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 period ended March 31, 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 period ended March 31, 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, May 12, 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:

- **Operating Revenue** grew by 25%;
- **Profit after Financial Income** of R$65.5 million, 26% higher against the same period of prior year;
- **Net Profit** of R$40.3 million, 8% of the operating revenue e 37% growth in relation to the same period of prior year;
- **Net cash provided by operating activities** of R$78.8 million against R$66.2 of previous year;
- **Cash and Cash Equivalent** balance of R$589.8 million.

	Consolidated (in thousands of Brazilian reais)		
Summary of results	2011	2010	Variation
Operating revenue	510,663	407,566	25%
Cost of sales and expenses	(452,408)	(353,913)	28%
Profit before financial income	58,255	53,653	9%
% of operating revenue	11%	13%	
Financial (expenses) income, net	7,273	(1,789)	507%
Profit after financial income (expenses)	65,528	51,864	26%
% of operating revenue	13%	13%	
Other operating income (expenses)	(4,948)	(5,465)	-9%
Profit before taxes	60,580	46,399	31%
% of operating revenue	12%	11%	
Income tax end social contribution	(20,301)	(17,087)	19%
Profit for the period	40,279	29,312	37%
% of operating revenue	8%	7%	

MANAGEMENT COMMENTS ON OBTAINED RESULTS

Operating Revenue grew by 25% in the first quarter of 2011, and the following aspects stand out:

- Sales volume grew by 15%;
- Prices went up as a result of increase in costs, especially metal inputs;
- Appreciation of the Brazilian real compared to the same quarter of 2010 (average rate of R$/US$ 1.65 against R$/US$ 1.82, affecting exports.

Sales costs and Operating expenses grew by 28% due to increase in sales, rise of prices of inputs and labor, and greater logistics expenses.

Recognizing the effects above described, profit before financial income recorded R$58.2 million, an increase of 11% on operating revenue, against R$53.7 million of the same quarter of 2010, corresponding to 13% on the operating revenue of that period. In terms of absolute values, there was a growth of 9%.

Net financial income of R$7.3 million against net financial expense of R$1.8 million in the same period of 2010 includes gains from financial investments due to higher balance of cash and cash equivalents in relation to the first quarter of prior year.

Net profit in the quarter was R$40.3 million, against R$29.3 million in the same period of previous year, accounting for growth of 37% and a margin of 8% on the operating revenue, in this case comparable to the 7% recorded in 2010.

Cash flow summary	Consolidated (in thousands of Brazilian reais) 2011	2010	Variation
Cash and cash equivalents for the period ended	589,793	426,532	38%
Net cash provided by operating activities	78,844	66,176	19%
Net cash used in investing activities	(44,695)	(34,749)	29%
Net cash provided by financing activities	(22,964)	(49,549)	54%
Effect of exchanges differences on cash for the year	242	7,414	-97%
Increase in cash and cash equivalents	11,427	(10,708)	207%

MANAGEMENT COMMENTS ON CASH FLOW

The Company ended the first quarter of 2011 with a cash balance of R$589.8 million, an increase of R$11.4 million on closing balance of 2010 fiscal year.

The operating activities generated R$78.8 million, 19% more than the first quarter of 2010.

Of the R$78.8 million, R$44.7 million was used in investing activities, including expansion of the capacity expansion, maintenance of operating capacity and environment. Furthermore, R$22.9 million was allocated for financing activities, particularly for settlement of bank loans and financing

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

TUPY S.A. AND SUBSIDIARIES

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

A S S E T S

		Company		Consolidated	
	Note	03/31/11	12/31/10	03/31/11	12/31/10
CURRENT ASSETS					
Cash and cash equivalents	3	576,939	558,168	589,793	578,366
Trade receivables, net	5	224,271	200,615	247,216	214,737
Inventories	6	157,192	172,663	184,713	201,196
Third-party tools		30,880	30,259	30,880	30,259
Recoverable taxes	7	47,660	18,433	53,147	23,758
Notes and other receivables		21,965	18,045	23,748	18,945
Total current assets		1,058,907	998,183	1,129,497	1,067,261
Held-for-sale assets	11	-	-	4,574	4,574
NONCURRENT ASSETS					
Long-term cash investments	4	22,154	19,963	22,154	19,963
Recoverable taxes	7	164,235	190,215	166,062	192,213
Deferred income tax and social contribution	8	51,526	62,101	53,957	64,583
Eletrobrás receivables	10	92,404	90,284	92,404	90,284
Escrow and other deposits		3,095	2,961	3,760	3,626
Investments:					
Subsidiaries	12	78,384	75,686	-	-
Other investments	12	582	582	940	922
Property, plant and equipment	13	980,864	955,870	986,413	961,249
Total noncurrent assets		1,393,244	1,397,662	1,325,690	1,332,840
Total assets		2,452,151	2,395,845	2,459,761	2,404,675

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

TUPY S.A. AND SUBSIDIARIES

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

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	03/31/11	12/31/10	03/31/11	12/31/10
CURRENT LIABILITIES					
Trade payables		144,107	119,276	146,524	121,291
Borrowings and financing	14	70,429	75,718	70,429	75,718
Taxes and payroll taxes in installments	15	11,371	11,193	11,371	11,193
Taxes payable		14,386	2,454	14,856	2,963
Payroll, related taxes and profit sharing	16	99,330	89,901	100,231	90,687
Advances from customers		30,677	38,946	47,040	56,015
Dividends and interests on capital		40,610	42,933	40,610	42,933
Notes and other payables		33,148	32,098	25,496	25,248
Total current liabilities		444,058	412,519	456,557	426,048
NONCURRENT LIABILITIES					
Borrowings and financing	14	748,547	762,599	748,547	762,599
Taxes and payroll taxes in installments	15	12,092	14,372	12,092	14,372
Subsidiaries and associates	9	5,600	5,728	-	-
Provisions for tax, civil, social security, and labor contingencies	17	154,289	150,903	155,000	151,932
Deferred taxes on revaluation reserves	8	74,664	76,492	74,664	76,492
Other noncurrent liabilities		1,863	2,473	1,863	2,473
Total noncurrent liabilities		997,055	1,012,567	992,166	1,007,868
PATRIMÔNIO LÍQUIDO					
Capital	18	398,395	398,395	398,395	398,395
Valuation adjustments to equity	18	144,939	148,490	144,939	148,490
Earnings reserve		423,874	423,874	423,874	423,874
Retained earnings		43,830	-	43,830	-
Total equity		1,011,038	970,759	1,011,038	970,759
Total liabilities and equity		2,452,151	2,395,845	2,459,761	2,404,675

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

TUPY S.A. AND SUBSIDIARIES

INCOME STATEMENT
FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$, except earnings per share)

		Company		Consolidated	
	Note	03/31/11	03/31/10	03/31/11	03/31/10
OPERATING REVENUE	19	496,661	395,882	510,663	407,566
Cost of sales	20	(401,046)	(322,118)	(405,532)	(324,736)
GROSS PROFIT		95,615	73,764	105,131	82,830
Selling expenses	20	(28,708)	(15,408)	(33,845)	(18,507)
Administrative expenses	20	(10,973)	(9,003)	(11,694)	(9,752)
Management compensation	9	(1,337)	(918)	(1,337)	(918)
PROFIT BEFORE FINANCIAL INCOME (EXPENSES), EQUITY IN SUBSIDIARIES, AND TAXATION		54,597	48,435	58,255	53,653
Financial expenses	21	(9,654)	(9,708)	(10,495)	(10,463)
Financial income	21	15,066	9,212	15,058	10,031
Inflation adjustment and exchange differences,	21	3,137	(380)	2,710	(1,357)
PROFIT AFTER FINANCIAL INCOME (EXPENSES)		63,146	47,559	65,528	51,864
Equity in subsidiaries	12	2,698	(381)	-	-
Other operating income (expenses)	22	(6,102)	(2,166)	(4,948)	(5,465)
OPERATING PROFIT		59,742	45,012	60,580	46,399
Income tax and social contribution	23	(19,463)	(15,700)	(20,301)	(17,087)
PROFIT FOR THE YEAR		40,279	29,312	40,279	29,312
EARNINGS PER SHARE					
Basic and diluted earnings per share	24	0.70493	0.51300		

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

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
Cash flows from operating activities:	Note	03/31/11	03/31/10	03/31/11	03/31/10
Profit for the year		40,279	29,312	40,279	29,312
Adjustments to reconcile profit for the year with cash provided by operating activities					
Depreciation and amortization	13	19,488	17,614	19,512	17,672
Equity in subsidiaries	12	(2,698)	381	-	-
Gain (loss) on sale of forestry assets	13	-	-	14	-
Deferred income tax and social contribution	23	8,747	1,724	8,798	1,485
Accrued interest and exchange differences		(1,049)	(4,548)	(1,542)	(3,420)
Allowance for doubtful accounts	5	218	71	218	71
Provisions for tax, civil, social security, and labor contingencies	17	(1,466)	(1,868)	(1,784)	(1,879)
Other noncurrent liabilities		(610)	(589)	(610)	(589)
		62,909	42,097	64,885	42,652
Changes in operating assets and liabilities:					
Trade receivables		(23,874)	(27,015)	(32,697)	(39,595)
Inventories		15,471	8,935	16,483	10,862
Customers' tools		(621)	7,533	(621)	7,533
Recoverable taxes		(2,227)	18,095	(2,218)	19,999
Notes and other receivables		(3,920)	(515)	(4,803)	(1,287)
Escrow and other deposits		(128)	-	(128)	-
Trade payables		24,831	15,142	25,233	15,116
Taxes payable		11,932	(507)	11,893	582
Payroll, related taxes and profit sharing		9,429	12,402	9,544	12,428
Advances from customers		(8,269)	2,786	(8,975)	(2,266)
Notes and other payables		1,050	(3,035)	248	152
		23,674	33,821	13,959	23,524
Net cash provided by operating activities		86,583	75,918	78,844	66,176
Cash flows from investing activities:					
Increase in property and equipment	13	(44,482)	(34,707)	(44,695)	(34,749)
Net cash used in investing activities		(44,482)	(34,707)	(44,695)	(34,749)
Cash flows from financing activities:					
Repayment of borrowings and financing		(27,781)	(22,405)	(27,781)	(22,405)
Amortization of taxes in installments		(2,322)	(28,790)	(2,322)	(28,790)
New borrowings and financing		11,653	8,564	11,653	8,564
Subsidiaries and associates		(142)	61	-	-
Interest on capital and dividends paid		(2,323)	(5,311)	(2,323)	(5,311)
Long-term cash investments	4	(2,191)	(1,607)	(2,191)	(1,607)
Net cash provided by financing activities		(23,106)	(49,488)	(22,964)	(49,549)
Effect of exchanges differences on cash for the year		(224)	5,643	242	7,414
Increase in cash and cash equivalents		18,771	(2,634)	11,427	(10,708)
Cash and cash equivalents at beginning of year		558,168	408,578	578,366	437,240
Cash and cash equivalents at end of year		576,939	405,944	589,793	426,532

(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	-	-	-	-	-	29,312	29,312
Realization of valuation adjustments to equity	-	(6,644)	-	-	-	6,644	-
BALANCE AT MARCH 31, 2010	**398,395**	**157,516**	**19,562**	**277,144**	**22,348**	**35,956**	**910,921**
BALANCE AT DECEMBER 31, 2010	**398,395**	**148,490**	**27,284**	**374,584**	**22,006**	**-**	**970,759**
Profit for the year	-	-	-	-	-	40,279	40,279
Realization of valuation adjustments to equity	-	(3,551)	-	-	-	3,551	-
BALANCE AT MARCH 31, 2011	**398,395**	**144,939**	**27,284**	**374,584**	**22,006**	**43,830**	**1,011,038**

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

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE PERIODS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	03/31/11	03/31/10	03/31/11	03/31/10
Creation of wealth		570,811	457,791	584,819	469,512
Product sales less returns and discounts	19	571,029	457,861	585,037	469,582
Allowance for doubtful accounts	5	(218)	(70)	(218)	(70)
(-) Inputs purchased from third parties		369,325	289,294	377,052	297,548
Raw and processing materials consumed		279,460	221,272	281,286	220,874
Supplies, power, outside services and other		89,865	68,022	95,766	76,674
GROSS VALUE ADDED		201,486	168,497	207,767	171,964
Retentions:		19,488	17,620	19,512	17,672
Depreciation and amortization	13	19,488	17,620	19,512	17,672
Wealth created		181,998	150,877	188,255	154,292
Wealth received in transfer		17,764	8,831	15,058	10,031
Equity in subsidiaries	12	2,698	(381)	-	-
Financial income	21	15,066	9,212	15,058	10,031
WEALTH FOR DISTRIBUTION		**199,762**	**159,708**	**203,313**	**164,323**
Distribution of value added					
Personnel		97,810	75,396	99,171	76,653
Employees		71,999	55,355	73,049	56,458
Payroll taxes - Severance Pay Fund (FGTS)		6,780	5,643	6,780	5,643
Profit sharing		4,860	3,887	5,015	3,887
Management compensation		1,337	918	1,337	918
Occupational health and safety		9,123	6,899	9,123	6,899
Meals		2,562	1,818	2,562	1,818
Education, training and professional development		286	118	290	127
Other		863	758	1,015	903
Government		55,156	44,912	56,078	46,538
Federal taxes and fees		49,972	40,664	50,852	42,135
State taxes		4,415	3,836	4,415	3,836
Municipal and other taxes		769	412	811	567
Lenders and lessors		6,517	10,088	7,785	11,820
Financial expenses	21	9,654	9,708	10,495	10,463
Inflation adjustment and exchange differences, net	21	(3,137)	380	(2,710)	1,357
Shareholders		40,279	29,312	40,279	29,312
Retained earnings		40,279	29,312	40,279	29,312
TOTAL WEALTH		**199,762**	**159,708**	**203,313**	**164,323**

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 individual and consolidated interim financial statements are presented in thousands of Brazilian reais (R$), which is the functional and reporting currency of the Company and have been rounded to the nearest value, except when otherwise indicated.

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 enters into a variety of derivative financial instruments to hedge against its exposure to foreign exchange fluctuation.

Derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit or loss when 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 adopted

Several standards and IFRS interpretations issued by the IASB are not yet become effective for the period ended March 31, 2011, as follows:

- IFRS 7 (review) – "*Disclosures - Transfers of Financial Assets*" – effective for fiscal years starting on July 1, 2011.
- IFRS 9 *Financial Instruments*: effective for annual reporting periods starting on or after January 1, 2013.
- IFRIC 14 (amended) *Prepayments of Minimum Funding Requirements*: effective for annual reporting periods starting on or after January 1, 2011.
- 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 annual periods that started on or after July 1, 2010. The other amendments to the standards are effective for annual periods that started 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	Mar/11	Dec/10	Mar/11	Dec/10
Cash and banks	489	1,269	520	1,322
Short-term investments in Brazil	547,191	398,542	547,191	398,542
Short-term investments abroad	29,259	158,357	42,082	178,502
	576,939	**558,168**	**589,793**	**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 11.97% per year, and short-term investments abroad yield an average rate of 0.39% 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	Mar/11	Dec/10	Mar/11	Dec/10
Cash investments in Brazil	22,154	19,963	22,154	19,963

Yield interest equivalent to the interbank deposit rate (CDI), at an average rate of 12.20% 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	Mar/11	Dec/10	Mar/11	Dec/10
Domestic market	135,180	87,536	135,315	87,624
Foreign market	92,638	116,357	115,448	130,391
	227,818	**203,893**	**250,763**	**218,015**
Allowance for doubtful accounts	(3,547)	(3,278)	(3,547)	(3,278)
Trade receivables, net	**224,271**	**200,615**	**247,216**	**214,737**

	Company		Consolidated	
	Mar/11	Dec/10	Mar/11	Dec/10
Current - up to 30 days	147,941	123,359	174,319	161,164
From 31 to 60 days	52,606	53,700	49,176	29,773
Over 61 days	17,887	19,407	17,067	17,768
Past due	9,384	7,427	10,201	9,310
	227,818	**203,893**	**250,763**	**218,015**

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

	Period past due		Campany and Consolidated Mar/11	Dec/10
Domestic market	From 60 to 180 days	50%	374	92
	More than 180 days	100%	229	350
Foreign market	More than 180 days	100%	2,944	2,836
			3,547	**3,278**

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

	Campany and Consolidated
Balance at Dec 31, 2010	**(3,278)**
Additions	(326)
Write-off to losses	57
Balance at Mar 31, 2011	**(3,547)**

6. INVENTORIES

	Company		Consolidated	
	Mar/11	Dec/10	Mar/11	Dec/10
Finished products	55,960	59,794	83,481	88,327
Work in process	26,172	26,239	26,172	26,239
Raw materials	21,855	27,233	21,855	27,233
Processing materials	24,087	26,509	24,087	26,509
Maintenance and other supplies	32,966	36,755	32,966	36,755
Allowance for losses	(3,848)	(3,867)	(3,848)	(3,867)
	157,192	**172,663**	**184,713**	**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 31, 2010	**(3,867)**
Write-off to losses	19
Balance at Mar 31, 2011	**(3,848)**

7. RECOVERABLE TAXES

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

	Company					
	Mar/11			Dec/10		
	Current	Noncurrent	Total	Current	Noncurrent	Total
(a) 1979-1981 IPI Premium Credit	-	52,841	52,841	-	52,560	52,560
(b) 1988-1990 Premium Credit	-	89,582	89,582	-	88,843	88,843
(c) Broadening of the COFINS base	25,318	-	25,318	-	25,170	25,170
(d) State VAT (ICMS) - São Paulo	-	30,308	30,308	-	32,138	32,138
(d) Allowance for losses on ICMS	-	(15,501)	(15,501)	-	(15,501)	(15,501)
(e) State VAT (ICMS) - Santa Catarina	7,728	7,005	14,733	7,368	7,005	14,373
Income tax	10,805	-	10,805	7,197	-	7,197
Social contribution	2,603	-	2,603	2,603	-	2,603
Tax on revenue (COFINS)	992	-	992	1,056	-	1,056
Tax on revenue (PIS)	198	-	198	207	-	207
Federal VAT (IPI) and other	16	-	16	2	-	2
	47,660	**164,235**	**211,895**	**18,433**	**190,215**	**208,648**

	Consolidated					
	Mar/11			Dec/10		
	Current	Noncurrent	Total	Current	Noncurrent	Total
(a) 1979-1981 IPI Premium Credit	-	52,841	52,841	-	52,560	52,560
(b) 1988-1990 Premium Credit	-	89,582	89,582	-	88,843	88,843
(c) Broadening of the COFINS base	25,318	-	25,318	-	25,170	25,170
(d) State VAT (ICMS) - São Paulo	-	30,308	30,308	-	32,138	32,138
(d) Allowance for losses on ICMS	-	(15,501)	(15,501)	-	(15,501)	(15,501)
(e) State VAT (ICMS) - Santa Catarina	7,728	7,005	14,733	7,368	7,005	14,373
Income tax	10,836	212	11,048	7,228	209	7,437
Social contribution	2,603	-	2,603	2,603	-	2,603
Tax on revenue (COFINS)	992	-	992	1,056	-	1,056
Tax on revenue (PIS)	198	-	198	207	-	207
Federal VAT (IPI) and other	5,472	1,615	7,087	5,296	1,789	7,085
	53,147	**166,062**	**219,209**	**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 1979-1985; 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 quarter 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$89,582.
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.
The Company started procedures for offsetting the credit in April of 2011 and expects to use all the credit during 2011 fiscal year.

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$1,830 reduction of the credit balance in first quarter 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$14,773, 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	Mar/11	Dec/10	Mar/11	Dec/10
Trade receivables	3,101	1,799	3,101	1,799
Inventories	1,308	1,315	1,308	1,315
Recoverable taxes	5,270	5,270	5,270	5,270
Other	2,979	1,987	2,751	1,987
Noncurrent assets				
Property, plant and equipment - valuation adjustments to equity	(74,664)	(76,492)	(74,664)	(76,492)
Differences depreciation rates	(20,564)	(18,997)	(20,564)	(18,997)
Incentive depreciation	(516)	(546)	(516)	(546)
Lease agreements	(519)	(632)	(519)	(632)
Other	3,605	3,612	3,605	3,612
Unrealized earnings	-	-	2,659	2,482
Current liabilities				
Payroll, related taxes and profit sharing	525	13,426	525	13,426
Other	1,596	1,410	1,596	1,410
Noncurrent liabilities				
Provisions for tax, civil, social security, and labor contingencies	54,741	53,457	54,741	53,457
	(23,138)	**(14,391)**	**(20,707)**	**(11,909)**
Deferred income tax and social contribution assets	51,526	62,101	53,957	64,583
(-) Deferred income tax and social contribution liabilities	74,664	76,492	74,664	76,492
	(23,138)	**(14,391)**	**(20,707)**	**(11,909)**

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	Mar/11	Dec/10	Mar/11	Dec/10
2011	20,548	27,247	20,548	27,247
2012	27,792	27,488	27,792	27,488
2013	3,186	7,366	5,617	9,848
	51,526	**62,101**	**53,957**	**64,583**

Subsidiary Sociedade Técnica de Fundições Gerais S.A. - Sofunge (under liquidation) has income tax loss carryforwards of R$56,001 (R$55,755 in 2010) and social contribution tax carryforwards of R$61,232 (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	Mar/11	Dec/10	Mar/11	Dec/10
Tupy Agroenergética Ltda.	-	-	3,686	3,475
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "em liquidação"	-	-	1,914	2,253
Tupy American Foundry Co.	18,021	35,494	-	-
Tupy American Iron & Alloys Co.	843	910	-	-
Tupy Europe GmbH	22,699	23,213	-	-
Tupy Argentina S.R.L.	1,299	1,957	-	-
	42,862	**61,574**	**5,600**	**5,728**

	Sales revenue		Financial expenses	
Income statement	03/31/11	03/31/10	03/31/11	03/31/10
Tupy Agroenergética Ltda.	-	-	(9)	(3)
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "em liquidação"	-	-	(6)	(2)
Tupy American Foundry Co.	79,944	51,143	-	-
Tupy American Iron & Alloys Co.	1,564	1,040	-	-
Tupy Europe GmbH	32,839	26,471	-	-
Tupy Argentina S.R.L.	43	703	-	-
	114,390	**79,357**	**(15)**	**(5)**

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 financing agreement 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	
	03/31/11	03/31/10	03/31/11	03/31/10
Members	5	7	5	5
Fixed compensation	168	195	729	723
Variable compensation			440	-
	168	**195**	**1,169**	**723**

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

No compensation was paid to the officers of 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 31, 2010	**90,284**
Compensatory interest	2,120
Balance at Mar 31, 2011	**92,404**

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.

The Company revalued the probability of sale in the short term of the assets recognized in 2009 and decided to return R$5,735 to property, plant and equipment, as they refer to preservation and forest areas in operation. The balance as of March 31, 2011 is R$5,147.

12. INVESTMENTS

	Company		Consolidated	
	Mar/11	Dec/10	Mar/11	Dec/10
IN SUBSIDIARIES:				
Tupy Agroenergética Ltda.	13,596	13,184	-	-
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "em liquidação"	2,017	2,038	-	-
Tupy American Foundry Co.	26,524	25,840	-	-
Tupy American Iron & Alloys Co.	2,045	1,997	-	-
Tupy Europe GmbH	32,252	30,257	-	-
Tupy Argentina S.R.L.	1,950	2,370	-	-
	78,384	75,686		
OTHER INVESTMENTS	582	582	940	922
	78,966	**76,268**	**940**	**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
Mar/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
Mar/11	13,596	2,017	26,524	2,045	32,252	1,950	78,384
PROFIT (LOSS):							
After elimination of unrealized profits							
Dec/10	97	2,038	1,056	177	3,360	174	6,902
Mar/11	412	(21)	684	48	1,995	(420)	2,698
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	412	(21)	684	48	1,995	(420)	2,698
Balance at March 31, 2011	**13,596**	**2,017**	**26,524**	**2,045**	**32,252**	**1,950**	**78,384**

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	11,559	1,390	-	817	85	30,529	102	44,482
Balance at March 31, 2011	1,210,952	152,956	8,748	18,303	8,720	237,159	3,413	1,640,251
Depreciation								
Balance at December 31, 2010	(536,800)	(84,013)	-	(11,018)	(8,068)	-	-	(639,899)
Depreciation for the period	(17,913)	(1,003)	-	(544)	(28)	-	-	(19,488)
Balance at March 31, 2011	(554,713)	(85,016)	-	(11,562)	(8,096)	-	-	(659,387)
Book value								
At December 31, 2010	662,593	67,553	8,748	6,468	567	206,630	3,311	955,870
At March 31, 2011	656,239	67,940	8,748	6,741	624	237,159	3,413	980,864

	Consolidated							
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	1,200,728	151,956	11,102	17,620	9,408	206,630	5,881	1,603,325
Additions	11,559	1,390	-	817	85	30,529	315	44,695
Write-offs	(77)	(30)	-	-	(33)	-	(24)	(164)
Effect of changes in foreign exchange	(6)	(4)	-	(2)	(19)	-	-	(31)
Balance at March 31, 2011	1,212,204	153,312	11,102	18,435	9,441	237,159	6,172	1,647,825
Depreciation								
Balance at December 31, 2010	(537,878)	(84,300)	-	(11,105)	(8,772)	-	(21)	(642,076)
Depreciation for the period	(17,923)	(1,005)	-	(549)	(35)	-	-	(19,512)
Write-offs	70	30	-	-	33	-	17	150
Effect of changes in foreign exchange	4	3	-	-	19	-	-	26
Balance at March 31, 2011	(555,727)	(85,272)	-	(11,654)	(8,755)	-	(4)	(661,412)
Book value								
At December 31, 2010	662,850	67,656	11,102	6,515	636	206,630	5,860	961,249
At March 31, 2011	656,477	68,040	11,102	6,781	686	237,159	6,168	986,413

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	03/31/11	03/31/10
In expansion	18,871	19,816
Sustaining operating capacity	21,162	8,526
Environment	3,039	5,391
Interest and financial charges	1,623	1,016
	44,695	**34,749**

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 quarter of 2011 totals R$1,623 (R$1,016 in the same period of 2010).

d. Collaterals

As at March 31, 2011, proprieties in the carrying amount of R$130,580 (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**	**Mar/11**	**Dec/10**
BNDES Exim - Pré-embarque (PSI)	Jun 2013	4,50% p.a.	550,521	550,563
Tupy S.A. expansion project - BNDES	Jul 2016	TJLP + 3,14% p.a.	163,185	153,220
Lease agreements	Jul 2011	15,62% p.a.	96	178
Finame (PSI)	Jul 2018	4,66% p.a.	1,263	1,261
FOREIGN CURRENCY:				
Working capital	Mar 2013	Libor + 1,99% p.a.	30,025	51,559
Export prepayments	May 2013	Libor + 2,12% p.a.	58,745	66,047
Tupy S.A. expansion project - BNDES	Jul 2016	VC + 6,23% p.a.	15,141	15,489
			818,976	**838,317**
Current portion			70,429	75,718
Long-term portion			748,547	762,599

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

	Company and Consolidated	
Year	Mar/11	Dec/10
2012	358,207	379,101
2013	307,083	305,407
2014	34,665	32,666
2015	30,459	28,460
Após	18,133	16,965
	748,547	**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 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.

Some 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 March 31, 2011, the Company had three 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	Mar/11	Dec/10
Payroll taxes - REFIS-PAES	TJLP	23,463	25,565
		23,463	**25,565**
Current portion		11,371	11,193
Long-term portion		12,092	14,372

The long-term portion matures as follows:

	Company and consolidated	
Year	Mar/11	Dec/10
2012	7,254	9,580
2013	4,838	4,792
	12,092	**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	
	Mar/11	Dec/10	Mar/11	Dec/10
Salaries	9,605	8,350	10,466	9,111
Accrued vacation and 13th salary	37,736	31,233	37,751	31,244
Payroll taxes	10,219	10,830	10,231	10,834
Profit sharing plan	41,770	39,488	41,783	39,498
	99,330	**89,901**	**100,231**	**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, process, and personal performance goal indices. These expenses are distributed between cost and operating expenses in the consolidated income statement.

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 March, 31 2011 and the related balances are as follows:

	Company				
	Dec/10	Additions	Adjustments	Write-offs	Mar/11
Civil	134,680	-	4,805	(144)	139,341
Tax	10,008	-	47	-	10,055
Labor	8,855	-	-	(1,310)	7,545
Social security	3,684	377	-	-	4,061
	157,227	**377**	**4,852**	**(1,454)**	**161,002**
Related escrow deposits	(6,324)	(389)	-	-	(6,713)
	150,903	**(12)**	**4,852**	**(1,454)**	**154,289**

	Consolidated				
	Dec/10	Additions	Adjustments	Write-offs	Mar/11
Civil	135,259	-	4,805	(144)	139,920
Tax	10,051	-	47	-	10,098
Labor	9,461	-	-	(1,628)	7,833
Social security	3,684	377	-	-	4,061
	158,455	**377**	**4,852**	**(1,772)**	**161,912**
Related escrow deposits	(6,523)	(389)	-	-	(6,912)
	151,932	**(12)**	**4,852**	**(1,772)**	**155,000**

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	**Mar/11**	**Dec/10**
Pis, Cofins, IPI, and IRRF	25,660	24,971
ICMS assessments	2,846	2,770
PIS, COFINS, IRPJ and CSLL assessments	60,739	59,108
	89,245	**86,849**
SOCIAL SECURITY		
Tax assessments issued by Federal Revenue Service	48,056	46,765
Taxes owed by service providers	11,731	11,416
	59,787	**58,181**
LABOR	22,619	21,960

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 March 31, 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 year:

	Company		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Gross revenue	577,647	462,222	591,655	473,948
Returns and discounts	(6,618)	(4,361)	(6,618)	(4,366)
Revenue less returns and discounts	571,029	457,861	585,037	469,582
Sales taxes	(74,368)	(61,979)	(74,374)	(62,016)
Operating revenue	**496,661**	**395,882**	**510,663**	**407,566**

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 year:

	Company		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Raw materials	133,136	100,234	134,234	100,004
Processing materials	88,167	73,286	88,895	73,118
Maintenance and other supplies	45,318	33,774	45,342	33,816
Payroll and related taxes	90,606	78,869	92,281	79,820
Employee benefits	17,694	13,481	18,006	13,635
Electricity	23,614	18,608	23,814	18,572
Depreciation	19,488	17,614	19,512	17,672
Freight on sales	20,816	9,244	24,428	11,098
Management compensation	1,337	918	1,337	918
Other costs	1,888	1,419	4,559	5,260
	442,064	**347,447**	**452,408**	**353,913**
Cost of sales	401,046	322,118	405,532	324,736
Selling expenses	28,708	15,408	33,845	18,507
Administrative expenses	10,973	9,003	11,694	9,752
Management compensation	1,337	918	1,337	918
	442,064	**347,447**	**452,408**	**353,913**

21. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
Financial expenses	03/31/11	03/31/10	03/31/11	03/31/10
Interest on borrowings and financing	(9,048)	(7,017)	(9,048)	(7,017)
Interest on taxes and payroll taxes in installments	(342)	(1,865)	(342)	(1,867)
Other expenses	(264)	(826)	(1,105)	(1,579)
	(9,654)	(9,708)	(10,495)	(10,463)
Financial income				
Interest on short-term investments	12,261	6,068	12,261	6,068
Interest on Eletrobrás receivables	2,120	1,726	2,120	1,726
Other income	685	1,418	677	2,237
	15,066	9,212	15,058	10,031
Inflation adjustment and exchange differences, net				
Foreign exchange rate changes, net:	3,352	(427)	2,923	(1,406)
Inflation adjustments	(215)	47	(213)	49
	3,137	(380)	2,710	(1,357)
	8,549	**(876)**	**7,273**	**(1,789)**

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	
	03/31/11	03/31/10	03/31/11	03/31/10
Recognition of and adjustments to provisions:				
Tax	(47)	(288)	(47)	(288)
Civil	(4,805)	(1,819)	(4,805)	(1,819)
Social security	(377)	(293)	(377)	(3,199)
Depreciation of nonoperating assets	(452)	(291)	(452)	(337)
Gain (loss) on sale of unusable assets and write-off of third-party tools and other assets	(421)	525	733	178
	(6,102)	**(2,166)**	**(4,948)**	**(5,465)**

23. INCOME TAX AND SOCIAL CONTRIBUTION

	Company		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Pretax profit	**59,742**	**45,012**	**60,580**	**46,399**
Combined tax rate	34%	34%	34%	34%
Expenses at combined tax rate	(20,312)	(15,304)	(20,597)	(15,776)
Tax effect of permanent (additions) deductions:				
- Equity in subsidiaries	917	(130)	-	-
- Depreciation of assets revalued in 1990	(165)	(165)	(165)	(165)
- Depreciation of nonoperating assets	(154)	(99)	(154)	(115)
- Other permanent (additions) deductions	251	(2)	380	(150)
Effect on tax loss carryforwards of subsidiaries without recognition of deferred tax assets	-	-	235	(881)
Efeitos fiscais lançados ao resultado	**(19,463)**	**(15,700)**	**(20,301)**	**(17,087)**

Breakdown of the tax effect allocated to profit or loss:

	Company		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Current income tax and social contribution	(10,716)	(13,976)	(11,503)	(15,602)
Deferred income tax and social contribution	(8,747)	(1,724)	(8,798)	(1,485)
Tax effects allocated to profit or loss	**(19,463)**	**(15,700)**	**(20,301)**	**(17,087)**

24. EARNINGS PER SHARE

The table below shows the calculation of basic and diluted earnings per share:

	03/31/11	03/31/10
Profit attributable to Company shareholders	40,279	29,312
Weighted average number of outstanding shares	57,139	57,139
Basic and diluted earnings per share - R$	**0.7049**	**0.5130**

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:

	Mar/11	Dec/10
Buildings	73,965	73,965
Machinery, equipment, furniture and fixtures	901,954	901,954
Inventories	141,623	141,623
Loss of profits	483,089	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 segment.

Reconciliation of the revenues, costs and expenses, results, and assets and liabilities of the reported segments

	Consolidated					
	Automotive products		Industrial products		Total	
	03/31/11	03/31/10	03/31/11	03/31/10	03/31/11	03/31/10
Operating revenue (nota 19)	455,331	355,539	55,332	52,027	510,663	407,566
Costs and expenses (nota 20)	(409,575)	(317,401)	(42,833)	(36,512)	(452,408)	(353,913)
Profit before financial income (expenses), net and income tax and social contribution	45,756	38,138	12,499	15,515	58,255	53,653
Financial income (expenses), net (nota 21)					7,273	(1,789)
Other operating income (expenses) (nota 22)					(4,948)	(5,465)
Profit after financial income (expenses), net					60,580	46,399
Income tax and social contribution (nota 23)					(20,301)	(17,087)
Profit for the year					**40,279**	**29,312**

	Consolidated					
	Automotive products		Industrial products		Total	
ATIVO	03/31/11	12/31/10	03/31/11	12/31/10	03/31/11	12/31/10
Trade receivables, net (nota 5)	209,925	199,680	37,291	15,057	247,216	214,737
Inventories (nota 6)	149,798	148,461	34,915	52,735	184,713	201,196
Third-party tools	30,849	30,224	31	35	30,880	30,259
Notes and other receivables	19,724	16,507	4,024	2,438	23,748	18,945
Property, plant and equipment (nota 13)	954,138	929,305	32,275	31,944	986,413	961,249
Other unallocated assets	-		-	-	986,791	978,289
Total consolidated assets	**1,364,434**	**1,324,177**	**108,536**	**102,209**	**2,459,761**	**2,404,675**
LIABILITIES						
Trade payables	130,094	102,613	16,430	18,678	146,524	121,291
Taxes payable	12,572	2,454	2,284	509	14,856	2,963
Payroll, related taxes and profit sharing (nota 16)	90,541	80,550	9,690	10,137	100,231	90,687
Advances from customers	41,934	49,338	5,106	6,677	47,040	56,015
Notes and other payables	22,730	24,688	2,766	560	25,496	25,248
Other unallocated liabilities					1,114,576	1,137,712
Equity	-	-	-	-	1,011,038	970,759
Total consolidated liabilities	**297,871**	**259,643**	**36,276**	**36,561**	**2,459,761**	**2,404,675**

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.

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 follows:

OPERATING REVENEU	Consolidated 03/31/11	%	03/31/10	%
Automotive products				
Customer A	92,855	*18.2*	66,568	*16.3*
Customer B	78,871	*15.4*	62,634	*15.4*
Other customers the automotive products	283,605	*55.5*	226,337	*55.5*
Total automotive products	**455,331**		**355,539**	
Industrial products	55,332	*10.8*	52,027	*12.8*
Total operating reveneu	**510,663**	*100.0*	**407,566**	*100.0*

The distribution of the industrial products segment is quite diluted.

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, derivative 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			
	Mar/11		Dec/10	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	589,793	589,793	578,366	578,366
Trade receivables, net	247,216	247,216	214,737	214,737
Notes and other receivables	23,748	23,748	18,945	18,945
Trade payables	146,524	146,524	121,291	121,291
Borrowings and financing	818,976	818,976	838,317	838,317
Notes and other payables	25,496	25,496	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 March 31, 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	432,308	**6,25 % p.a.**	12,989	32,000	245,539	190,439	9,571	490,538
Unsecured bank borrowings	282,662	**4,5% p.a.**	6,330	6,331	122,045	171,965	-	306,672
Finance lease payables	96	**15,62 % p.a.**	99	-	-	-	-	99
Foreign Currency								
Bank borrowings	62,859	**3,41 % p.a.**	20,367	13,517	21,301	10,567	1,063	66,814
Unsecured bank borrowings	41,051	**2,57 % p.a.**	8,660	8,561	16,810	8,248	-	42,279
Trade and other payables	172,020		172,020					172,020
	990,996		**220,465**	**60,409**	**405,695**	**381,220**	**10,634**	**1,078,422**

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	Mar/11	Dec/10
Short-term investments abroad	3	42,082	178,502
Foreign market customers	5	115,448	130,391
		157,530	308,893
LIABILITIES			
Foreign currency borrowings	14	(103,911)	(133,095)
Other amounts		(13,705)	(46,368)
		(117,616)	(179,463)
Net exposure (R$'000)		**39,914**	**129,430**
Net exposure (US$'000)		**24,507**	**77,680**

On December 31, 2010, the Company's asset exposure amounted to US$77,680 million. Considering the dollar depreciation scenario over the first quarter of 2011, the Company gradually converted part of its dollar assets into reais, thus reducing its long position to US$24,507 on March 31, 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$ 1.6287	R$ 1.60	R$ 1.20	R$ 0.80
Long position		157,530	154,754	116,066	77,377
Short position		(117,616)	(115,543)	(86,658)	(57,772)
Net exposure (R$'000)		39,914	39,211	29,408	19,605
Net exposure (US$'000)		24,507	24,507	24,507	24,507
Potential impact (R$'000)		-	**(703)**	**(10,506)**	**(20,309)**

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:

	Note	Consolidated Carrying amount Mar/11	Dec/10
Variable rate instruments			
Financial assets	3 e 4	569,345	418,505
Financial liabilities	14	267,096	286,315
Fixed rate instruments			
Financial assets	3	42,082	178,502
Financial liabilities	14	551,880	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$5,693 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$210 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	
	Mar/11	Dec/10
Own capital (equity)	1,011,038	970,759
Total payables	1,448,723	1,433,916
Cash and cash equivalents	(589,793)	(578,366)
Borrowings	858,930	855,550
Capital to debt ratio	1.18	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 top management has the primary responsibility to develop and implement controls over operational risks.

f. Derivative financial instruments

The Company uses derivatives and complies with financial requirements to manage market risks. All derivative transactions are conducted according to the guidelines provided by the risk management framework.

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 March 31, 2011, 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 May 12, 2011.