments. After initial recognition, a leased asset is carried according to the accounting policy applicable to property, plant and equipment.

j. Allowance for impairment of assets

At the end of the reporting period, the Company tests its assets to identify any evidences that their carrying amounts exceed to the amounts be recovered through use or sale. If such evidences are identified, the Company estimates the asset's recoverable amount.

The recoverable amount of an asset is the higher of: (a) its fair value less costs to sell; and (ii) its value in use. The value in use is equivalent to discounted cash flows (before taxes) arising from the continuous use of the asset up to the end of its useful life.

When the residual carrying amount of an asset exceeds its recoverable amount, the Company recognizes an impairment in profit or loss.

k. Payroll, related taxes and profit sharing

Obligations to employees and related taxes are measured when incurred, and are recognized as expenses as services are provided.

Liabilities related to the short-term profit sharing plan are recognized at the estimated amount to be disbursed by the Company. (Note 16)

l. Advances from customers

Refer to advances of funds to build the tools that will be used in the production process. Advances from customers are carried at the contractual amounts and adjusted for exchange differences where applicable, and settle as revenue from the related transaction inflows into the Company.

m. Provisions for tax, civil, social security, and labor contingencies

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a disbursement will be required to settle the obligation. It is recognized in an amount considered by management as sufficient to cover probable losses and adjusted for inflation through the end of the reporting period, based on the nature of each contingency and on the opinion of the Company's internal and outside legal counsel. (Note 17)

n. Sales revenue

Sales revenue is recognized net of related taxes and discounts. Taxes on sales are recognized when sales are billed and discounts are recognized when granted. Revenue from sales of goods is recognized when the sales amount can be measured reliably, the Company no longer controls the goods sold or has any other responsibility related to the ownership of the goods, costs incurred or to be incurred in respect of the transaction can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the Company has transferred to the buyer all the risks and rewards of ownership of the goods. (Note 19)

o. Basic and diluted earnings per share

Basic earnings per share are calculated using profit for the year attributable to Company shareholders divided by the weighted average number of common and preferred shares outstanding in the year.

Diluted earnings per share are calculated using said weighted average number of outstanding shares adjusted by potentially dilutive convertible instruments, if any. (Note 24)

p. Statements of value added ("DVA")

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual interim financial statements, and as additional disclosure of the consolidated interim financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the interim financial statements and pursuant to the provisions of CPC 09 *Statement of Value Added*. The first part of this statement presents the wealth created by the Company, represented by revenue (gross sales revenue, including taxes levied thereon, other income, and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchase of materials, electric power, and outside services, including taxes levied at the time of the acquisition, the effects of impairment losses, and depreciation and amortization), and the wealth received from third parties (equity in subsidiaries, financial income, and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

q. New standards and interpretations issued and not yet effective

Several standards and IFRS interpretations issued by the IASB have not yet become effective for the period ended June 30, 2011, and may be applicable to the Company, as follows:

- IFRS 7 (review) – "Financial Instruments – Disclosures": effective for fiscal years beginning on July 1, 2011.
- IFRS 9 *Financial Instruments*: effective for fiscal years beginning on or after January 1, 2013.
- IFRS 10 – "Consolidated Financial Statements": effective for fiscal years beginning on January 1, 2013.
- IFRS 12 – "Disclosure of Interests in Other Entities" – effective for fiscal years beginning on January 1, 2013.
- IFRS 13 – "Fair Value Measurement": effective for fiscal years beginning on January 1, 2013.
- Annual improvement to IFRS of May 2010. In May, 2010, IASB issued a review of standards IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13. The amendments to standards IFRS 3 and IAS 27 are effective for fiscal years beginning on or after July 1, 2010. The other amendments to the standards are effective for fiscal years beginning after January 1, 2011.

The CPC has not yet issued any pronouncements equivalent to the IFRSs above, but it is expected that such pronouncements will be issued before the IFRSs' effective date. Early adoption of IFRSs is contingent to their approval by the Brazilian Securities and Exchange Commission.

The Company did not estimate the extent of the impact of these new standards on its interim financial statements.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
CASH AND CASH EQUIVALENTS	Jun/11	Dec/10	Jun/11	Dec/10
Cash and banks	752	1,269	829	1,322
Short-term investments in Brazil	438,163	398,542	438,163	398,542
Cash and banks abroad	1,662	-	21,135	10,924
Short-term investments abroad	19,248	158,357	19,248	167,578
	459,825	**558,168**	**479,375**	**578,366**

Short-term investments are immediately convertible into a known cash amount and are subject to an insignificant risk of change; therefore, they have been considered as cash equivalents in the statements of cash flow.

Short-term investments in Brazil yield interest equivalent to the interbank deposit rate (CDI), at an average rate of 12.45% per year, and short-term investments abroad yield an average rate of 0.40% per year (average rates of 10.84% and 0.55% per year, respectively, in December 2010).

Interest rate risk exposure and the sensitivity analysis for financial assets are disclosed in Note 27, Financial instruments.

4. CASH INVESTMENTS

	Company		Consolidated	
LONG-TERM INVESTMENTS	Jun/11	Dec/10	Jun/11	Dec/10
Cash investments in Brazil	22,803	19,963	22,803	19,963

Yield interest equivalent to the interbank deposit rate (CDI), at an average rate of 12.70% per year (average rate of 11.13% per year in December 2010) and restricted to transactions entered into with the National Bank for Economic and Social Development (BNDES). (note 14).

5. TRADE RECEIVABLES, NET

Trade receivable by market and aging are as follows:

	Company		Consolidated	
TRADE RECEIVABLES	Jun/11	Dec/10	Jun/11	Dec/10
Domestic market	126,067	87,536	126,180	87,624
Foreign market	98,354	116,357	113,496	130,391
	224,421	**203,893**	**239,676**	**218,015**
Allowance for doubtful accounts	(1,639)	(3,278)	(1,639)	(3,278)
Trade receivables, net	**222,782**	**200,615**	**238,037**	**214,737**

As at June 30, 2011, the Company's foreign trade receivables in the amount of R$43,614 refer to related parties (R$61,574 as at December, 2010). (Note 10)

	Company		Consolidated	
	Jun/11	Dec/10	Jun/11	Dec/10
Current - up to 30 days	163,493	123,359	171,240	161,164
From 31 to 60 days	39,368	53,700	46,276	29,773
Over 61 days	15,165	19,407	14,647	17,768
Due until 30 days	2,299	2,864	2,936	3,486
Due between 30 and 60 days	2,457	1,285	2,938	2,546
Past due over 61 days and provisioned	1,639	3,278	1,639	3,278
	224,421	**203,893**	**239,676**	**218,015**

The allowance for doubtful accounts is determined based on past-due receivables, under the conditions below.

			Campany and Consolidated	
	Period past due		Jun/11	Dec/10
Domestic market	From 60 to 180 days	50%	460	92
	More than 180 days	100%	746	350
Foreign market	More than 180 days	100%	433	2,836
			1,639	**3,278**

During the reporting period, changes in the allowance for doubtful accounts were as follows:

	Companhia e Consolidado
Balance at Dec/2010	**(3,278)**
Additions	(821)
Write-off to losses	2,460
Balance at Jun/2011	**(1,639)**

6. INVENTORIES

	Company		Consolidated	
	Jun/11	Dec/10	Jun/11	Dec/10
Finished products	58,295	59,794	86,841	88,327
Work in process	24,693	26,239	24,693	26,239
Raw materials	20,854	27,233	20,854	27,233
Processing materials	31,440	26,509	31,440	26,509
Maintenance and other supplies	33,781	36,755	33,781	36,755
Allowance for losses	(2,756)	(3,867)	(2,756)	(3,867)
	166,307	**172,663**	**194,853**	**201,196**

An allowance was recognized for adjustment of certain items to their realizable value. During the reporting period, changes in the allowance for adjustment of inventories to realizable value were as follows:

	Company and consolidated
Balance at Dec/2010	**(3,867)**
Write-off to losses	1,111
Balance at Mar/2011	**(2,756)**

7. RECOVERABLE TAXES

Recoverable taxes, classified as according to their expected realization, are as follows:

	Company					
	Jun/11			Dec/10		
	Current	Noncurrent	Total	Current	Noncurrent	Total
(a) 1979-1981 IPI Premium Credit	-	53,138	53,138	-	52,560	52,560
(b) 1988-1990 Premium Credit	-	90,322	90,322	-	88,843	88,843
(c) Broadening of the COFINS base	15,045	-	15,045	-	25,170	25,170
(d) State VAT (ICMS) - São Paulo	-	28,245	28,245	-	32,138	32,138
(d) Allowance for losses on ICMS	-	(15,501)	(15,501)	-	(15,501)	(15,501)
(e) State VAT (ICMS) - Santa Catarina	8,966	7,005	15,971	7,368	7,005	14,373
Income tax	12,062	-	12,062	7,197	-	7,197
Social contribution	2,214	-	2,214	2,603	-	2,603
Tax on revenue (COFINS)	986	-	986	1,056	-	1,056
Tax on revenue (PIS)	197	-	197	207	-	207
Federal VAT (IPI) and other	24	-	24	2	-	2
	39,494	**163,209**	**202,703**	**18,433**	**190,215**	**208,648**

	Consolidated					
	Jun/11			Dec/10		
	Current	Noncurrent	Total	Current	Noncurrent	Total
(a) 1979-1981 IPI Premium Credit	-	53,138	53,138	-	52,560	52,560
(b) 1988-1990 Premium Credit	-	90,322	90,322	-	88,843	88,843
(c) Broadening of the COFINS base	15,045	-	15,045	-	25,170	25,170
(d) State VAT (ICMS) - São Paulo	-	28,245	28,245	-	32,138	32,138
(d) Allowance for losses on ICMS	-	(15,501)	(15,501)	-	(15,501)	(15,501)
(e) State VAT (ICMS) - Santa Catarina	8,966	7,005	15,971	7,368	7,005	14,373
Income tax	12,093	215	12,308	7,228	209	7,437
Social contribution	2,214	-	2,214	2,603	-	2,603
Tax on revenue (COFINS)	986	-	986	1,056	-	1,056
Tax on revenue (PIS)	197	-	197	207	-	207
Federal VAT (IPI) and other	4,880	1,539	6,419	5,296	1,789	7,085
	44,381	**164,963**	**209,344**	**23,758**	**192,213**	**215,971**

The origin of the tax credits above is as follows:

a. IPI Premium Credit - 1979-1981 exports.

Tax benefit known as Federal VAT (IPI) premium credit, arising on the exports carried out by the Company in 1979-1981, in the amount of R$53,138, the right to utilize such credit was recognized by a final and unappealable court decision of December 2003. The sentence execution decision became unappealable in March 2011. The Company will begin procedures for offsetting the credit in the 2nd semester of 2011.

b. IPI Premium Credit – Jun 1988-Oct 1990 exports.

IPI export premium credit originating from exports carried out by the Company from June 1988 to October 1990; the right to utilize such credit was recognized by a

final and unappealable decision of the Superior Court of Justice of April 2009. In light of the inflation adjustment criteria applicable to this credit and the documentation currently required for its realization (as prescribed by current case rulings), the Company reviewed the historical documentation related to its export transactions and based on this work concluded that the credit amount for the period is R$90,322. In 2011, the Company will file a collection lawsuit seeking authorization for realization.

c. COFINS credit from broadening of tax base (note 9718/98).

Right to refund COFINS paid later recognized as undue by the Company in a final and unappealable decision of May 2006. This payment was made at the time through the utilization of IPI premium credit, which was not accepted by the Federal Revenue Service. Litigation and the related debt to the Federal Revenue Service were settled under the amnesty set forth by Provisional Act 470/09, in October 2010. In April 2011, the Company started to offset tax credits and, through June 30, 2011, had already used R$10,125, with R$15,045 remaining for future utilization.

d. Recoverable São Paulo State VAT (ICMS).

Credits arising from the purchase of raw materials used in to manufacture exported products. Management filed with the São Paulo State Department of Finance a request for the onerous transfer of credits to suppliers based in São Paulo. Management recorded a provision of R$15,501 to offset possible losses on the credit balance in view of the delay in obtaining such authorization. While is awaits the authorization above, the Company has revalued its transactions between the Santa Catarina and the São Paulo units to minimize losses, resulting a R$3,893 reduction of the credit balance in first semester of 2011 (R$4,370 in 2010).

e. Recoverable Santa Catarina ICMS.

Credits arising from the purchase of property, plant and equipment amounting to R$15,971, realizable in 48 installments, according to relevant state legislation (R$14,373 in 2010).

8. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

DEFERRED TAX ASSETS AND LIABILITIES	Company		Consolidated	
Current assets	Jun/11	Dec/10	Jun/11	Dec/10
Trade receivables	1,669	1,799	1,669	1,799
Inventories	937	1,315	937	1,315
Recoverable taxes	5,270	5,270	5,270	5,270
Other	2,690	1,987	2,690	1,987
Noncurrent assets				
Property, plant and equipment - valuation adjustments to equity	(71,728)	(76,492)	(71,728)	(76,492)
Differences depreciation rates	(25,459)	(20,646)	(25,459)	(20,646)
Incentive depreciation	(496)	(546)	(496)	(546)
Lease agreements	(427)	(632)	(427)	(632)
Other	4,619	5,261	4,619	5,261
Unrealized earnings	-	-	1,866	2,482
Current liabilities				
Payroll, related taxes and profit sharing	106	13,426	106	13,426
Other	1,567	1,410	1,567	1,410
Noncurrent liabilities				
Provisions for tax, civil, social security, and labor contingencies	56,328	53,457	56,328	53,457
	(24,924)	**(14,391)**	**(23,058)**	**(11,909)**
Deferred income tax and social contribution assets	72,263	82,747	74,129	85,229
(-) Deferred income tax and social contribution liabilities	97,187	97,138	97,187	97,138
	(24,924)	**(14,391)**	**(23,058)**	**(11,909)**

The changes in deferred income tax and social contribution assets and liabilities for the period are as follows:

DEFERRED TAX ASSETS AND LIABILITIES	Company	Consolidated
Deferred income tax and social contribution assets	82,747	85,229
(-) Deferred income tax and social contribution liabilities	97,138	97,138
Balance at December, 31 2010	**(14,391)**	**(11,909)**
Temporary differences assets		
Trade receivables	(130)	(130)
Inventories	(378)	(378)
Differences depreciation rates	(4,813)	(4,813)
Incentive depreciation	50	50
Property, plant and equipment - valuation adjustments to equity	(4,764)	(4,764)
Lease agreements	205	205
Unrealized earnings	-	(616)
Other	61	61
Total	**(9,769)**	**(10,385)**
Temporary differences liabilities		
Payroll, related taxes and profit sharing	(13,320)	(13,320)
Provisions for tax, civil, social security, and labor contingencies	2,871	2,871
Other	157	157
Total	**(10,292)**	**(10,292)**
Deferred income tax and social contribution assets	72,263	74,129
(-) Deferred income tax and social contribution liabilities	97,187	97,187
Balance at June, 30 2011	**(24,924)**	**(23,058)**

The Company prepared a technical feasibility plan, approved by the Board of Directors, on the recovery of deferred income tax and social contribution, which points to the full recovery of these deferred taxes. As at March 31, expected future realization, based on the Company's earnings projections, is as follows:

	Company		Consolidated	
Year	Jun/11	Dec/10	Jun/11	Dec/10
2011	13,774	27,247	13,774	27,247
2012	28,100	27,488	28,100	27,488
2013	30,389	28,012	32,255	30,494
	72,263	**82,747**	**74,129**	**85,229**

Subsidiary Sociedade Técnica de Fundições Gerais S.A. - Sofunge (under liquidation) has income tax loss carryforwards of R$56,123 (R$55,755 in 2010) and social contribution tax carryforwards of R$61,355 (R$60,986 in 2010). At the moment, management does not envisage any form of realization, which is why the related credits are not recognized.

9. RELATED-PARTY TRANSACTIONS

The main Company transactions with related parties can be summarized as follows:

a. Subsidiaries:

	Receivables		Payables	
Balance sheet	**Jun/11**	**Dec/10**	**Jun/11**	**Dec/10**
Tupy Agroenergética Ltda.	-	-	3,865	3,475
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "em liquidação"	-	-	1,694	2,253
Tupy American Foundry Co.	22,242	35,494	-	-
Tupy American Iron & Alloys Co.	458	910	-	-
Tupy Europe GmbH	19,585	23,213	-	-
Tupy Argentina S.R.L.	1,329	1,957	-	-
	43,614	**61,574**	**5,559**	**5,728**

	Sales revenue		Financial expenses	
Income statement	**06/30/11**	**06/30/10**	**06/30/11**	**06/30/10**
Tupy Agroenergética Ltda.	-	-	(20)	(6)
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "em liquidação"	-	-	(11)	(5)
Tupy American Foundry Co.	170,413	128,547	-	-
Tupy American Iron & Alloys Co.	2,863	1,858	-	-
Tupy Europe GmbH	68,750	60,166	-	-
Tupy Argentina S.R.L.	127	1,440	-	-
	242,153	**192,011**	**(31)**	**(11)**

Intragroup receivables and sales revenue are basically represented by the product sale transactions at prices and under terms and conditions agreed by the parties.

Intragroup payables represent loans of subsidiaries in Brazil, which bear interest equivalent to TR (a managed prime rate).

b. Main shareholders:

The Company's main shareholders are PREVI – Caixa de Previdência dos Funcionários do Banco do Brasil and BNDES Participações S.A. – BNDESPAR.

The Company has a financings agreements with BNDES, the controlling shareholder of BNDES Participações S.A. - BNDESPAR, as detailed in Note 14.

The Company does not conduct material business transactions with its main shareholders' investees.

c. Management compensation

	Directors		Officers	
	06/30/11	06/30/10	06/30/11	06/30/10
Remuneração Fixa	352	390	1,458	1,393
Remuneração Variável			-	1,610
	352	**390**	**1,458**	**3,003**

The overall compensation approved by the Annual and Extraordinary Shareholders' Meeting is R$9,000 (R$8,500 in 2010).

Executive officers receive additional corporate benefits, such as company-provided vehicles, reimbursement of vehicle-related expenses, health insurance, and severance pay, the amounts of which are recorded under Administrative expenses.

The Company does not offer its officers a post-employment benefit plan or stock options.

Management compensation is paid only at the parent company level; therefore, no management compensation has been recorded in subsidiaries.

The amounts recorded as variable compensation for the Executive Board are proportional to the period, in compliance with targets set for the year. There is no provision for granting variable compensation to the Board of Directors.

10. ELETROBRÁS RECEIVABLES

Refer to receivables recorded in 2003 relating to the recognition by courts (in a final and unappealable decision) of the right to the supplementary inflation adjustment of the Eletrobrás compulsory loan and related interest.

Under the sentence execution action, after the Company had filed several claims on the right to the refund amounts adjusted by compensatory and late-payment interest, the court-appointed expert issued a new report pointing out the Company's receivables if such interest were considered.

The decisions of the First Section of the Superior Court of Justice on Special Appeals 1.003.955/RS and 1.028.592/RS issued in August 2009 state that interest accretion is fully feasible.

Based on this decision, Abstract 254 of the Federal Supreme Court and the last report of the court expert, the Company recorded R$27,896 in December 2009 as late-payment interest of 6% per year up to January 11, 2003.

In October 2010, the Company filed its final allegations supporting the recognized receivables. The action awaits a court decision.

The table below shows the balance of this account:

	Company and consolidated
Balance at Dec/10	**90,284**
Compensatory interest	3,699
Balance at Jun/11	**93,983**

11. ASSETS HELD FOR SALE

The Company intends to sell, within 12 months, the reforestation investments of subsidiary Tupy Agroenergética Ltda., which are no longer used.

The need to recognize an allowance for impairment losses was not identified.

Balance as at June 30, 2011 is R$4,574 (R$4,574 as at December 31, 2010).

12. INVESTMENTS

	Company		Consolidated	
	Jun/11	Dec/10	Jun/11	Dec/10
IN SUBSIDIARIES:				
Tupy Agroenergética Ltda.	13,698	13,184	-	-
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "em liquidação"	1,996	2,038	-	-
Tupy American Foundry Co.	25,762	25,840	-	-
Tupy American Iron & Alloys Co.	2,051	1,997	-	-
Tupy Europe GmbH	33,054	30,257	-	-
Tupy Argentina S.R.L.	1,789	2,370	-	-
	78,350	75,686		
OTHER INVESTMENTS	582	582	944	922
	78,932	**76,268**	**944**	**922**

Changes in these line items are as follows:

	Investments in subsidiaries						
	Tupy Agroenergética Ltda.	Soc. Téc. de Fund.Gerais S.A.-Sofunge	Tupy American Foundry	Tupy American Iron & Alloys	Tupy Europe GmbH	Tupy Argentina S.R.L	Total
Equity interests (%)	100.00	100.00	100.00	100.00	100.00	100.00	
TOTAL ASSETS							
Dec/10	13,296	3,098	81,881	3,529	65,260	4,036	171,100
Jun/11	13,765	2,760	64,741	3,149	66,047	2,930	153,392
EQUITY							
Dec/10	13,184	2,038	25,840	1,997	30,257	2,370	75,686
Jun/11	13,698	1,996	25,762	2,051	33,054	1,789	78,350
PROFIT (LOSS):							
After elimination of unrealized profits							
Dec/10	97	2,038	1,056	177	3,360	174	6,902
Jun/11	514	(42)	(78)	54	2,797	(581)	2,664
Balance at December 31, 2009	**13,087**	**-**	**24,784**	**1,820**	**26,897**	**2,196**	**68,784**
Equity in subsidiaries	97	2,038	1,056	177	3,360	174	6,902
Balance at December 31, 2010	**13,184**	**2,038**	**25,840**	**1,997**	**30,257**	**2,370**	**75,686**
Equity in subsidiaries	514	(42)	(78)	54	2,797	(581)	2,664
Balance at June 30, 2011	**13,698**	**1,996**	**25,762**	**2,051**	**33,054**	**1,789**	**78,350**

13. PROPERTY, PLANT AND EQUIPMENT

a. Changes in property, plant and equipment

	Company							
PROPERTY, PLANT AND EQUIPMENT	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture and fixtures	Works In progress	Other	Total
Cost								
Balance at December 31, 2010	1,199,393	151,566	8,748	17,486	8,635	206,630	3,311	1,595,769
Additions	41,893	4,260	-	1,179	166	56,952	186	104,636
Baixas	(7,430)	(211)	-	(1)	(549)	-	-	(8,191)
Balance at June 30, 2011	1,233,856	155,615	8,748	18,664	8,252	263,582	3,497	1,692,214
Depreciation								
Balance at December 31, 2010	(536,800)	(84,013)	-	(11,018)	(8,068)	-	-	(639,899)
Depreciation for the period	(35,867)	(2,020)	-	(1,046)	(61)	-	-	(38,994)
Baixas	6,356	152	-	1	549	-	-	7,058
Balance at June 30, 2011	(566,311)	(85,881)	-	(12,063)	(7,580)	-	-	(671,835)
Book value								
At December 31, 2010	662,593	67,553	8,748	6,468	567	206,630	3,311	955,870
At June 30, 2011	667,545	69,734	8,748	6,601	672	263,582	3,497	1,020,379

	Consolidated							
ATIVO IMOBILIZADO	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture and fixtures	Works In progress	Other	Total
Custo								
Saldo em 31 de dezembro de 2010	1,200,728	151,956	11,102	17,620	9,408	206,630	5,881	1,603,325
Adições	41,895	4,260	-	1,179	167	56,952	397	104,850
Baixas	(7,497)	(241)	-	(1)	(588)	-	(17)	(8,344)
Efeito das variações das taxas de câmbio	(18)	(8)	-	(6)	(41)	-	-	(73)
Balance at June 30, 2011	1,235,108	155,967	11,102	18,792	8,946	263,582	6,261	1,699,758
Depreciação								
Saldo em 31 de dezembro de 2010	(537,878)	(84,300)	-	(11,105)	(8,772)	-	(21)	(642,076)
Depreciação no período	(35,884)	(2,026)	-	(1,055)	(70)	-	(22)	(39,057)
Baixas	6,415	182	-	1	582	-	17	7,197
Efeito das variações das taxas de câmbio	6	8	-	1	40	-	-	55
Balance at June 30, 2011	(567,341)	(86,136)	-	(12,158)	(8,220)	-	(26)	(673,881)
Valor contábil								
At December 31, 2010	662,850	67,656	11,102	6,515	636	206,630	5,860	961,249
At June 30, 2011	667,767	69,831	11,102	6,634	726	263,582	6,235	1,025,877

Additions to consolidated property, plant and equipment, which take into consideration the continuity of the acquisitions for the new production lines of blocks, cylinder heads, and other parts of the automotive products segment in both plants, the maintenance of the operating capacity, and environmental protection (furnace exhausting systems, industrial landfill, and sand regeneration), are broken down as follows:

	Consolidated	
INVESTMENTS IN PP&E	06/30/11	06/30/10
In expansion	43,219	32,684
Sustaining operating capacity	50,286	20,550
Environment	8,029	9,388
Interest and financial charges	3,316	2,298
	104,850	**64,920**

b. Depreciation

The Company depreciates property, plant and equipment on a straight-line basis, using the following useful lives;

	Average useful life
Machinery, facilities and equipment	15 anos
Buildings	35 anos
Vehicles	5 anos
Furniture and fixtures	10 anos

c. Capitalization of interest and financial charges

The Company recognizes interest and financial charges incurred during the construction period of the qualifying assets as asset formation cost. The amount

recognized in the first semester of 2011 totals R$3,316 (R$2,298 in the same period of 2010).

d. Collaterals

As at June 30, 2011, proprieties in the carrying amount of R$129,062 (R$132,936 in 2010) were pledged as collateral of long-term bank loans.

e. Insured amounts

Property, plant and equipment are insured for fire, electrical damage, and explosion. Insurance coverage is determined based on the amounts and the level of risk involved, as described in note 25.

14. BORROWINGS AND FINANCING

			Company and Consolidated	
LOCAL CURRENCY:	**Maturity**	**Cost**	**Jun/11**	**Dec/10**
BNDES Exim - Pré-embarque (PSI)	Jun/2013	4,50% p.y.	550,528	550,563
Tupy S.A. expansion project - BNDES	Jul/2016	TJLP + 3,14% p.y.	163,394	153,220
Lease agreements	Jul/2011	15,94% p.y.	15	178
Finame (PSI)	Jul/2018	4,66% p.y.	1,261	1,261
FOREIGN CURRENCY:				
Working capital	Mar/2013	Libor + 1,90% p.y.	21,209	51,559
Export prepayments	May/2013	Libor + 2,12% p.y.	48,350	66,047
Tupy S.A. expansion project - BNDES	Jul/2016	VC + 5,98% p.y.	14,512	15,489
			799,269	**838,317**
Current portion			71,548	75,718
Long-term portion			727,721	762,599

Maturities of long-term borrowings and financing are as follows:

	Company and Consolidated	
Year	**Jun/11**	**Dec/10**
2012	338,432	379,101
2013	306,371	305,407
2014	34,534	32,666
2015	30,328	28,460
After	18,056	16,965
	727,721	**762,599**

The credited facility extended by the BNDES on June 15, 2009 has a total maturity of 80 months, with a 27-month grace period. The agreement provides for the disbursement of 89% of funds with costs in reais and the remaining 11% in U.S. dollars. Collaterals

comprise industrial equipment, mortgage, bank guarantees, and a guarantee deposit of 12% of the outstanding balance.

In September and November 2009, and June 2010 the Company entered into BNDES Exim - Pré-Embarque (pre-shipment) of the Investment Support Program (PSI) transactions with several financial institutions totaling R$299,217 and R$250,000 respectively, used in the to the substitution of debts falling due in the short term and reinforcement of the Company's cash. The funds extended in 2009 and 2010 have a total maturity of 36 months, with the bullet repayment of principal at the termination of each agreement.

About 29% borrowings and financing are subject to compliance with certain financial ratios, which are being fully complied with, as follows: Net debt to Adjusted EBITDA; Adjusted EBITDA to Financial Income (Expenses); Net Debt to Equity; Equity to Total Assets; and Current Assets to Current Assets.

Adjusted EBITDA correspond to earnings plus income tax and social contribution, financial income (expenses), depreciation and amortization, adjusted by the addition of other operating expenses or reduction of other operating income, net.

Net debt is the bank debt, less cash and cash equivalents.

As at June 30, 2011, the Company had two lease agreements (four lease agreements at December 31, 2010). The Company analyzed said agreements and concluded that they qualify as finance leases.

15. TAXES AND PAYROLL TAXES IN INSTALLMENTS

		Company and consolidated	
	Cost	Jun/11	Dec/10
Payroll taxes - REFIS-PAES	TJLP	21,316	25,565
		21,316	**25,565**
Current portion		11,552	11,193
Long-term portion		9,764	14,372

The long-term portion matures as follows:

Year	Company and consolidated	
	Jun/11	Dec/10
2012	4,882	9,580
2013	4,882	4,792
	9,764	**14,372**

On July 31, 2003, the then subsidiary Tupy Fundições Ltda. formalized the request enrollment with the REFIS-PAES program, created by Law 10684/03, for the payment of social security tax (INSS) debts, amounting to R$58,379, which are being amortized in 120 monthly installments of approximately R$486 adjusted by the long-term interest rate (TJLP). The Company does not provide any form of guarantee.

16. PAYROLL, RELATED TAXES AND PROFIT SHARING

	Company		Consolidated	
	Jun/11	Dec/10	Jun/11	Dec/10
Salaries	10,895	8,350	11,241	9,111
Accrued vacation and 13th salary	51,884	31,233	51,904	31,244
Payroll taxes	11,113	10,830	11,124	10,834
Profit sharing plan	313	39,488	316	39,498
	74,205	**89,901**	**74,585**	**90,687**

The Company's profit sharing plan for the shop floor employees (hourly-paid workers) is linked to a profitability index and department goals and the profit sharing plan for administrative employees (monthly-paid workers) is linked to key strategy indicators that include profitability and return, operating, and personal performance goal indices. These expenses are distributed between cost and operating expenses in the consolidated income statement.

The Company did not recognize a provision for profit sharing in the first half of 2011 as performance indicators were not in line with the goals set for the program.

17. PROVISIONS FOR TAX, CIVIL, SOCIAL SECURITY, AND LABOR CONTINGENCIES

The Company and its subsidiaries are parties to ongoing lawsuits arising from the normal course of business and for which provisions for contingencies were recognized based on estimates made by their legal counsel.

The changes in the provisions for tax, civil, social security, and labor contingencies in June, 30 2011 and the related balances are as follows:

	Company				
	Dec/10	Additions	Adjustments	Write-offs	Jun/11
Civil	134,680	-	7,904	(4,554)	138,030
Tax	10,008	-	78	-	10,086
Labor	8,855	5,892	-	(1,533)	13,214
Social security	3,684	657	-	-	4,341
	157,227	**6,549**	**7,982**	**(6,087)**	**165,671**
Related escrow deposits	(6,324)	(1,941)	-	-	(8,265)
	150,903	**4,608**	**7,982**	**(6,087)**	**157,406**

	Consolidated				
	Dec/10	Additions	Adjustments	Write-offs	Jun/11
Civil	135,259	-	7,904	(4,554)	138,609
Tax	10,051	-	78	-	10,129
Labor	9,461	5,892	-	(1,954)	13,399
Social security	3,684	657	-	-	4,341
	158,455	**6,549**	**7,982**	**(6,508)**	**166,478**
Related escrow deposits	(6,523)	(1,941)	-	-	(8,464)
	151,932	**4,608**	**7,982**	**(6,508)**	**158,014**

The main consolidated provisions are as follows:

- Civil: refer to success fees in tax lawsuits and contingent debts arising from the acquisition of a subsidiary;
- Tax: refer to PIS, COFINS, ICMS, and IPI;
- Social security: refer to INSS debts-Small Business Support Service (SEBRAE) and Occupational Accident Risk Insurance (RAT); and
- Labor: refer to lawsuits filed by for employees.

Most of the provisions described above are adjusted using the SELIC (Central Bank's policy rate) and their effects are described in note 22.

No provisions were recorded for contingencies whose likelihood of loss has been assessed by the legal counsel as possible. These contingences are broken down as follows:

	Company and consolidated	
TAX	**Jun/11**	**Dec/10**
Pis, Cofins, IPI, and IRRF	26,332	24,971
ICMS assessments	2,921	2,770
PIS, COFINS, IRPJ and CSLL assessments	62,329	59,108
	91,582	**86,849**
SOCIAL SECURITY		
Tax assessments issued by Federal Revenue Service	49,314	46,765
Taxes owed by service providers	12,038	11,416
	61,352	**58,181**
LABOR	23,278	21,960

The unaccrued labor contingencies refer to lawsuits whose main claims involve overtime, job reinstatement, severance pay and health hazard premium.

18. CAPITAL, RESERVES AND DIVIDENDS

a. Capital

Authorized capital is limited to R$450,000, represented by registered shares without par value, divided into common and preferred shares.

Of the authorized capital, R$398,395 is subscribed and paid in, represented by 57,138,750 shares, of which 56,820,214 are voting common shares and 318,536 are nonvoting preferred shares.

The Company's Board of Directors may increase subscribed capital by an amount deemed convenient and necessary up to the limit of authorized capital.

The Company, within the limit of authorized capital and in accordance with the plan approved by the Shareholders' Meeting, may grant stock options to its management or employees, or persons that provide services to its subsidiary. By June 30, 2011, no stock options had been granted.

Preferred shares entitle their holders to:

- the right to priority in capital reimbursement, should Company activities be discontinued;

- the right to a share, under the same conditions of other shares, in the distribution of dividends, receipt of bonuses arising from inflation adjustment, revaluation of assets, capitalization of reserves, or use of any funds; and

- the right to tag along in any public offering to sell the Company's shareholding control, in accordance with Article 254-A of Law 6404/76, being ensured dividends equal to those paid to common shares.

b. Valuation adjustment to equity

It is composed of balances of assets revalued in 1990 under Land and buildings account (R$17,557) and in 2005, under Machinery and equipment account (R$127,382), which were treated as an integral part of the costs related to the assets. Realization against the Retained earnings account is proportional to the corresponding assets' depreciation, when applicable.

c. Earnings reserve

- Legal reserve

  Calculated as 5% of annual profit, pursuant to Article 193 of Law 6404/76 up to the limit of 20% of capital.

- Investment reserve

  Recognized in an amount not lower than 5% of annual profit, up to the limit of 50% of capital. This reserve cannot exceed at any time amount of share capital.

d. Allocation of profit:

Shareholders are entitled to an annual minimum dividend of 25% of profit for the year, adjusted pursuant to Article 202 of Law 6404/76.

19. OPERATING REVENUE

The table below shows the reconciliation between gross revenue for tax purposes and revenue stated in the income statement for the second quarter and six months ended:

	Company		Consolidated	
	For the quarters ended:		For the quarters ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Gross revenue	616,915	535,499	622,701	543,193
Returns and discounts	(7,805)	(5,596)	(7,805)	(5,597)
Revenue less returns and discounts	609,110	529,903	614,896	537,596
Sales taxes	(77,881)	(70,200)	(77,888)	(70,229)
Operating revenue	**531,229**	**459,703**	**537,008**	**467,367**

	Company		Consolidated	
	For the six months ended:		For the six months ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Gross revenue	1,194,562	997,721	1,214,356	1,017,141
Returns and discounts	(14,423)	(9,957)	(14,423)	(9,963)
Revenue less returns and discounts	1,180,139	987,764	1,199,933	1,007,178
Sales taxes	(152,249)	(132,179)	(152,262)	(132,245)
Operating revenue	**1,027,890**	**855,585**	**1,047,671**	**874,933**

20. COSTS AND EXPENSES BY NATURE

The table below shows the breakdown of costs and expenses by maturity reconciled with costs and expenses by function presented in the income statement for the second quarter and six months ended:

	Company		Consolidated	
	For the quarters ended:		For the quarters ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Raw materials	149,055	125,722	148,695	123,774
Processing materials	91,586	83,401	91,328	82,058
Maintenance and other supplies	49,934	36,413	49,957	36,429
Payroll and related taxes	106,277	85,422	107,141	85,258
Profit sharing plan	(4,860)	9,498	(5,015)	9,498
Employee benefits	14,830	12,392	14,956	12,564
Electricity	24,059	18,790	23,996	18,478
Depreciation	19,506	17,865	19,545	17,905
Freight on sales	15,655	12,258	18,450	14,797
Management compensation	473	2,475	473	2,475
Other costs	3,688	1,730	2,126	5,380
	470,203	**405,966**	**471,652**	**408,616**
Cost of sales	435,533	373,489	432,663	371,782
Selling expenses	21,979	19,510	25,626	23,228
Administrative expenses	12,218	10,492	12,890	11,131
Management compensation	473	2,475	473	2,475
	470,203	**405,966**	**471,652**	**408,616**

	Company		Consolidated	
	For the six months ended:		For the six months ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Raw materials	282,191	225,956	282,929	223,778
Processing materials	179,753	156,687	180,223	155,176
Maintenance and other supplies	95,252	70,187	95,299	70,245
Payroll and related taxes	196,762	164,392	199,422	165,078
Profit sharing plan	-	13,385	-	13,385
Employee benefits	27,664	21,986	27,947	22,312
Electricity	47,673	37,398	47,810	37,050
Depreciation	38,994	35,479	39,057	35,577
Freight on sales	36,471	21,502	42,878	25,895
Management compensation	1,810	3,393	1,810	3,393
Other costs	5,697	3,048	6,685	10,640
	912,267	**753,413**	**924,060**	**762,529**
Cost of sales	836,579	695,607	838,195	696,518
Selling expenses	50,687	34,918	59,471	41,735
Administrative expenses	23,191	19,495	24,584	20,883
Management compensation	1,810	3,393	1,810	3,393
	912,267	**753,413**	**924,060**	**762,529**

21. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	For the quarters ended:		For the quarters ended:	
Financial expenses	06/30/11	06/30/10	06/30/11	06/30/10
Interest on borrowings and financing	(12,184)	(9,238)	(12,184)	(9,238)
Interest on taxes and payroll taxes in installments	(265)	(1,787)	(272)	(1,805)
Other expenses	2,893	2,036	2,592	994
	(9,556)	(8,989)	(9,864)	(10,049)
Financial income				
Interest on short-term investments	19,677	9,201	19,677	9,201
Interest on Eletrobrás receivables	1,579	1,136	1,579	1,136
Other income	(2,975)	(557)	(2,954)	555
	18,281	9,780	18,302	10,892
Inflation adjustment and exchange differences, net				
Foreign exchange rate changes, net:	554	4,576	(2,876)	2,909
Inflation adjustments	(175)	(496)	305	(436)
	379	4,080	(2,571)	2,473
	9,104	**4,871**	**5,867**	**3,316**

	Company		Consolidated	
	For the six months ended:		For the six months ended:	
Financial expenses	06/30/11	06/30/10	06/30/11	06/30/10
Interest on borrowings and financing	(21,232)	(16,255)	(21,232)	(16,255)
Interest on taxes and payroll taxes in installments	(607)	(3,652)	(614)	(3,672)
Other expenses	2,629	1,210	1,487	(585)
	(19,210)	(18,697)	(20,359)	(20,512)
Financial income				
Interest on short-term investments	31,938	15,269	31,938	15,269
Interest on Eletrobrás receivables	3,699	2,862	3,699	2,862
Other income	(2,290)	861	(2,277)	2,792
	33,347	18,992	33,360	20,923
Inflation adjustment and exchange differences, net				
Foreign exchange rate changes, net:	3,906	4,149	47	1,503
Inflation adjustments	(390)	(449)	92	(387)
	3,516	3,700	139	1,116
	17,653	**3,995**	**13,140**	**1,527**

Financial income includes primarily income earned on short-term investments, and gains on the adjustment of assets and on hedging instruments, which is recognized in profit or loss.

Financial expenses include primarily interest and inflation adjustments on bank financing and borrowings that are not directly attributable to the acquisition, construction or production of a qualifying asset, interest and inflation adjustments on taxes and payroll taxes in installments, bank expenses, taxes on financial transactions, and losses on hedging instruments, and are recognized in profit or loss.

Gains and losses arising on exchange differences on the translation of assets and liabilities denominated in foreign currencies are reported on a net basis.

22. OTHER OPERATING INCOME (EXPENSES)

	Company		Consolidated	
	For the quarters ended:		For the quarters ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Recognition of and adjustments to provisions:				
Tax	(31)	(316)	(31)	(316)
Civil	245	(1,785)	245	(1,785)
Labor	(5,892)	-	(5,892)	-
previdenciárias	(280)	(1,409)	(280)	(4,532)
Social security	(444)	(290)	(444)	(267)
Depreciation of nonoperating assets	(1,133)	-	(1,147)	-
Gain (loss) on sale of unusable assets and write-off of third-party tools and other assets	63	1,005	88	966
	(7,472)	**(2,795)**	**(7,461)**	**(5,934)**

	Company		Consolidated	
	For the six months ended:		For the six months ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Recognition of and adjustments to provisions:				
Tax	(78)	(604)	(78)	(604)
Civil	(4,560)	(3,604)	(4,560)	(3,604)
Labor	(5,892)	-	(5,892)	-
previdenciárias	(657)	(1,702)	(657)	(7,731)
Social security	(896)	(581)	(896)	(604)
Depreciation of nonoperating assets	(1,133)	-	(1,147)	-
Gain (loss) on sale of unusable assets and write-off of third-party tools and other assets	(358)	1,530	821	1,144
	(13,574)	**(4,961)**	**(12,409)**	**(11,399)**

23. INCOME TAX AND SOCIAL CONTRIBUTION

	Company		Consolidated	
	For the quarters ended:		For the quarters ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Pretax profit	**62,624**	**54,137**	**63,762**	**56,133**
Combined tax rate	34%	34%	34%	34%
Expenses at combined tax rate	(21,292)	(18,407)	(21,679)	(19,085)
Tax effect of permanent (additions) deductions:				
- Equity in subsidiaries	(11)	(569)	-	-
- Depreciation of assets revalued in 1990	(168)	(165)	(168)	(165)
- Depreciation of nonoperating assets	(151)	(99)	(151)	(90)
- Other permanent (additions) deductions	123	(163)	(575)	(838)
Effect on tax loss carryforwards of subsidiaries without recognition of deferred tax assets	-	-	(64)	(1,221)
Tax effects allocated to profit or loss	**(21,499)**	**(19,403)**	**(22,637)**	**(21,399)**

Breakdown of the tax effect allocated to profit or loss in the second quarter:

	Company		Consolidated	
	For the quarters ended:		For the quarters ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Current income tax and social contribution	(19,713)	(12,576)	(20,286)	(15,591)
Deferred income tax and social contribution	(1,786)	(6,827)	(2,351)	(5,808)
Tax effects allocated to profit or loss	**(21,499)**	**(19,403)**	**(22,637)**	**(21,399)**

	Company		Consolidated	
	For the six months ended:		For the six months ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Pretax profit	**122,366**	**99,149**	**124,342**	**102,532**
Combined tax rate	34%	34%	34%	34%
Expenses at combined tax rate	(41,604)	(33,711)	(42,276)	(34,861)
Tax effect of permanent (additions) deductions:				
- Equity in subsidiaries	906	(699)	-	-
- Depreciation of assets revalued in 1990	(333)	(330)	(333)	(330)
- Depreciation of nonoperating assets	(305)	(198)	(305)	(205)
- Other permanent (additions) deductions	374	(165)	(195)	(988)
Effect on tax loss carryforwards of subsidiaries without recognition of deferred tax assets	-	-	171	(2,102)
Tax effects allocated to profit or loss	**(40,962)**	**(35,103)**	**(42,938)**	**(38,486)**

Breakdown of the tax effect allocated to profit or loss in the six month:

	Company		Consolidated	
	For the six months ended:		For the six months ended:	
	06/30/11	06/30/10	06/30/11	06/30/10
Current income tax and social contribution	(30,429)	(26,552)	(31,789)	(31,193)
Deferred income tax and social contribution	(10,533)	(8,551)	(11,149)	(7,293)
Tax effects allocated to profit or loss	**(40,962)**	**(35,103)**	**(42,938)**	**(38,486)**

24. EARNINGS PER SHARE

The table below shows the calculation of basic and diluted earnings per share in the second quarter and six month:

	For the quarter ended:	
	06/30/11	06/30/10
Profit attributable to Company shareholders	41,125	34,734
Weighted average number of outstanding shares	57,139	57,139
Basic and diluted earnings per share - R$	**0.7197**	**0.6079**

	For the six months ended:	
	06/30/11	06/30/10
Profit attributable to Company shareholders	81,404	64,046
Weighted average number of outstanding shares	57,139	57,139
Basic and diluted earnings per share - R$	**1.4247**	**1.1209**

25. INSURANCE

The Company adopts an insurance policy which takes into consideration the nature and level of risks involved, according to the guidance of its insurance advisors, and considered adequate by management.

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

The covered risks include the following items and corresponding amounts:

	Jun/11	Dec/10
Buildings	77,378	73,965
Machinery, equipment, furniture and fixtures	954,918	901,954
Inventories	130,279	141,623
Loss of profits	629,328	483,089
Civil liability	36,706	36,706

26. SEGMENT REPORTING

The Company starts to disclose information by operating segment based on the information reported to management and used in decision-making in order to allocate resources to the segments and to assess their performance, as described below.

Automotive products - Manufacturing of casted and machined products, with high technological content, such as powertrain (blocks and cylinder heads), vehicle brake, transmission, steering, axle, and suspension components, developed on demand for world engine, passenger vehicle, commercial vehicle (trucks, buses, etc.), construction machine, tractor, agricultural machine, and power generator manufacturers.

Industrial products- Manufacturing of malleable iron fittings, iron and steel granules, and cast iron shapes and sections that are supplied to the construction, and the marble and granite industries, and several industrial engineering segments, among others.

The following is information on each reported segment.

Reconciliation of the revenues, costs and expenses and results in the second quarter and six month

	Consolidated					
	For the quarters ended:					
	Automotive products		Industrial products		Total	
	06/30/11	06/30/10	06/30/11	06/30/10	06/30/11	06/30/10
Operating revenue (nota 19)	477,811	412,840	59,197	54,527	537,008	467,367
Costs and expenses (nota 20)	(423,939)	(367,333)	(47,713)	(41,283)	(471,652)	(408,616)
Profit before financial income (expenses), net and income tax and social contribution	53,872	45,507	11,484	13,244	65,356	58,751
Financial income (expenses), net (nota 21)					5,867	3,316
Other operating income (expenses) (nota 22)					(7,461)	(5,934)
Profit after financial income (expenses), net					63,762	56,133
Income tax and social contribution (nota 23)					(22,637)	(21,399)
Profit for the second quarter					**41,125**	**34,734**

	Consolidated					
	For the six months ended:					
	Automotive products		Industrial products		Total	
	06/30/11	06/30/10	06/30/11	06/30/10	06/30/11	06/30/10
Operating revenue (nota 19)	933,142	768,379	114,529	106,554	1,047,671	874,933
Costs and expenses (nota 20)	(833,514)	(684,734)	(90,546)	(77,795)	(924,060)	(762,529)
Profit before financial income (expenses), net and income tax and social contribution	99,628	83,645	23,983	28,759	123,611	112,404
Financial income (expenses), net (nota 21)					13,140	1,527
Other operating income (expenses) (nota 22)					(12,409)	(11,399)
Profit after financial income (expenses), net					124,342	102,532
Income tax and social contribution (nota 23)					(42,938)	(38,486)
Profit for the six month					**81,404**	**64,046**

Reconciliation assets and liabilities

	Consolidated					
	Automotive products		Industrial products		Total	
ASSETS	06/30/11	12/31/10	06/30/11	12/31/10	06/30/11	12/31/10
Trade receivables, net (nota 5)	200,533	199,680	37,504	15,057	238,037	214,737
Inventories (nota 6)	149,597	148,461	45,256	52,735	194,853	201,196
Third-party tools	38,414	30,224	31	35	38,445	30,259
Notes and other receivables	23,346	16,507	5,108	2,438	28,454	18,945
Property, plant and equipment (nota 13)	990,570	929,305	35,307	31,944	1,025,877	961,249
Other unallocated assets	-		-	-	888,912	998,935
Total consolidated assets	**1,402,460**	**1,324,177**	**123,206**	**102,209**	**2,414,578**	**2,425,321**
LIABILITIES						
Trade payables	132,385	102,613	20,651	18,678	153,036	121,291
Taxes payable	6,902	2,454	1,263	509	8,165	2,963
Payroll, related taxes and profit sharing (nota 1	67,963	80,550	6,622	10,137	74,585	90,687
Advances from customers	39,233	49,338	5,401	6,677	44,634	56,015
Notes and other payables	23,598	24,688	3,252	560	26,850	25,248
Other unallocated liabilities					1,077,151	1,158,358
Equity	-	-	-	-	1,030,157	970,759
Total consolidated liabilities	**270,081**	**259,643**	**37,189**	**36,561**	**2,414,578**	**2,425,321**

Dedicated assets and liabilities are allocated directly to the segments and criteria on their applicability and origin are used for common assets and liabilities. The Company does not allocate to the reportable segments cash and cash equivalents, recoverable and deferred taxes, escrow deposits, and other, and investments in other companies as they are not directly related to the operation. For the same reason, borrowings and financing, taxes and payroll taxes in installments, dividends, provisions, deferred taxes, and other long-term liabilities are not allocated to reportable segments either.

Major customers accounting for over 10% of the Company's total operating revenue

The Company has a diversified portfolio of local and foreign customers. The automotive products segment has customers that individually account for more than 10% of the consolidated operating revenue, as reported for the second quarter and six month, as follows:

	Consolidated			
	For the quarters ended:			
OPERATING REVENEU	06/30/11	%	06/30/10	%
Automotive products				
Customer A	95,948	*17.9*	79,302	*14.8*
Customer B	77,249	*14.4*	66,447	*12.4*
Other customers the automotive products	304,614	*56.7*	267,090	*49.7*
Total automotive products	**477,811**		**412,839**	
Industrial products	59,197	*11.0*	54,528	*11.7*
Total operating reveneu	**537,008**	*100.0*	**467,367**	*100.0*

	Consolidated			
	For the six months ended:			
OPERATING REVENEU	06/30/11	%	06/30/10	%
Automotive products				
Customer A	188,803	*18.0*	145,870	*16.7*
Customer B	156,120	*14.9*	129,082	*14.8*
Other customers the automotive products	588,219	*56.1*	493,427	*56.4*
Total automotive products	**933,142**		**768,379**	
Industrial products	114,529	*10.9*	106,554	*12.2*
Total operating reveneu	**1,047,671**	*100.0*	**874,933**	*100.0*

The distribution of the industrial products segment is quite diluted.

Information on the countries from which the Company's derives revenue

The revenue derived from customers in the country in which the Parent company is based and from customers in each foreign country, and their respective shares in the Company's total operating revenue for the quarter and six-month period, is broken down as follows:

	Consolidated			
	For the quarters ended:			
OPERATING REVENEU	06/30/11	%	06/30/10	%
Brazil - Host Country	293,950	*54.7*	268,365	*57.4*
United States	96,090	*17.9*	91,490	*19.6*
México	47,278	*8.8*	30,699	*6.6*
England	35,736	*6.7*	29,764	*6.4*
France	11,571	*2.2*	5,729	*1.2*
Italy	11,184	*2.1*	5,680	*1.2*
Hungary	8,486	*1.6*	5,730	*1.2*
Japan	6,663	*1.2*	6,239	*1.3*
China	5,024	*0.9*	1,113	*0.2*
Argentina	3,475	*0.6*	4,662	*1.0*
South Africa	3,138	*0.6*	2,279	*0.5*
Netherlands	2,688	*0.5*	1,150	*0.2*
Other countries	11,725	*2.2*	14,466	*3.1*
Total	**537,008**	*100.0*	**467,367**	*100.0*

	Consolidated			
	For the six months ended:			
OPERATING REVENEU	06/30/11	%	06/30/10	%
Brazil - Host Country	579,742	*55.3*	503,402	*57.5*
United States	191,744	*18.3*	164,502	*18.8*
México	95,250	*9.1*	65,454	*7.5*
England	69,127	*6.6*	58,855	*6.7*
Italy	21,923	*2.1*	10,090	*1.2*
France	19,403	*1.9*	10,559	*1.2*
Hungary	15,487	*1.5*	12,707	*1.5*
Japan	12,318	*1.2*	9,865	*1.1*
China	6,547	*0.6*	1,440	*0.2*
Argentina	5,954	*0.6*	7,342	*0.8*
Netherlands	5,317	*0.5*	2,349	*0.3*
South Africa	5,290	*0.5*	4,383	*0.5*
Other countries	19,569	*1.9*	23,986	*2.7*
Total	**1,047,671**	*100.0*	**874,933**	*100.0*

27. FINANCIAL INSTRUMENTS

This note presents information on the Company's exposure to each one of the risks below, for risk measurement and management purposes, and the management of the Company's capital.

Financial risk management

The Company is exposed to risks arising from the use of financial instruments, related to credit, liquidity, market, and operational risks.

The Company manages financial risks by following short-term investments criteria, entering into derivatives, monitoring the ratings of the financial institutions with which it enters into transactions, and using other control procedures. In addition, management permanently monitors and controls the exposure of foreign currency-denominated assets and liabilities to foreign exchange risks.

Due to exchange volatility and the different periods of realization of assets and settlement of liabilities, the Company contracts, when considered necessary, financial instruments to limit exposure to foreign exchange risks.

a. Fair value

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

	Consolidated			
	Jun/11		Dec/10	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	479,375	479,375	578,366	578,366
Trade receivables, net	238,037	238,037	214,737	214,737
Notes and other receivables	28,454	28,454	18,945	18,945
Trade payables	153,036	153,036	121,291	121,291
Borrowings and financing	799,269	799,269	838,317	838,317
Notes and other payables	26,850	26,850	25,248	25,248

Financial instruments, which are recognized in the consolidated interim financial statements at their carrying amount, are substantially similar to those that would be obtained if they were traded in the market. However, because there is no active market for these instruments, differences could exist if the Company and its subsidiaries decide to settle them in advance.

b. Credit risk

Credit risk is the risk of the Company incurring in losses if a customer or a counterparty to a financial instrument fails to perform its contractual obligations, and arises mainly from trade receivables and investment securities.

Trade and other receivables

The Company sets exposure limits for each customer to limit the credit risk of trade receivables and risks are managed according to specific credit rating criteria.

The Company recognizes an allowance for impairment that represents its estimates of losses incurred on trade and other receivables according to the criteria described in note 5.

c. Liquidity risk

The liquidity risk is the risk related to Company difficulties to settle its obligations arising from to its financial liabilities, which are settled in cash or with another financial asset. The Company's approach to manage this risk is to ensure that it has enough liquidity to settle its obligations without incurring losses or impairing its operations.

As at June 30, 2011, the Company had sufficient cash and cash equivalent to settle all contracted commitments.

The table below shows the contractual maturities of financial liabilities:

FINANCIAL LIABILITIES	Carrying amount	Average cost of interest	Consolidated – Contractual cash flows: 6 months Or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total of contractual cash flows
Local Currency								
Bank borrowings	432,528	**6,25 % p.y.**	12,989	32,000	245,539	190,439	9,571	490,538
Unsecured bank borrowings	282,656	**4,5% p.y.**	6,330	6,331	122,045	171,965	-	306,672
Finance lease payables	15	**15,62 % p.y.**	15	-	-	-	-	15
Foreign Currency								
Bank borrowings	52,788	**3,44 % p.y.**	20,367	13,517	21,301	10,567	1,063	66,814
Unsecured bank borrowings	31,282	**2,50 % p.y.**	8,660	8,561	16,810	8,248	-	42,279
Trade and other payables	179,886		179,886					179,886
	979,155		**228,247**	**60,409**	**405,695**	**381,220**	**10,634**	**1,086,205**

It is not expect that the cash outflows, included in the Company's maturity analyses, will occur significantly sooner or in amounts significantly different. In addition, the Company has an excellent cash generation capacity.

d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, impact Company earnings or its share in financial instruments. The objective of the management of the market risk is to maintain exposures within acceptable standards and, at the same time, optimize returns.

Currency risk

The Company is exposed to the currency risk in sales, purchases and borrowings denominated in currencies other than the Company's functional currency, the Brazilian real. The main currencies in which these transactions are denominated are the US dollar and the euro.

The Company has a natural hedge against this risk, which is its export revenue; however, because of concerns regarding exchange volatility and the different periods of realization of assets and settlement of liabilities the Company contracts financial instruments to limit exposure the foreign exchange risks.

The table below shows the Company's exposure to the foreign exchange risk:

ASSETS	Note	Consolidated – Jun/11	Dec/10
Short-term investments abroad	3	40,383	178,502
Foreign market customers	5	113,496	130,391
		153,879	308,893
LIABILITIES			
Foreign currency borrowings	14	(84,071)	(133,095)
Other amounts		(16,921)	(46,368)
		(100,992)	(179,463)
Net exposure (R$'000)		**52,887**	**129,430**
Net exposure (US$'000)		**33,878**	**77,680**

On December 31, 2010, the Company's asset exposure amounted to US$77,680 million. Considering the dollar depreciation scenario over the six month of 2011, the Company gradually converted part of its dollar assets into reais, thus reducing its long position to US$33,878 on June 30, 2011.

Sensitivity analysis of foreign exchange exposure

This analysis is based on the foreign exchange rate fluctuation, pursuant to Regulatory Instruction CVM 475, in which the risk variable is assessed with a 25 and 50 percent fluctuation as compared to the probable scenario estimated by the Company. This analysis considers that all other variables, especially the interest rate, will remain constant.

ACCOUNTING CURRENCY EXPOSURE	Risk	Disclosed	Scenario Probable (i)	Scenario (ii)	Scenario (iii)
US dollar rate	Dollar depreciation	R$ 1.5611	R$ 1.57	R$ 1.18	R$ 0.79
Long position		153,879	154,756	116,067	77,378
Short position		(100,992)	(101,568)	(76,176)	(50,784)
Net exposure (R$'000)		52,887	53,189	39,891	26,594
Net exposure (US$'000)		33,878	33,878	33,878	33,878
Potential impact (R$'000)		-	**302**	**(12,996)**	**(26,293)**

The simulation considered an appreciation of the Brazilian real in relation to the US dollar as compared to the probable scenario indicated by the Company.

Interest rate risk

Refers to the Company's exposure to changes in the interest rates on its short-term investments and bank borrowings with a direct impact on profit or loss. To mitigate this risk, the Company seeks to diversify its borrowings and short-term investments, as follows:

Profile

At the end of the reporting period, the profile of the Company's interest-bearing financial instruments was as follows:

		Consolidated	
		Carrying amount	
	Note	Jun/11	Dec/10
Variable rate instruments			
Financial assets	3 e 4	460,966	418,505
Financial liabilities	14	247,465	286,315
Fixed rate instruments			
Financial assets	3	19,248	167,578
Financial liabilities	14	551,804	552,002

Sensitivity analysis to fluctuations in variable and fixed interest rates

The Company has short-term investments in bank certificates of deposit (CDBs) pegged to the fluctuation of the interbank deposit rate (CDI). The simulation considers a fluctuation of 1% per year, upward or downward, in the variable CDI, which would represent an impact of R$4,610 per year.

The Company also has short-term investments abroad at fixed rates. The simulation considers a fluctuation of 0.50% per year, upward or downward, in the LIBOR, which would represent an impact of R$96 per year.

The Company's foreign currency borrowings and financing are also exposed to interest rate risks related to the LIBOR fluctuation. A fluctuation of 0.50% per year, upward or downward, in the LIBOR would have an impact of R$444 per year.

Similarly, the Company is exposed to changes in fixed interest rates of its borrowings and financing pegged to the TJLP, and a fluctuation of 1% per year, upward or downward, in this rate would have an impact of R$1,632 per year.

Price risk

Derives from the possibility of fluctuations in market prices of the inputs used in the manufacturing process, especially scraps, metal alloys, coke, and electricity. These price fluctuations can impact Company costs. The Company has eh policy of monitoring these prices to pass on possible changes to its sales prices.

Capital structure risk

Derives from the ratio between equity and the debt used by the Company to finance its operations. To mitigate liquidity risks and optimize the average cost of capital, the Company monitors the compliance with financial ratios required under its loan agreements.

The equity-to-debt ratio at the end of the reporting period is as follows:

	Consolidated	
	Jun/11	Dec/10
Own capital (equity)	1,030,157	970,759
Total payables	1,358,962	1,433,916
Cash and cash equivalents	(479,375)	(578,366)
Borrowings	879,587	855,550
Capital to debt ratio	1.17	1.13

e. Operational risk

Arises from all Company operations and can cause direct losses associated to a variety of factors, such as processes, personnel, technology, infrastructure, and external factors.

The Company's objective is to manage the operational risk to avoid any damages to its reputation and seek cost efficiency.

The primary responsibility for developing and implementing operating risk controls relies with a centralized area of Internal Controls under the Senior management's responsibility.

f. Derivative financial instruments

The Company conducts transactions involving financial instruments and monitors its financial liabilities to manage market risks. All these transactions are carried out in accordance with the guidelines set forth by risk management structure.

The Company and its subsidiaries do not have as a policy to invest in speculative financial transactions, while entering into some financial derivative transactions to hedge certain assets and/or liabilities against fluctuations, especial exchange rate fluctuations.

The most common transaction entered into by the Company is the non-deliverable forward (NDF).

As at June 30, 2011 and December 31, 2010, the Company was not a party to any derivative transactions.

28. AUTHORIZATION FOR COMPLETION OF INTERIM FINANCIAL STATEMENTS

The Company's executive board authorized the completion of these interim financial statements on August 11, 2011.