



**Ioche-Maxion S.A. and subsidiaries**  
(Publicly-held company)

**Financial statements**  
**December 31, 2009 and 2008**

(A free translation of the original report in Portuguese as published in Brazil, containing financial statements prepared in accordance with accounting practices adopted in Brazil)



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**Publicly-held company**

## Financial statements

**December 31, 2009 and 2008**

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## Management's report 2009

**Iochpe-Maxion S.A (Bovespa: MYPK3)**, the financial and operational information herein, unless otherwise indicated are presented in a consolidated basis and in accordance with the applicable legislation.

### **2009 PERFORMANCE**

In 2009, Iochpe-Maxion recorded net income of R\$ 55.1 million (earnings per share of R\$ 1.1624), a decrease of 74.2% over 2008 (net income of R\$ 214.1 million and earnings per share of R\$ 4.5137).

In this comparison it is worth to mention that net income of 2008 was benefited in R\$ 76 million due to a nonrecurring gain related to the grouping of Maxion Sistemas Automotivos into Iochpe-Maxion in July 2008. Disregarding this non recurring gain, the net income in 2009 would have decreased 60.1% over 2008.

Net consolidated operating revenue totaled R\$ 1,317.6 million, a reduction of 27.9%, earnings before interest and tax (EBIT) reached R\$ 95.0 million, a reduction of 59.0% and earnings before interest, tax, depreciation and amortization (EBITDA) stood at R\$ 139.9 million, a 47.8% decrease, always comparing 2009 with the previous year.

In the 4Q09, Iochpe-Maxion recorded net income of R\$ 42.1 million an increase of 760.6% over the same period of the previous year (net income of R\$ 4.9 million). The consolidated net operating revenue in the period reached R\$ 438.4 million, a reduction of 5.1%, EBIT reached R\$ 48.2, an increase of 38.3% and EBITDA was R\$ 61.5 million, an increase of 33.7%, always comparing the 4Q09 with the same period of the previous year.

The 4Q09 results were positively impacted (i) in R\$ 6.6 million, net of deferred income tax, due to the company's filling in the debt installments program of the Public Attorney of the Brazilian Treasury Department and Federal tax Authority ("IPI Tax Credit") and (ii) by the R\$ 17.6 million deferred tax credit recognition in the controlled subsidiary Amsted-Maxion due its tax loss incurred in 2009.

The 2009 results were affected by the reduction in Brazilian trucks, buses and agricultural machinery production, by the decrease of the domestic demand for railway freight cars and by the retraction on exports.

## 1) MARKET

The table below shows Brazil's vehicle and agricultural machinery production (in units) for the periods indicated, based on data from the Brazilian Association of Vehicle Manufacturers (Anfavea):

Segment	4Q09	4Q08	Var.	2009	2008	Var.
Passenger Cars	680,480	449,111	51.5%	2,577,739	2,545,729	1.3%
Light Commercials	133,296	95,185	40.0%	449,337	458,806	-2.1%
Trucks	39,258	39,114	0.4%	123,632	167,330	-26.1%
Buses	8,586	8,209	4.6%	34,535	44,111	-21.7%
<b>Total Vehicles</b>	<b>861,620</b>	<b>591,619</b>	<b>45.6%</b>	<b>3,185,243</b>	<b>3,215,976</b>	<b>-1.0%</b>
Agricultural Machinery	20,423	21,585	-5.4%	66,210	84,986	-22.1%

Within these production volumes and according to Anfavea, Brazilian vehicle and agricultural machinery exports (in units) for the periods indicated, are shown below:

Segment	4Q09	4Q08	Var.	2009	2008	Var.
Passenger Cars	118,542	125,427	-5.5%	373,747	558,207	-33.0%
Light Commercials	26,627	24,520	8.6%	78,178	122,022	-35.9%
Trucks	3,914	8,612	-54.6%	13,504	38,665	-65.1%
Buses	3,207	4,190	-23.5%	9,896	15,689	-36.9%
<b>Total Vehicles</b>	<b>152,290</b>	<b>162,749</b>	<b>-6.4%</b>	<b>475,325</b>	<b>734,583</b>	<b>-35.3%</b>
Agricultural Machinery	4,484	7,398	-39.4%	14,780	30,216	-51.1%

The following table shows the Brazilian railway equipment market in the indicated periods, according to Amsted-Maxion's estimates:

Segment	4Q09	4Q08	Var.	2009	2008	Var.
Railway Freight Cars (units)	244	1,372	-82.2%	981	5,118	-80.8%
Railway Wheels (units)*	4,642	8,272	-43.9%	33,634	48,256	-30.3%
Castings (tonnes)*	411	1,363	-69.8%	1,645	4,763	-65.5%

\* Replacement market only, excluding wheels and castings used in assembling new railway freight cars.

The table below shows Iochpe-Maxion's sales volume (domestic market, exports and international sales) for selected products in the periods indicated.

Segment	4Q09	4Q08	Var.	2009	2008	Var.
Wheels - Wheels and Chassis Division (thous.units)	385	423	-9.0%	1,219	1,919	-36.5%
Wheels - Fumagalli Division (thous. units)	3,338	-		3,794	-	
Railway Wheels (units)*	8,573	11,244	-23.8%	36,950	44,227	-16.5%
Railway Freight Cars (units)	94	822	-88.6%	603	4,491	-86.6%
Castings (tonnes)*	2,977	10,587	-71.9%	14,748	38,977	-62.2%

\* Replacement market only, excluding wheels and castings used in assembling new railway freight cars.

## 2) FINANCIAL AND OPERATING PERFORMANCE

Income Statement - R\$ thousand	4Q09	4Q08	Var.	2009	2008	Var.
Net Operating Revenue	438,418	462,013	-5.1%	1,317,607	1,827,726	-27.9%
Cost of Goods Sold	(363,298)	(388,443)	-6.5%	(1,114,596)	(1,470,756)	-24.2%
<b>Gross Profit</b>	<b>75,120</b>	<b>73,570</b>	<b>2.1%</b>	<b>203,011</b>	<b>356,970</b>	<b>-43.1%</b>
	17.1%	15.9%		15.4%	19.5%	
Operating Expenses	(26,883)	(38,688)	-30.5%	(108,009)	(125,315)	-13.8%
<b>Operating Income (EBIT)</b>	<b>48,237</b>	<b>34,882</b>	<b>38.3%</b>	<b>95,002</b>	<b>231,655</b>	<b>-59.0%</b>
	11.0%	7.6%		7.2%	12.7%	
Financial Results	(8,130)	(22,598)	-64.0%	(14,452)	(27,582)	-47.6%
<b>Net Income</b>	<b>42,097</b>	<b>4,892</b>	<b>760.6%</b>	<b>55,133</b>	<b>214,094</b>	<b>-74.2%</b>
	9.6%	1.1%		4.2%	11.7%	
<b>EBITDA</b>	<b>61,536</b>	<b>46,024</b>	<b>33.7%</b>	<b>139,864</b>	<b>267,727</b>	<b>-47.8%</b>
	14.0%	10.0%		10.6%	14.6%	

### 2.1) Net Operating Revenue

In 2009, net consolidated operating revenue totaled R\$ 1,317.6 million, a reduction of 27.6% over 2008.

Major factors contributing to this result were the reduction in Brazilian trucks, buses and agricultural machinery production, reduction in domestic demand for railway freight cars and retraction on exports.

In the 4Q09, net consolidated operating revenue totaled R\$ 438.4 million, a reduction of 5.1% over the same period of the previous year.

Export and international sales totaled US\$ 102.0 million or R\$ 196.1 million in 2009, a reduction of 30.1% in dollars and 27.9% in Reais, when compared with the previous year.

The consolidated exports and international sales destinations, by value, were the United States (58.0%), Mexico (13.3%), Latin America (11.4%), Asia/Oceania (6.8%), Africa/Middle East (3.8%), Canada (3.6%) and Europe (3.0%).

Revenue - R\$ thousand	4Q09	4Q08	Var.	2009	2008	Var.
Wheels (Brazil)						
Domestic Market	89,562	111,307	-19.5%	252,784	422,729	-40.2%
International Markets	6,313	17,936	-64.8%	22,330	77,831	-71.3%
<b>Total</b>	<b>95,875</b>	<b>129,243</b>	<b>-25.8%</b>	<b>275,114</b>	<b>500,560</b>	<b>-45.0%</b>
Wheels (China)						
International Markets	3,383	8,207	-58.8%	13,518	9,973	35.5%
<b>Total</b>	<b>3,383</b>	<b>8,207</b>	<b>-58.8%</b>	<b>13,518</b>	<b>9,973</b>	<b>35.5%</b>
Chassis						
Domestic Market	158,558	162,957	-2.7%	551,313	643,435	-14.3%
International Markets	10,298	20,863	-50.6%	60,372	61,754	-2.2%
<b>Total</b>	<b>168,856</b>	<b>183,820</b>	<b>-8.1%</b>	<b>611,685</b>	<b>705,189</b>	<b>-13.3%</b>
<b>Wheels and Chassis Division</b>						
Domestic Market	248,120	274,264	-9.5%	804,097	1,066,164	-24.6%
International Markets	19,994	47,006	-57.5%	96,220	149,558	-35.7%
<b>Total</b>	<b>268,114</b>	<b>321,270</b>	<b>-16.5%</b>	<b>900,317</b>	<b>1,215,722</b>	<b>-25.9%</b>
<b>Fumagalli Division</b>						
Domestic Market	63,846	-		73,509	-	
International Markets	45,786	-		53,467	-	
<b>Total</b>	<b>109,632</b>	<b>-</b>		<b>126,976</b>	<b>-</b>	
<b>Automotive Comp. Division</b>						
Domestic Market	34,052	19,219	77.2%	128,891	117,619	9.6%
International Markets	428	275	55.6%	1,152	1,404	-17.9%
<b>Total</b>	<b>34,480</b>	<b>19,494</b>	<b>76.9%</b>	<b>130,043</b>	<b>119,023</b>	<b>9.3%</b>
<b>Amsted-Maxion (50%)</b>						
Domestic Market	17,880	69,631	-74.3%	114,991	371,975	-69.1%
International Markets	8,312	51,619	-83.9%	45,280	121,007	-62.6%
<b>Total</b>	<b>26,192</b>	<b>121,249</b>	<b>-78.4%</b>	<b>160,270</b>	<b>492,982</b>	<b>-67.5%</b>
<b>lochpe-Maxion Consol.</b>						
Domestic Market	363,898	363,114	0.2%	1,121,488	1,555,757	-27.9%
International Markets	74,520	98,900	-24.7%	196,119	271,969	-27.9%
<b>Total</b>	<b>438,418</b>	<b>462,013</b>	<b>-5.1%</b>	<b>1,317,607</b>	<b>1,827,726</b>	<b>-27.9%</b>

## 2.2) Cost of Goods Sold (COGS)

The cost of goods sold reached R\$ 1,114.6 million in the 2009, equivalent to 84.6% of net operating revenue and a reduction of 24.2% over 2008, when COGS represented 80.5% of net operating revenue.

In the 4Q09 COGS totaled R\$ 363.3 million, equivalent to 82.9% of net operating revenue and a reduction of 6.5% over the same period of the previous year, when COGS represented 84.1% of net operating revenue

## 2.3) Gross Profit

In 2009, gross profit stood at R\$ 203.0 million, representing a gross margin of 15.4% and a reduction of 43.1% over 2009, when gross profit totaled R\$ 357.0 million and gross margin stood at 19.5%.

In the 4Q09, gross profit stood at R\$ 75.1 million, representing a gross margin of 17.1% and an increase of 2.1% over the same period of the previous year, when gross profit totaled R\$ 73.6 million and gross margin stood at 15.9%.

## **2.4) Net Operating Expenses**

Net operating expenses reached R\$ 108.0 million in 2009, a reduction of 13.8% over 2008. Net operating expenses were equivalent to 8.2% of net operating revenue in 2009, versus 6.9% in the previous year.

In the 4Q09, net operating expenses reached R\$ 26.9 million (6.1% of net operating revenue), a reduction of 30.5% over the same period of the previous year (8.4% of net operating revenue).

The variation in operating expenses in 2009 is mainly due to: (i) the lower variable sales expenses, related to the reduction of domestic sales and reduction of expenses with freight due to the lower volume of exports, (ii) the expenses of R\$ 7.5 million related to the interruption by Amsted-Maxion of its activities on the plant located in the city of Osasco, São Paulo state, Brazil, in July 2009, in order to adequate its operational structure to the current railway equipment market scenario and (iii) revenue of R\$ 8.7 million in the 4Q09, due to the company's filling in the debt installments program of the Public Attorney of the Brazilian Treasury Department and Federal Tax Authority ("IPI Tax Credit").

## **2.5) Earnings Before Interest and Tax (EBIT)**

EBIT stood at R\$ 95.0 million (7.2% of net operating revenue) in the 2009, 59.0% less than the R\$ 231.7 million in 2008 (12.7% of net operating revenue).

EBIT stood at R\$ 48.2 million (11.0% of net operating revenue) in the 4Q09, an increase of 38.3% when compared to the same quarter of the previous year (7.6% of net operating revenue).

## **2.6) Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**

In 2009, EBITDA totaled R\$ 139.9 million, a reduction of 47.8% when compared to the previous year. As a margin of the net operating revenue, there was a decrease from 14.6% in 2008 to 10.6% in 2009.

In the 4Q09, EBITDA totaled R\$ 61.5 million (14.0% of net operating revenue), an increase of 33.7% when compared to the same period of the previous year (10.0% of net operating revenue).

The table below shows the EBITDA evolution for the periods indicated:

<b>EBITDA Reconciliation R\$ thousand</b>	<b>4Q09</b>	<b>4Q08</b>	<b>Var.</b>	<b>2009</b>	<b>2008</b>	<b>Var.</b>
Net Income	42,097	4,892	760.6%	55,133	214,094	-74.2%
Income Taxes	1,990	(7,393)	-126.9%	(25,417)	10,021	-353.6%
Financial Results	(8,130)	(22,598)	-64.0%	(14,452)	(27,582)	-47.6%
Depreciation / Amortization	(13,300)	(11,142)	19.4%	(44,862)	(36,073)	24.4%
<b>EBITDA</b>	<b>61.536</b>	<b>46.024</b>	<b>33.7%</b>	<b>139.864</b>	<b>267.728</b>	<b>-47.8%</b>

## 2.7) Financial Result

Net financial result in 2009 was a loss of R\$ 14.5 million, 47.6% better than the R\$ 27.6 million net financial loss in 2008.

This improvement is due to the impact of the FX rate variation during the year, that resulted in (i) expenses of R\$ 11.6 million related to the operations to fix the future value of the dollar - Non Deliverable Forwards (revenue of R\$ 5.6 million in 2008) and (ii) revenue of R\$ 15.9 million with FX rate variation over loans in foreign currency (expense of R\$ 25.7 million in 2008).

Net financial result in the 4Q09 was a loss of R\$ 8.1 million, 64% better than the R\$ 22.6 million net financial loss in the 4Q08. The better performance when compared to same period of last year is mainly due to the expenses related to the impact of the FX rate variation occurred in the 4Q08, totaling R\$ 16.0 million (among expenses related to the operations to fix the future value of the dollar - Non Deliverable Forwards and the FX rate variation over loans in foreign currency and FX rate variation revenue over the account receivables). The net financial results in the 4Q09 was also positively impacted in R\$ 1.2 million due to the company's filling in the debt installments program of the Public Attorney of the Brazilian Treasury Department and Federal Tax Authority ("IPI Tax Credit").

## 2.8) Net Result

Net income reached R\$ 55.1 million (earnings per share of R\$ 1.1624) in 2009, a reduction of 74.2% over the net income recorded in 2008 (R\$ 214.1 million and earnings per share of R\$ 4.5137).

It is worth to mention that net income of 2008 was benefited in R\$ 76 million due to a nonrecurring gain related to the grouping of Maxion Sistemas Automotivos into Iochpe-Maxion in July 2008. Disregarding this non recurring gain, the net income in 2009 would have decreased 60.1% over 2008.

In the 4Q09, net income reached R\$ 42.1 million, 760.6% increase over the net income of R\$ 4.9 million reached in the same period of the previous year.

In the 4Q09 net income was positively impacted (i) in R\$ 6.6 million, net of deferred income tax, due to the company's filling in the debt installments program of the Public Attorney of the Brazilian Treasury Department and Federal tax Authority ("IPI Tax Credit") and (ii) by the R\$ 17.6 million deferred tax credit recognition in the controlled subsidiary Amsted-Maxion due to its tax loss incurred in 2009.

### **3) LIQUIDITY AND INDEBTEDNESS**

Consolidated cash and cash equivalents totaled R\$ 178.2 million at the end of 2009, with 86.5% of such amount denominated in Reais, 3.8% denominated in Dollars, 7.4% in Mexican Pesos and 2.3% in YUAN.

Financial investments accounted for nearly 70.0% of such amount consisting entirely of short-term instruments.

Consolidated gross bank debt reached on the same date R\$ 649.3 million, R\$ 276.2 million of which (42.5%) registered in the short-term and R\$ 373.0 million (57.5%) in the long-term. The main indexes for this gross bank debt were: CDI (interbank rate) + 2% with 31.1% of the total, followed by fixed interest rate of 4.5% per year (BNDES - PSI Program) with 41.0%, the long-term interest rate (TJLP), with 10.8% and the U.S. dollar, with 11.9%.

Consolidated net bank debt stood at R\$ 471.1 million at the end of 2009, an increase of 84.4% when compared to the end 2008. The net debt/last 12 months EBITDA ratio, at the end of 2009, stood at 3.4x, over the 1.0x ratio recorded in the end of 2008.

To better understand the evolution of the net bank debt, it's worth to mention the (i) R\$ 79.2 million dividend payment during the 2Q09 and the (ii) R\$ 331.1 million payment during the 3Q09 for the conclusion of the acquisition of Fumagalli Division.

### **4) NON-DELIVERABLE FORWARD OPERATIONS (NDFs)**

During 2009, there was the expiration of contracted NDFs related to (i) selling future dollar in the amount of US\$ 60.8 million, generating an expense of R\$ 12.9 million; (ii) buying future dollar in the amount of US\$ 2.0 million, generating a revenue of R\$ 1.4 million and (iii) at the end of 2009 Iochpe-Maxion didn't have any contracted NDF operation.

### **5) EQUITY**

The equity at the end of 2009 reached R\$ 482.4 million (book value of R\$ 10.17 per share), 8.9% up on equity at the end of 2008 (R\$ 442.9 million and book value of R\$ 9.34 per share).

At the end of 2009, the equity had a positive adjustment of R\$ 2.3 million, due to the FX rate variation of the foreign investments (overall negative adjustment of R\$ 2.5 million on equity at the end of 2008).

### **6) CAPEX**

In 2009, capital expenditures in new-product development and plant upgrades totaled R\$ 50.0 million (R\$ 113.4 million in 2008), while in the 4Q09 the capital expenditure reached R\$ 17.3 million (R\$ 46.4 million in the same period of last year).

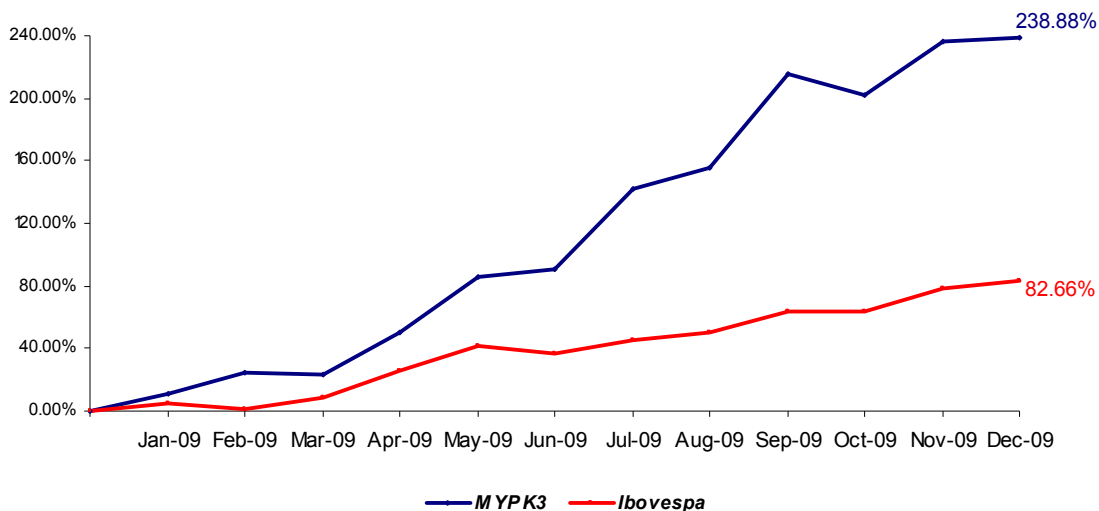
### **7) DIVIDENDS**

Iochpe-Maxion's bylaws provides for the distribution of 37% of net income (less any accumulated losses from previous periods). As net income reached R\$ 55.1 million in 2009, the dividends to be distributed in 2010 should be R\$ 20.4 million (R\$ 79.2 million in 2008) or 0.43008422 per share (1.67008388 per share in 2008).

## 8) CAPITAL MARKETS

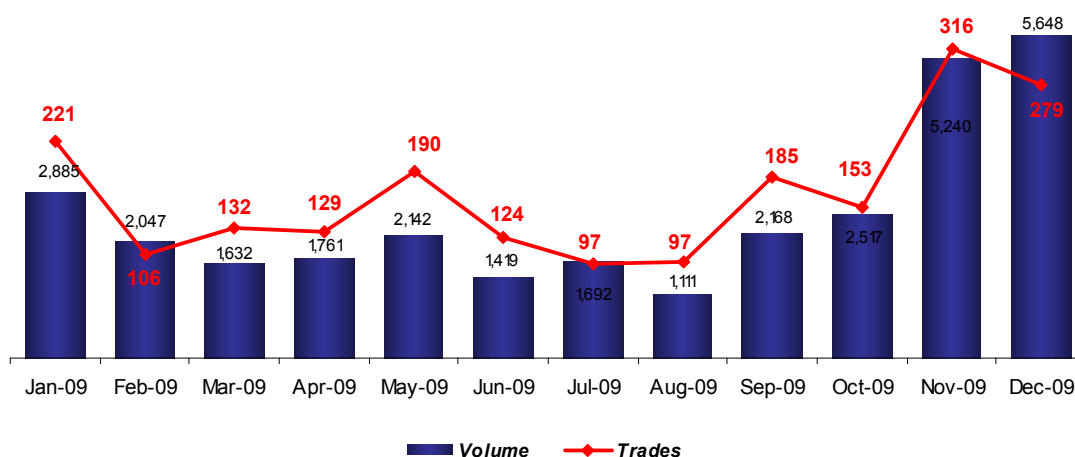
Iochpe-Maxion's common shares (Bovespa: MYPK3) closed 2009 priced at R\$ 25.45, an increase of 238.9% in the year and 7.6% in the 4Q09. At the end of the 2009, the Company's market capitalization totaled R\$ 1.2 billion.

Shares Performance - 2009



Iochpe-Maxion's daily traded volume on the São Paulo Stock Exchange (Bovespa) averaged R\$ 2.5 million in 2009 (R\$ 1.8 million in 2008) for an average of 168 trades per day (71 trades in 2008). In the 4Q09 daily traded volume averaged R\$ 4.4 million (R\$ 1.0 million in the 4Q08) for an averaged 247 trades per day (114 trades in the same period of the previous year)

Average Daily Traded Volume



## 9) OPERATIONAL REORGANIZATION

On July 6, 2009, the subsidiary Amsted-Maxion, decided to interrupt its activities on the plant located in the city of Osasco, São Paulo state, Brazil, in order to adequate its operational structure to the current railway equipment market scenario.

With this measure, all of Amsted-Maxion's casting operations were concentrated on the plant located in the city of Cruzeiro, which is dedicated to the production of industrial and railway castings. The railway freight car assembly operations remained in the Hortolândia plant.

## 10) ACQUISITION

On August 04, 2009, Iochpe-Maxion signed a Purchase and Sale Agreement, to acquire the wheels business ("Business") of ArvinMeritor in Brazil, Mexico and United States for approximately US\$ 180 million.

On September 21, 2009, occurred the conclusion of the acquisition, in accordance with the Purchase and Sale Agreement.

The Business produces Fumagalli™ steel wheels for passenger cars, pick-up trucks, sport utility and light and medium commercial vehicles and comprises:

- Wheels plant in the city of Limeira, São Paulo state, Brazil with capacity to produce around 14 million wheels per year and approximately 800 employees;
- Wheels plant in the city of San Luis Potosí, in Mexico, with capacity to produce around 6 million wheels per year and approximately 400 employees
- Customer support office for North American Business, located in Troy, Michigan, United States, with approximately 20 employees and 3 leased warehouses.

The Business, as of the conclusion of the acquisition, was denominated as Fumagalli Division by Iochpe-Maxion.

## 11) DIVISIONS AND "JOINT VENTURE"

**Wheels and Chassis Division:** Accounting for 68.3% of consolidated net operating revenue in 2009 (61.2% in the 4Q09), presented in 2009 a decrease of 25.9% on its net operating revenue, when compared to last year (16.5% in the 4Q08), mainly due to the reduction in the domestic production of trucks, buses and agricultural machinery.

**Automotive Components Division:** Accounted for 9.9% of consolidated net operating revenue in 2009 (7.9% in the 4Q09), recording a net operating revenue increase of 9.3% over 2008 (76.9% in the 4Q09), due to the production growth of new structural stamped and welded components.

**Fumagalli Division:** Acquired on September 21, 2009, accounted for 9.6% of consolidated net operating revenue in 2009 and 25% in the 4Q09.

**Amsted-Maxion Fundação e Equipamentos Ferroviários:** Accounted for 12.2% of consolidated net operating revenue in 2009 (6.0% in the 4Q09), recording in 2009 a net operating revenue decrease of 67.5% over 2008 (78.4% in the 4Q09), due to the strong reduction in domestic demand for railway freight cars.

For 2010 and next few years the scenario looks better with orders that reach in this date 3,558 railway freight cars, with 1,500 railway freight cars to be delivered in 2010 and 2,058 to be delivered in 2011.

In addition to the orders mentioned above, were also negotiated purchase options for 3,126 railway freight cars, with 1,144 railway freight cars to be delivered in 2011 and 1.982 to be delivered in 2012.

## **12) HUMAN RESOURCES - STOCK OPTION PLAN**

2009 was a challenging year for the management of human resources, due to the strong macroeconomic movements throughout the year. Within this environment, Iochpe-Maxion's concern with the formation of its collaborators was once again a relevant effort. As a way to increase, even more, the unification of interests between shareholders and collaborators, Iochpe-Maxion established in December 2009 its first Stock Option Plan.

## **13) CVM INSTRUCTION No. 381**

In compliance with Instruction No. 381 of CVM (Brazil's securities commission), we disclose that during fiscal 2009, Iochpe-Maxion and its subsidiaries didn't contract our independent auditors for services unrelated to external auditing.

In our relationship with the Independent Auditor, we seek to analyze the conflict of interests with non-audit services, based on the following: the auditor should not (a) audit his own service, (b) perform management functions and (c) promote our interests.

## **14) MANAGEMENT STATEMENT**

In compliance with article 25 of CVM (Brazil's securities commission) Instruction nº 480/09 of December 07, 2009, Management declares that it has reviewed, discussed and agreed with the opinions reflected at the independent auditor's report and the financial statements for the year ended December, 31 2009.

Cruzeiro, February 25, 2010.



**KPMG Auditores Independentes**  
R. Dr. Renato Paes de Barros, 33  
04530-904 - São Paulo, SP - Brasil  
Caixa Postal 2467  
01060-970 - São Paulo, SP - Brasil

Central Tel 55 (11) 2183-3000  
Fax Nacional 55 (11) 2183-3001  
Internacional 55 (11) 2183-3034  
Internet www.kpmg.com.br

## Independent auditors' report

To  
The Board of Directors and Shareholders  
Iochpe-Maxion S.A.  
Cruzeiro - SP

We have examined the balance sheets of Iochpe-Maxion S.A. and the consolidated balance sheets of the Company and its subsidiaries and jointly-owned subsidiary as of December 31, 2009 e 2008 and the related statements of income, changes in shareholders' equity, cash flows and added value for years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the subsidiary Iochpe Sistemas Automotivos de México, S.A. de C.V and its subsidiaries for the period ended from September 21 (acquisition date) to December 31, 2009 were undertaken under the responsibility of other independent auditors, and our opinion on the values in connection with the shareholders' equity in subsidiary and the net income for the period from September 21 (acquisition date) to December 31, 2009 related to this subsidiary in the amount of R\$ 108,712 thousand and R\$ 4,680 thousand, respectively, are based solely on the unqualified opinion of these independent auditors, issued on February 7, 2010.

Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balance, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries and Jointly-owned subsidiary; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries and jointly-owned subsidiary, as well as the presentation of the financial statements taken as a whole.



In our opinion, based on our examination and on the audit report of the other independent auditors related to the subsidiary Iochpe Sistemas Automotivos de México, S.A. de C.V and its subsidiaries, the aforementioned financial statements present fairly, in all material respects, the financial position of Iochpe-Maxion S.A and the consolidated financial position of the Company and its subsidiaries and jointly-owned subsidiary as of December 31, 2009 and 2008, and the results of its operations, changes in its shareholders' equity, statements of cash flows and statements of value added for the year then ended, in conformity with accounting practices adopted in Brazil.

São Paulo, February 25, 2010

KPMG Auditores Independentes  
CRC 2SP014428/O-6

A handwritten signature in black ink, appearing to read 'Wagner Bottino', written over a horizontal line.

Wagner Bottino  
Accountant CRC 1SP196907/O-7



Ioche-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of income

Years ended December 31, 2009 and 2008

(In thousands of Reais, except net income per share)

	Note	Parent Company		Consolidated	
		2009	2008	2009	2008
<b>Revenues</b>					
Sales of goods and services rendered		1,263,544	908,461	1,610,814	2,224,629
<b>Deductions</b>					
Sales taxes		(228,077)	(143,588)	(266,356)	(355,613)
Returns and cancellations for the year		(14,212)	(9,479)	(26,851)	(41,290)
<b>Net revenues</b>		<u>1,021,255</u>	<u>755,394</u>	<u>1,317,607</u>	<u>1,827,726</u>
<b>Cost of goods sold and services rendered</b>		<u>(841,049)</u>	<u>(585,689)</u>	<u>(1,114,596)</u>	<u>(1,470,756)</u>
<b>Gross profit</b>		180,206	169,705	203,011	356,970
<b>(Expenses) other operating income</b>					
Sales		(24,962)	(25,917)	(49,341)	(73,159)
Administrative and general expenses		(37,660)	(23,751)	(54,650)	(49,042)
Management fees	9	(3,837)	(3,344)	(3,837)	(3,344)
Financial expenses	19	(38,502)	(48,223)	(69,058)	(62,660)
Financial income	19	49,185	19,636	54,606	35,078
Equity in income of subsidiaries	10	(38,985)	61,422	-	-
Other operating income (expenses)	20	14,891	(1,778)	(181)	230
		(79,870)	(21,955)	(122,461)	(152,897)
<b>Net income before income and social contribution taxes</b>		100,336	147,750	80,550	204,073
Income and social contribution taxes:					
Current	8	(27,045)	(17,665)	(33,812)	(61,222)
Deferred (reversal)		(18,158)	84,009	8,395	71,243
<b>Net income for the year</b>		<u>55,133</u>	<u>214,094</u>	<u>55,133</u>	<u>214,094</u>
<b>Net income per share - R\$</b>		<u>1.16</u>	<u>4.51</u>		
<b>Number of shares at year-end</b>		<u>47,431,686</u>	<u>47,431,686</u>		

See the accompanying notes to the financial statements."

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of changes in shareholders' equity

Years ended December 31, 2009 and 2008

(In thousands of Reais)

	Note	Profit reserves			Adjustment of equity evaluation	Retained earnings	Total
		Capital	Legal reserve	Statutory reserve of investments and working capital			
<b>Balances at January 1st , 2008</b>		161,463	12,160	136,918	-	-	310,541
Capital increase with investments reserve		100,000	-	(100,000)	-	-	-
Adjustment of equity evaluation							
Measurement of financial instruments at the date of transition		-	-	-	9,798	-	9,798
Settlement of financial instruments for the year		-	-	-	(9,798)	-	(9,798)
Measurement of financial instruments, net		-	-	-	(18,976)	-	(18,976)
Exchange variation on investments abroad	10	-	-	-	16,492	-	16,492
Net income for the year		-	-	-	-	214,094	214,094
Distributions:							
Legal reserve		-	10,705	-	-	(10,705)	-
Statutory reserve of investments and working capital		-	-	124,175	-	(124,175)	-
Proposed dividends		-	-	-	-	(79,214)	(79,214)
<b>Balances at December 31, 2008</b>		<u>261,463</u>	<u>22,865</u>	<u>161,093</u>	<u>(2,484)</u>	<u>-</u>	<u>442,937</u>
Adjustment of equity evaluation							
Settlement of financial instruments for the year	18	-	-	-	18,976	-	18,976
Exchange variation on investments abroad	10	-	-	-	(14,218)	-	(14,218)
Net income for the year		-	-	-	-	55,133	55,133
Destinações:							
Legal reserve	18	-	2,757	-	-	(2,757)	-
Statutory reserve of investments and working capital	18	-	-	31,977	-	(31,977)	-
Proposed dividends	18	-	-	-	-	(20,399)	(20,399)
<b>Balances at December 31, 2009</b>		<u>261,463</u>	<u>25,622</u>	<u>193,070</u>	<u>2,274</u>	<u>-</u>	<u>482,429</u>

See the accompanying notes to the financial statements."

Ioche-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of cash flows - Indirect method

Years ended December 31, 2009 and 2008

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		2009	2008	2009	2008
<b>Cash flows from operating activities</b>					
Net income before income and social contribution taxes		100,336	147,750	80,550	204,073
Adjustments for:					
Depreciation and amortization		31,439	14,046	44,862	36,439
Residual cost on disposal of fixed assets		2,006	806	1,306	1,749
Equity in net income of subsidiaries	10	38,985	(61,422)	-	-
Provision for contingencies (additions plus updating)	16	1,988	2,722	3,646	8,520
Reversal of provision for contingencies	16	(24,442)	(2,334)	(47,821)	(5,256)
Exchange variation on investments abroad	10	14,218	-	-	-
Measurement of financial instruments	10	10,576	(10,122)	-	-
Exchange variation on fixed assets abroad	11	-	-	14,168	-
<b>Interest on shareholders' equity and dividends from subsidiaries</b>					
Interest on shareholders' equity and dividends received	10	102	1,685	-	-
Dividends receivable		-	3,000	-	-
<b>Changes in assets and liabilities</b>					
(Increase) decrease in accounts receivable		(39,722)	46,491	43,498	(100,509)
Decrease (increase) in inventories		59,718	(30,091)	44,644	(71,346)
Increase (decrease) in trade accounts payable		25,249	(30,858)	47,436	(1,121)
(Decrease) increase in other account receivable, tax recoverabl and others accounts.		(9,225)	16,377	(15,699)	(2,268)
Increase Deferred Tax - Ajustment for law 11.638/07		-	(4,328)	-	(9,776)
(Decrease) increase in others accounts payable, provision and others accounts.		(14,655)	21,782	(7,213)	19,273
Income and social contribution taxes	8	(27,045)	(17,665)	(33,812)	(61,222)
<b>Net cash provided by operating activities</b>		<u>169,528</u>	<u>97,839</u>	<u>175,565</u>	<u>18,556</u>
<b>Cash flows from investment activities</b>					
Acquisition / increase of investment in cash	10	(217,744)	(4,752)	-	-
Goodwill - Acquisition of investments - Intangibl	12	(20,292)	-	(20,292)	-
Acquisition of intangible assets (merger)	12	(586)	-	(586)	-
Acquisition of deferred charges		-	-	-	(5,652)
Acquisition of property, plant and equipment	11	(45,956)	(36,085)	(49,984)	(113,397)
Addition - Net fixed assets (merger)		(65,614)	-	(241,062)	-
<b>Cash and cash equivalents net used in investment activities</b>		<u>(350,192)</u>	<u>(40,837)</u>	<u>(311,924)</u>	<u>(119,049)</u>
<b>Cash flows from financing activities</b>					
Loans		588,985	112,813	774,563	282,183
Loans payments		(252,160)	(74,698)	(470,798)	(216,559)
Dividends paid		(79,214)	(26,614)	(79,214)	(26,614)
<b>Cash and cash equivalents net provided by financing activities atividades de financiamento</b>		<u>257,611</u>	<u>11,501</u>	<u>224,551</u>	<u>39,010</u>
<b>Increase (decrease) in cash and cash equivalents</b>		<u>76,947</u>	<u>68,503</u>	<u>88,192</u>	<u>(61,483)</u>
At beginning of year	5	69,147	644	90,036	151,519
At the end of year	5	<u>146,094</u>	<u>69,147</u>	<u>178,228</u>	<u>90,036</u>
<b>Increase (decrease) in cash and cash equivalents</b>		<u>76,947</u>	<u>68,503</u>	<u>88,192</u>	<u>(61,483)</u>

See the accompanying notes to the financial statements."

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of added value

Years ended December 31, 2009 and 2008

(In thousands of Reais)

	Note	Parent company		Consolidated	
		2009	2008	2009	2008
<b>Income (expenses)</b>					
Sales of goods and services rendered (net of returns)		1,249,332	898,982	1,583,963	2,183,339
Reversal of allowance for doubtful accounts and provision for contingencies		(64)	(59)	(64)	(393)
Other operating income	20	16,789	2,615	17,786	8,570
		<u>1,266,057</u>	<u>901,538</u>	<u>1,601,685</u>	<u>2,191,516</u>
<b>Inputs acquired from third parties (including ICMS - VAT and IPI - Excise Taxes)</b>					
Raw materials consumed		651,005	518,417	809,584	1,199,217
Cost of goods sold and services rendered		134,016	59,355	189,216	169,800
Materials, power, third parties services and others		54,628	37,363	107,035	153,949
		<u>839,649</u>	<u>615,135</u>	<u>1,105,835</u>	<u>1,522,966</u>
<b>Gross added value</b>		426,408	286,403	495,850	668,550
<b>Retentions</b>					
Depreciation and amortization		(31,439)	(14,046)	(44,862)	(36,439)
<b>Net added value produced by the Company and its subsidiaries</b>		394,969	272,357	450,988	632,111
<b>Transferred added value</b>					
Equity in net income of subsidiaries	10	(38,985)	61,422	-	-
Financial income	19	49,185	19,636	54,606	35,078
		<u>10,200</u>	<u>81,058</u>	<u>54,606</u>	<u>35,078</u>
<b>Total added value to be distributed</b>		<u>405,169</u>	<u>353,415</u>	<u>505,594</u>	<u>667,189</u>
<b>Distribution of added value</b>					
<b>Employees</b>					
Payroll and related charges		164,285	93,456	208,682	260,191
Workers' participation		9,089	13,682	12,642	26,907
<b>Taxes</b>					
Federal		99,687	(27,187)	116,483	83,581
State		38,187	11,009	40,570	15,107
Municipal		58	16	379	382
<b>Lenders</b>					
Interest/exchange variation/taxes	19	38,502	48,223	69,058	62,660
Rental		228	122	2,647	4,267
<b>Shareholders'</b>					
Dividends	18	20,399	79,214	20,399	79,214
<b>Restricted retained earnings</b>	18	<u>34,734</u>	<u>134,880</u>	<u>34,734</u>	<u>134,880</u>
		<u>405,169</u>	<u>353,415</u>	<u>505,594</u>	<u>667,189</u>

See the accompanying notes to the financial statements."

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

**December 31, 2009 and 2008**

*(In thousands of Reais)*

### **1.1 Operational reorganization**

On July 6, 2009, in order to adapt its operational structure to the current scenario of the railway equipment market, the Company decided to discontinue its activities at the plant in Osasco, in the State of São Paulo.

The plant in Osasco was responsible for the production of railway castings and operated in a property owned by third-parties.

With this adequacy, Amsted Maxion starts to concentrate all its casting activities in the plant located in the city of Cruzeiro, which is dedicated to the production of railway and industrial castings. The operations of railway equipment assembling remain at the plant located in the city of Hortolândia.

Management understands that these measures do not reduce its capacity to cover the railway equipment market. In case of recovery of demand in these segments, there is no obstacle to take up the operations again in Osasco, as well as to have an eventual expansion of the capacity settled in Cruzeiro.

### **1.2 Acquisition of new business**

On August 4, 2009 Iochpe-Maxion executed a Purchase and Sale Contract, for the acquisition of the wheels business (“Business”) of Arvin Meritor in Brazil, Mexico and the USA for approximately US\$ 180 million.

On September 21, 2009 the acquisition operation of the Business closed, according to the terms of the Purchase and Sale Contract.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

The Business relate to the manufacturing of Fumagalli<sup>TM</sup> steel wheels for vehicles, pick-ups, general-purpose vehicles and medium and light commercial vehicles, including:

- Wheel plant in the city of Limeira, São Paulo, with production capacity of approximately 14 million of wheels p.a., and approximately 800 employees;
- Wheel plant in the city of San Luis Potosí, in Mexico, with production capacity of 6 million wheels p.a., and approximately 400 employees;
- Office to support customers for the Business in North America, in the city of Troy, Michigan, in the USA, with approximately 20 employees and 3 leasehold deposits.

As from its definite acquisition, the Business started to be designated by Iochpe-Maxion as Fumagalli Division.

### 1.3 Corporate restructuring

According to the Minutes of the Supervisory Board Meeting, as of November 12, 2009, and significant event disclosed on November 13, 2009, the Company merged Meritor Comércio e Indústria de Sistemas Automotivos Ltda., aiming at increasing the productivity and efficiency of the activities, gaining more synergy and, consequently, reduction of financial and operational costs, with improvement of the administrative structure currently existent. The statement of the net collection, in the amount of R\$ 84,602, corresponds to the net collection of Meritor Comércio e Indústria de Sistemas Automotivos Ltda., based on an independent expert appraisal, as of the base date of November 2, 2009, dated November 11, 2009, as follows:

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	4,994	Financing	4,949
Customers	39,621	Suppliers	14,675
Inventories	13,310	Salaries and vacation pay	11,952
Other	<u>12,252</u>	Other	<u>21,368</u>
	70,177		52,944
<b>Non-current liabilities</b>		Net collection	84,602
Long-term assets	14.865		
Property, plant and equipment/ cost	151.473		
Accumulated Depreciation	(99.347)		
Intangible- net	378		
	<u>67.369</u>		<u>-</u>
Total	<u>137,546</u>	Total	<u>137,546</u>

### 1.4 Operations

The Company's activities comprise the manufacturing and trading of complete chassis, crossbeam members and heavy wheels through the Division of Wheels and Chassis (Cruzeiro - SP); the manufacturing and trading of brake levers, set of pedals, as well as other automotive components through the Division of Automotive Components (Contagem - MG); the manufacturing and trading of steel wheels for vehicles, pick-ups, general-purpose vehicles and medium and light commercial vehicles, through Fumagalli Division (Limeira - SP, San Luiz Potosi - Mexico and Troy - Michigan - USA), as well as participation in companies working in the industrialization and trading of components to highway and railway vehicles, casting and spare parts.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

Its industrial complex is composed of five factories in Brazil. Two of them are involved in the railway equipment sector and three in the automotive sector and two in abroad located in China and in Mexico, which are described briefly, below:

- **Division wheels and frames: (Cruzeiro - SP)** manufactures and commercializes complete frames, cross-members and heavy wheels.
- **Division automotive components (Contagem - MG)** manufactures and commercializes brake levers, pedal sets, jacks and other automotive components.
- **Fumagalli Division:** (Limeira - SP and San Luiz Potosi - Mexico) is dedicated to the manufacturing and trading of steel wheels to automobiles, pick-ups, general-purpose vehicles and medium and light commercial vehicles.

### *a. Jointly-owned subsidiary*

- **Railway equipment factories: Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.** operates through two divisions: Cruzeiro - SP division - involved with the production of industrial and railway castings and railway wheels and Hortolândia-SP division - production of railway freight cars.

### *b. Subsidiaries*

- **Remon Resende Montadora Ltda.:** Company's activities consist on rendered services for fitting and balancing tires, wheels and rims with its head office in Resende - RJ.
- **Iochpe Sistemas Automotivos de México, S.A. de C.V.** (formerly **Delancre S.A. de C.V.**): Company located in the City of Mexico, holding interest at Maxion Fumagalli de México S de RL de C.V. - San Luiz Potosi - Mexico and at Servicios Maxion Fumagalli de México S.A. de C.V., in the State of Nuevo Leon - Mexico.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

- **Maxion Fumagalli de México S de RL de C.V. (formerly Meritor LVS. S.A de C.V.):** Company located in San Luiz Potosi - Mexico, focused on the manufacturing and trading of steel wheels to automobiles, pick-ups, general-purpose vehicles and medium and light commercial vehicles.
- **Servicios Maxion Fumagalli de México S.A. de C.V. (formerly Meritor Servicios ArvinMeritor S.A de C.V.):** Company located in the State of Nuevo Leon - Mexico, focused on the service provision related to the commercial and financial management.
- **Maxion Hong Kong Limited:** Trading headquartered in Hong Kong, China, focused on the intermediation of acquisition of machinery and equipment. Constituted in October 2009, with no movement up to the present date.
- **Maxion (Nantong) Wheels, Co., Ltd. -** Company headquartered in Nantong, China, dedicated to the production and commercialization of road wheels. Operations began in July 2008.
- **Maxion Structural Components USA, Inc.:** Company headquartered in Miami, with branch in Troy - Michigan - USA, focused on the inventory management and trading of products of the Wheels and Chassis Division and Fumagalli Division, to the markets in the USA, Canada and Mexico.
- **Iochpe Holdings LLC:** A non-operating company headquartered in Delaware, USA, which holds quota-holders interest in Maxion Structural Components USA, Inc.

In addition to the units described above, Iochpe-Maxion S.A. has non-operating subsidiaries and subsidiaries abroad, as follow:

- **Maxion Componentes Estruturais Ltda.:** Non-operating company, since August 2007.
- **Newbridge Strategic Partners:** A non-operating company headquartered in Cayman, BVI, which is idle since 2003.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

The Company's shares are listed on the São Paulo stock exchange, complying with New Market level 1, with the codes MYPK3.

### ***c. Our sales concentration***

A major part of our revenues derives from the sale of goods to the automotive industry and to railroad operators.

### ***d. Fluctuations in the price of steel, our key input***

An expressive part of our operations depends on our ability to acquire steel at competitive prices. Should the price of steel rise significantly, and we are unable to transfer this increase to the price for our goods or to reduce our operating costs in order to offset this increase, we will reduce our operating margin.

## **2 Presentation of the financial statements**

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which are derived from the Brazilian Corporation Law, pronouncements, guidelines and interpretation of the Accounting Pronouncements Committee (CPC), and the rules of the Brazilian Securities Commission (CVM).

Authorization for the issuance of these financial statements was given by Board of Directors on February 25, 2010.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### **3 Description of significant accounting policies**

#### ***a. Statement of income***

Income and expenses are recognized on the accrual basis.

Revenue from the sale of goods is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the statement of income in proportion to the stage of completion of the service. Revenue is not recognized if there are significant uncertainties as to its realization.

#### ***b. Accounting estimates***

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment; intangible assets and deferred charges; provision for doubtful accounts; provision for devaluation of inventories, deferred tax assets and liabilities, provision for contingencies and the measurement of derivative instruments. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent in the process of their determination. The Company and its subsidiaries and its jointly-owned subsidiary review the estimates and assumptions at least once a quarterly.

#### ***c. Financial instruments***

Non-derivative financial instruments include cash and cash equivalents, accounts receivable and other receivables, loans and financing, and accounts payable and other liabilities.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at fair value through profit or loss, any directly attributable transaction costs. After their initial recognition, non-derivative financial instruments are recognized as follows.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

- *Financial instruments at fair value through profit or loss*

An instrument is classified as fair value through profit or loss if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Company manages these investments and makes purchase and sales decisions based on their fair value in accordance with the investment strategy and risk management documented by the Company. After initial recognition, attributable transaction costs are recognized in income/expenses when incurred. Financial instruments at fair value through profit or loss are stated at fair value, and their fluctuations are recognized in income/expenses.

- *Loans and receivables*

Loans and receivables shall be calculated by the amortized cost through the use of the interest effective rate method, reduced by eventual reductions in the recoverable amount.

- *Derivative financial instruments*

The Company and its jointly-owned subsidiary hold derivative financial instruments to hedge against risks related to foreign currencies.

Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in income/expense when incurred. After their initial recognition, derivatives are stated at their fair value and changes are recorded in income except in the circumstances described below for the recording of hedging activities.

- *Cash flow hedges*

Changes in the fair value of derivative instruments designated as cash flow hedges are recognized directly in shareholders' for the amount of the hedge that is considered effective. If the hedge is considered ineffective, changes in the fair value are recognized in income/expense.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

If the hedge instrument ceases to comply with the criteria for hedge (hedge accounting), expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The accumulated gain or loss previously recognized in shareholders' equity remains there until the (forecast transactions) occur. When the hedged item is a non-financial asset, the amount recognized in shareholders' equity is transferred to the value of the respective asset when this is recognized. In other cases, the value recognized in shareholders' equity is transferred to income/expense in the same period in which the hedged item affects income/expense.

- *Foreign currency*

The Company's Management has defined that its functional currency is the Real in accordance with the rules established in CPC 02 - Effects of the Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution 534.

Some subsidiaries have functional currency different from the Parent Company, such as Iochpe Holdings LLC, Maxion Structural Components USA, Inc., Iochpe Sistemas Automotivos do México, S.A. de C.V., Maxion Fumagalli de México S de RL de C.V., Servicios Maxion Fumagalli de México S.A de C.V., Maxion Hong Kong Limited and Maxion (Nantong) Wheels, Co. Ltd.

Transactions in foreign currency, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the fluctuations in the exchange rates on monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated based on the exchange rates on the dates of the transactions or on the dates of valuation at fair value when applicable. The gains and losses arising from changes in investments abroad are recognized directly in shareholders' equity under equity valuation adjustments and recognized in the statement of income when these investments are fully or partially disposed of. The financial statements of subsidiaries and associated companies abroad are adjusted to comply with accounting practices in Brazil and, subsequently, translated into the local functional currency at the exchange rate on the closing date.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

As from September 21, 2009 the subsidiary Iochpe Holding, LCC and the indirect subsidiary Maxion Structural Components USA, Inc. are no longer considered an extension of the activities of Iochpe-Maxion S.A., due to the acquisition at this date of the branch in Troy - Michigan - USA, which aims at managing the inventory and trading of products of the Fumagalli Division, with own management and administrative independence.

### **d. Current and non-current assets**

- *Trade accounts receivable*

Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company and its subsidiaries and its jointly-owned subsidiary are responsible, less the taxes withheld, which are considered tax credits.

The calculation of the present value is made for each transaction based on an interest rate that reflects the term, the currency and the risk of each transaction. The Company and its subsidiaries and Jointly-owned subsidiary did not record the present value because the effects are not relevant for the financial statements.

The amount recorded as provision for doubtful accounts is considered sufficient by management to cover eventual losses on the realization of the receivables.

- *Inventories*

Inventories are stated at the lower of average cost or market value.

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overhead based on normal operating capacity.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

- *Investments*

Investments in subsidiaries companies where there is an interest in the voting capital of more than 20% are valued using the equity method of accounting.

Other investments that are not classified in the above category are valued at cost of acquisition, less a provision for impairment, when applicable.

Exchange variations of investment abroad are recognized in the equity evaluation adjustment account in shareholders' equity.

- *Property, plant and equipment*

Recorded at the cost of acquisition, formation or construction. Depreciation is calculated using the straight-line method at the rates described in Note 11, which take into account the estimated useful life of the assets.

Other expenditures are capitalized only when there is an increase in the economic benefits to the item of property, plant and equipment. All other expenditures are recognized in the statement of income as an expense when incurred.

**e. Leases**

*Financial leases*

Certain lease contracts substantially transfer to the Jointly-owned subsidiary the risks and benefits inherent to the ownership of an asset. These contracts are defined as financial lease contracts and the assets are recognized at their fair value or at the present value of the minimum payments established in contract. The goods recognized as assets are depreciated according to the rates of depreciation applicable to each group of assets in accordance with Note 11. The financial charges arising from the financial lease contracts are allocated to the result over the period of the contract, based on the amortized cost and effective interest rate methods.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### ***f. Operating leases***

Payments made on an operating lease contract are recognized as expenses in the statement of income in accordance with the straight line method over the period of the lease contract.

### ***g. Intangible assets***

Intangible assets comprise the assets acquired from third parties, including those acquired through a business combination, and those generated internally by the Company. The following criteria are applied:

- Acquired from third parties through a business combination: Goodwill is calculated on the acquisitions involving business combinations.
- Intangible assets acquired from third parties are stated at the total cost of acquisition, less amortization expenses.

### ***h. Deferred charges***

Deferred charges refer to pre-operating expenses from the subsidiary Maxion (Nantong) Wheels, Co. Ltd. incurred until December 31, 2008. They are amortized using the straight line method over a period of 5 years.

The Company and its subsidiaries opted to preserve the balance of deferred assets until its complete realization through its amortization or writing down against profits, as permitted by CPC 4 and CVM Resolution 553.

### ***i. Decrease in recoverable value***

The recoverable value of property, plant and equipment; intangible assets and deferred assets is tested at least annually if there are indications of loss in value.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### ***j. Current and non-current liabilities***

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet date.

The calculation of the present value is made for each transaction based on an interest rate that reflects the term, the currency and the risk of each transaction. The Company and its subsidiaries and Jointly-owned subsidiary did not record the present value because the effects are not relevant for the financial statements.

A provision is recognized in the balance sheet when the Company and its subsidiaries and its jointly-owned subsidiary have a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are recorded utilizing the best estimates of the risk involved.

### ***k. Benefits for employees***

The sponsorship costs of the pension plan are recognized as expenses when they address defined contribution plans.

### ***l. Income and the social contribution taxes***

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

The Company and its subsidiaries and its jointly-owned subsidiary opted for the Transition Taxation System (RTT) contained in Provisional Measure no. 449/08 and law 11.941/09, and the exercise of this option should be informed irrevocably in the 2009 Legal Entity Statement of Economic and Fiscal Information.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

The deferred tax assets resulting from tax loss carry forwards, negative basis of social contribution and temporary differences were recorded in accordance with CVM Instruction 371 of June 27, 2002, and consider past profitability and expectations of future taxable income, based on a technical viability study approved by management, as well as events and estimates that generated the temporary differences.

### 4 Consolidated financial statements

The December 31, 2009 and 2008 financial statements were prepared in accordance with the consolidation principles provided for in corporate legislation and regulations by the Brazilian Securities Commission (CVM), as well as the technical opinions disclosed by Accounting Pronouncements Committee (CPC), and cover the financial statements of Iochpe-Maxion S.A., its subsidiaries and jointly-owned subsidiary, as listed below:

	Direct Ownership - %		Indirect Ownership - %	
	2009	2008	2009	2008
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	50.00	50.00	-	-
Maxion (Nantong) Wheels, Co., Ltd.	100.00	100.00	-	-
Iochpe Sistemas Automotivos do México, S.A. de C.V.	100.00	-	-	-
Maxion Fumagalli de México S de RL de C.V. (3)	-	-	100.00	-
Servicios Maxion Fumagalli de México S.A de C.V. (3)	-	-	100.00	-
Maxion Hong Kong Limited. (4)	100.00	-	-	-
Remon Resende Montadora Ltda.	33.33	33.33	-	-
Iochpe Holdings, LLC	100.00	100.00	-	-
Maxion Structural Components USA, Inc.(1)	-	-	100.00	100.00
Maxion Componentes Estruturais Ltda.(2)	99.99	99.99	-	-
Newbridge Strategic Partners (2)	100.00	100.00	-	-

(1) Financial statements consolidated under the holding company Iochpe Holdings, LLC.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

- (2) Inactive company.
- (3) Consolidated financial statements by the subsidiary Iochpe Sistemas Automotivos do México, S.A. de C.V.
- (4) Company constituted in 2009.

The accounting policies have been consistently applied in all the consolidated companies and are consistent with those used in the previous year.

### *Description of main consolidation procedures*

- a. Elimination of inter-company asset and liability account balances;
- b. Elimination of investment in the capital, reserves and retained earnings of the subsidiaries
- c. Elimination of inter-company income and expense balances and unearned income arising from inter-company transactions.

The jointly-owned subsidiary Amsted-Maxion Fundação e Equipamentos Ferroviários S.A., are valued using the equity method of accounting and consolidated in proportion to the percentage of ownership in the consolidated financial statements, is being prepared and presented due to the 50% ownership in this subsidiary, in accordance with CVM Instruction 247/96.

The main accounting group of assets and liabilities and the net income of this subsidiary are demonstrated as follows:

	<b>Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.</b>	
	<b>2009</b>	<b>2008</b>
<b>Balance sheets</b>		
Currents assets	132,638	423,918
Non-current assets	<u>205,188</u>	<u>162,207</u>
Total assets	<u><u>337,826</u></u>	<u><u>586,125</u></u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

	<b>Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.</b>	
Current liabilities	143,317	372,569
Non-current liabilities	179,571	159,480
Shareholder's equity	<u>14,938</u>	<u>54,076</u>
Total liabilities and shareholders' equity	<u>337,826</u>	<u>586,125</u>
<b>Statements of income</b>		
Net revenues	320,541	985,964
Cost of goods sold	<u>(319,989)</u>	<u>(857,505)</u>
Gross profit	552	128,459
Operations expense, net	(100,949)	(82,493)
Income and social contribution taxes	<u>34,108</u>	<u>(15,333)</u>
<b>(Loss) net income for the year</b>	<u>(66,289)</u>	<u>30,633</u>

## 5 Cash and cash equivalents

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Cash and banks	26,130	28,740	55,302	39,180
Interest earning bank deposits	<u>119,964</u>	<u>40,407</u>	<u>122,926</u>	<u>50,856</u>
	<u>146,094</u>	<u>69,147</u>	<u>178,228</u>	<u>90,036</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

The Interest earning bank deposits refer to investments in fixed income funds, updated through the amount of the quotas at the balance sheet date, based on the variation of the Interbank Deposit Certificate (CDI), remunerated at rates that vary from 100.6% to 104% of the Interbank Deposit Certificate (CDI) (99.9% and 104% of CDI in 2008).

The Company considers as cash equivalents the cash balances, banks, financial investments of immediate liquidation and financial investments with maturity date in up to 90 days (or below this period) as from the date of the hiring.

### 6 Trade accounts receivable

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current:				
Domestic customers	139,765	88,212	186,285	169,643
Foreign customers	24,261	26,814	25,687	76,580
Discounted export related to receivable	( 10,685)	( 533)	( 10,685)	( 533)
Provision for doubtful accounts	<u>( 1,205)</u>	<u>( 2,351)</u>	<u>( 1,457)</u>	<u>( 2,634)</u>
	<u>152,136</u>	<u>112,142</u>	<u>199,830</u>	<u>243,056</u>
Non-current				
Domestic customers	331	712	331	712
Provision for doubtful accounts	<u>-</u>	<u>( 109)</u>	<u>-</u>	<u>( 109)</u>
	<u>331</u>	<u>603</u>	<u>331</u>	<u>603</u>
	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Accounts receivable - overdue				
from one to 30 days	9,068	25,853	10,295	42,009
from 31 to 60 days	690	2,009	1,688	13,254
from 61 to 90 days	1,602	638	1,654	4,705
from 91 to 180 days	173	735	423	3,132
more than 181 days	<u>943</u>	<u>1,858</u>	<u>944</u>	<u>1,858</u>
Total	<u>12,476</u>	<u>31,093</u>	<u>15,004</u>	<u>64,958</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

The Company and its subsidiaries and jointly-owned subsidiary uses to analyze its securities due monthly, adopting the criteria of allowance for possible loan losses, and the total of securities due over 90 days, with no evidence of negotiation and bankrupt clients.

### 7 Inventories

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Finished goods	39,128	71,538	72,932	93,751
Work in progress	17,703	14,018	19,127	15,487
Raw materials	56,713	92,084	87,807	116,657
Auxiliary and maintenance materials	3,347	691	11,573	6,311
Packaging and storeroom materials	3,811	2,544	7,858	2,670
Advance to suppliers	5,594	4,269	5,279	10,212
Import in transit	4,326	2,261	4,360	2,261
Provision for devaluation of inventories	<u>( 4,884)</u>	<u>( 1,949)</u>	<u>( 9,053)</u>	<u>( 2,822)</u>
	<u>125,738</u>	<u>185,456</u>	<u>199,883</u>	<u>244,527</u>

Certain items considered obsolete, or with low turnover, were the subject to provisions for devaluation of inventories.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

#### 8 Recoverable and deferred taxes

##### a. Recoverable taxes

	<u>Parent company</u>		<u>Consolidated</u>	
	2009	2008	2009	2008
Value added tax on sales and services (ICMS)	17,514	6,175	19,046	7,251
Tax for social security financing of social contribution (COFINS)	6,871	6,896	7,826	2,395
Income tax (IRPJ)	3,097	8,506	6,126	12,066
Employees' profit participation program (PIS)	1,424	1,470	1,630	1,630
Excise tax (IPI)	846	1,045	1,301	6,907
Others	<u>151</u>	<u>60</u>	<u>1,383</u>	<u>112</u>
	29,903	24,152	37,312	30,361
Current assets	<u>(6,580)</u>	<u>(8,008)</u>	<u>(13,156)</u>	<u>(13,694)</u>
Non-current assets	<u>23,323</u>	<u>16,144</u>	<u>24,156</u>	<u>16,667</u>

##### b. Deferred charges

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their carrying values.

In accordance with CVM Instruction 371, of June 27, 2002, the Company and its subsidiaries, based on its expectations of generating future taxable income, determined by a technical valuation approved by management, also recognized tax credits on income tax loss carry-forwards and the negative basis of social contribution tax. There is no statutory limitation period and they can be offset against a maximum of 30% of annual taxable income. The carrying value of the deferred tax assets is reviewed quarterly by the Company and its jointly-owned subsidiary, and no adjustments arose as a result of this process at year-end.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

The origin of the deferred income and social contribution taxes is presented below:

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Temporary differences</b>				
Tax contingencies	4,144	10,539	6,854	19,213
Labor and civil contingencies	1,488	1,988	2,157	2,730
Provision for doubtful accounts	410	836	495	905
Provision for profit sharing	1,137	1,934	1,137	1,934
Provision for devaluation of inventories	1,660	663	3,078	959
Measurement of financial instruments	-	4,328	-	9,776
Others	<u>3,457</u>	<u>2,602</u>	<u>2,686</u>	<u>8,904</u>
Subtotal	<u>12,296</u>	<u>22,890</u>	<u>16,407</u>	<u>44,421</u>
Tax loss carry-forwards	41,263	48,166	63,677	48,166
Negative basis of social contribution	<u>15,856</u>	<u>17,313</u>	<u>23,539</u>	<u>17,313</u>
Subtotal	<u>57,119</u>	<u>65,479</u>	<u>87,216</u>	<u>65,479</u>
Total	69,415	88,369	103,623	109,900
Current assets	<u>(20,110)</u>	<u>(15,117)</u>	<u>( 21,345)</u>	<u>( 27,538)</u>
Non-current assets	<u>49,305</u>	<u>73,252</u>	<u>82,278</u>	<u>82,362</u>
Non-current liabilities				
Differences between the accounting practices adopted in Mexico and in Brazil				
Difference of fixed assets	-	-	12,186	-
Difference of other asset and liability accounts	-	-	( 647)	-
Difference of the provision for obsolescence	-	-	( 342)	-
Temporary differences	-	-	-	-
Capitalized financial costs - CPC 08	<u>3,201</u>	<u>-</u>	<u>3,201</u>	<u>-</u>
Total	<u>3,201</u>	<u>-</u>	<u>14,398</u>	<u>-</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

The subsidiary Maxion Componentes Estruturais Ltda. presents retained fiscal losses, in the amount of R\$ 3,741 (R\$ 26,716 as of December 31, 2008) and negative basis of social contribution of R\$ 3,741 (R\$ 28,823 as of December 31, 2008), net of the use of fiscal losses and negative basis, in the amount of R\$ 9,285, see Note 15, and the taxes were not activated, since it is currently an inactive company.

Based on the projections for future taxable income, prepared in accordance with CVM instruction 371, the Company expects to utilize the accumulated tax loss carry forwards in the following years:

	<b>Parent company</b>	<b>Consolidated</b>
2010	13,453	14,752
2011	13,537	15,666
2012	13,550	16,133
2013	13,029	16,475
2014	3,550	7,050
2015 onwards	<u>-</u>	<u>17,140</u>
Total tax credits arising from tax losses and social contribution negative bases.	<u>57,119</u>	<u>87,216</u>

The Company's Management considers that the deferred assets in connection with the temporary differences amounting to R\$ 12,296 (R\$ 22,890 in 2008) (Parent Company) and R\$ 16,407 (R\$ 44,421 in 2008) (consolidated) should be realized in proportion to the final solution of contingencies and events.

The expected recoverability of the tax credits is based on the projection of future taxable income taking into consideration various business and financial assumptions at year end. These estimates may differ from the actual taxable income in the future due to the inherent uncertainties in these estimates.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income before tax	<u>100,336</u>	<u>147,750</u>	<u>80,550</u>	<u>204,073</u>
Combined statutory rates - %	34	34	34	34
Income and social contribution taxes				
Calculated at the statutory rates	(34,114)	(50,235)	(27,387)	(69,385)
Equity in income of subsidiaries	(13,255)	20,883	-	-
Nondeductible expenses	( 219)	( 159)	( 583)	( 2,249)
Exchange variation on foreign investments	-	-	( 4,834)	( 5,521)
Tax credit not constituted on temporary differences	4,158	-	4,158	-
Tax credit not constituted on fiscal losses	-	-	(21,569)	-
Goodwill amortization through the write-off of the investment	-	8,130	-	8,130
Capitalization of the transaction cost - CPC 08	3,181	-	3,181	-
Used the credit tax	11,672	7,663	11,672	10,928
Non-deductible expenses	427	-	427	-
Others	<u>1,105</u>	<u>( 3,947)</u>	<u>1,123</u>	<u>( 3,125)</u>
Income and social contribution tax expenses	<u>(27,045)</u>	<u>(17,665)</u>	<u>(33,812)</u>	<u>(61,222)</u>
Effective tax rate - %	27%	12%	42%	30%

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### 9 Related parties transactions

The balances of related parties assets and liabilities as of December 31, 2009 and 2008, as well as the related parties transactions that affected income for the year, are the result of transactions between the Company and its subsidiaries and its jointly-owned subsidiary, which were performed under normal market conditions for similar types of transactions.

The amounts referring to remuneration of key management personnel are presented below:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
a. Board of Directors' and Executive Officers' Compensation:	3,837	3,344
b. Key personnel's compensation (salary)	18,778	15,642
c. Interest in pledged income (bonus)	3,381	7,457

The Minutes of the General Extraordinary Meeting as of December 1, 2009 approved for 2010 the Share Purchase Option Plan for administrators and employees of the Company and controlled companies.

In the normal course of our business we undertake transactions with related parties, under conditions of price, terms, financial charges, and others compatible with the market. Such transactions include, among others, shared services agreements, consultancy agreements, loan and financing agreements, and the granting of guarantees.

The balance of R\$ 6,539 (R\$ 2,021 as of December 31, 2008) refers to the loan by Maxion Structural Components USA, Inc. to Maxion (Nantong) Wheels, Co. Ltd., plus interest of 1.58% p.y. and falling due on October 22, 2010.

The R\$ 48 (R\$ 48 as of December 31, 2008) balance refers to the loan balance with Maxion Componentes Estruturais Ltda., with no maturity date.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### ***a. Find below information eliminated from the consolidation process***

The balance of R\$ 6,084 (R\$ 6,207 as of December 31, 2008) with Maxion Structural Components USA, Inc refers to a loan that was used, principally, to pay suppliers and bank loans. Which are updated by exchange variation plus interest of 1.41% p.a., falling due on April 5, 2010.

The balance of R\$ 2,726 (R\$ 2,467 on December 31, 2008) with Iochpe Holdings, LLC refers to a loan, updated according to foreign exchange variations, plus interest of 6% p.a., falling due on June 30, 2010.

Below follows a brief list of the key agreements entered into Iochpe-Maxion S.A. (formerly Maxion Sistemas Automotivos Ltda.) and its subsidiaries and jointly-owned subsidiary, and managers.

### ***b. Shared services agreement***

In order to reduce costs and expenses, on February 29, 2000 Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. and Maxion Sistemas Automotivos Ltda. entered into an agreement which provided for the sharing between the parties of infra-structure and the facilities located on property owned by the parties in the city of Cruzeiro, State of São Paulo, as these properties are adjacent and located in the same industrial plant. Each one of the parties will bear the costs with regard to maintenance and management of the facilities located on their respective properties, and both will bear the cost of any investments intended to increase or develop productive capacity in the facilities, should a project be of interest to both. The agreement will be effective for 25 years. Expenses with infra-structure and facilities under this agreement, recorded in administrative expenses, added up to R\$ 919 in 2009 (R\$ 1,511 as of December 31, 2008).

### ***c. Agreement with Management members***

Maxion Structural Components USA, Inc. has an agreement with BMA Automotive LLC (BMA), a company controlled by Salomão Ioschpe, board member of Iochpe-Maxion S.A. Under this agreement BMA Automotive LLC provides consultancy services to the Wheels and Chassis Division for assistance to certain customers and to develop new supply programs in the United States and Canada. Expenses under this agreement are recorded in sales expenses and added up to R\$ 1,005 in 2009 (R\$ 1,191 as of December 31, 2008).

## Iochpe-Maxion S.A. and subsidiaries

### Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

											Indirect subsidiaries		Parent company			
	Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.		Maxion Componentes Estruturais Ltda.		Iochpe Holdings, LLC		Maxion (Nantong) Wheels, Co., Ltd.		Maxion Fumagalli de México S de RL de C.V.		Maxion Structural Components USA, Inc.		Total			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Assets</b>																
Accounts receivable from acquisition of goods and service	-	-	-	-	-	-	-	-	193	-	18,358	-	18,551	-	573	-
Interest on shareholders' equity and dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Loan contracts (noncurrent assets)	-	-	-	-	-	-	-	-	-	-	6,539	2,021	6,539	2,021	6,084	6,207
<b>Liabilities</b>																
Suppliers	-	-	-	-	-	-	-	-	-	-	21,640	34,087	21,640	34,087	-	-
Interest on shareholders' equity and dividend	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations (loan contracts)	-	-	48	48	-	-	6,539	2,021	-	-	-	-	6,587	2,069	2,726	2,467
<b>Income</b>																
Sale of goods	-	-	-	-	-	-	-	-	4,375	-	61,437	34,139	65,812	34,139	11,770	-
Purchases	11,661	37,709	-	-	-	-	(89)	(78)	(3,094)	-	(61,712)	(34,139)	(53,234)	3,492	(10,674)	-
Expenses sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005	1,191
Expenses administratives	(919)	(1,511)	-	-	-	-	-	-	-	-	-	-	(919)	(1,511)	-	-
Financial expenses	179	164	-	-	-	-	(108)	(96)	-	-	-	-	71	68	-	-
Financial income	(70)	(93)	-	-	-	-	-	-	-	-	-	-	(70)	(93)	-	-

Amsted Maxion has scrap purchase operation of Iochpe Maxion S.A., in the amount of R\$ 11,661, as of December 31, 2009 (R\$ 37,709 as of December 31, 2008), which were performed under normal market conditions.

Maxion Fumagalli de México S de RL de C.V. has sales transaction in the amount of R\$ 4,375 and purchase in the amount of R\$ 3,094 of wheels and chassis with Iochpe Maxion S.A. (Limeira) branch, which were performed under normal market conditions.

Maxion Structural Components USA, Inc. has amounts receivable of R\$ 18,358, related to sales and R\$ 21,640 payable related to the purchase of wheels and chassis with Iochpe Maxion S.A. (Cruzeiro), which were performed under normal market conditions.

Maxion Structural Components USA, Inc. has sales transactions in the amount of R\$ 61,437 and purchase in the amount of R\$ 61,712 of wheels and chassis with Iochpe Maxion S.A. (Cruzeiro), which were performed under normal market conditions.

Iochpe Maxion S.A., Limeira branch, has sales transactions in the amount of R\$ 11,770 and purchase in the amount of R\$ 10,674 of automotive wheels with subsidiaries in Mexico and Troy, which were performed under normal market conditions.

Ioehpe-Maxion S.A. and subsidiaries

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

10 Investments

a. Movement of the balances in subsidiaries

	Parent company		Consolidated	
	2009	2008	2009	2008
Participação em empresas controladas	159,629	72,751	124	162
Others investments	233	233	233	233
	<u>159,862</u>	<u>72,984</u>	<u>357</u>	<u>395</u>

b. Movement of the balances in subsidiaries

	2009								2008		
	Maxion Componentes Estruturais Ltda. (a)	Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. (b)	Ioehpe Holdings, LLC	Wheels, Co., Ltd. (c)	Maxion (Nantong) Automotivos Ltda.	Meritor Comércio e Indústria de Sistemas Automotivos Ltda.	Ioehpe Sistemas Automotivos do México, S.A de C.V.	Remon Resende Montadora Ltda.	Maxion Hong Kong Limited	Total	Total
<b>Balance at January 1st, 2009</b>	130	27,039	-	45,419	-	-	-	163	-	72,751	296,412
Foreshen adjustment CPC 02	-	-	(2,346)	-	-	-	-	-	-	(2,346)	(1,560)
Equity in net income of subsidiaries	(3,741)	(33,145)	504	(13,373)	6,029	4,680	61	-	-	(38,985)	61,422
Exchange variation on investments abroad	-	-	(351)	(11,604)	-	(2,263)	-	-	-	(14,218)	16,492
Measurement of financial instruments	-	10,576	-	-	-	-	-	-	-	10,576	(10,122)
Dividends on profits of prior years and interest on own capital received	-	-	-	-	-	-	-	-	-	-	(1,685)
Capital increase	3,741	3,000	22,485	2,460	79,762	106,295	-	1	1	217,744	4,752
Merger of Meritor Comércio e Indústria de Sistemas Automotivos Ltda.	-	-	-	-	(84,602)	-	-	-	-	(84,602)	-
Merger as of July 1, 2008 of Maxion Sistemas Automotivos Ltda.	-	-	-	-	-	-	-	-	-	-	32,169
Subscription of quotas	-	-	-	-	-	-	-	-	-	-	(322,129)
Dividends receivable and interest on shareholders' equity	-	-	-	-	-	-	-	(102)	-	(102)	(3,000)
Others	-	-	-	-	(1,189)	-	-	-	-	(1,189)	-
<b>Balance at December 31, 2009</b>	<u>130</u>	<u>7,470</u>	<u>20,292</u>	<u>22,902</u>	<u>-</u>	<u>108,712</u>	<u>122</u>	<u>1</u>	<u>1</u>	<u>159,629</u>	<u>72,751</u>

a - According to contract amendment 25 as of December 16, 2009, the capital increase in the subsidiary of RS 3,741 was approved.

b - According to the minutes of the Supervisory Board meeting, as of September 17, 2009, the capital increase in the subsidiary was jointly approved, in the amount of RS 6,000 (3,000 for each shareholder).

c - Capital increase of RS 22,485 (equivalent to USD 12,500) for the purchase of the Branch in Troy, according to the minutes of the Board meeting, as of September 15, 2009.

d - According to the minutes of the Board meeting, as of December 16, 2009, the capital increase at the subsidiary of RS 2,460 was approved.

e - Acquisition of the investment of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. See Note 1.2.

f - Acquisition of the investment of Ioehpe Sistemas Automotivos do México, S.A. de C.V. See Note 1.2.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

d. Information on the subsidiaries companies

	Maxion Componentes Estruturais Ltda.		Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.		Maxion (Nantong) Wheels, co., Ltd.		Iochpe Sistemas Automotivos do México, S.A de C.V.		Iochpe Holding, LLC		Remon Resende Montadora Ltda.		Maxion Hong Kong Limited	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Capital	130	130	43,702	33,267	42,874	54,313	104,034	-	21,765	-	90	90	1	-
Quantity of shares or quotas owned (of shares or quotas thousand)														
- Common	-	-	2,442,860	921,430	-	-	-	-	-	-	-	-	-	-
- Preferred	-	-	3,577,171	1,788,585	-	-	-	-	-	-	-	-	-	-
- Quotas	130	130	-	-	-	-	-	-	-	-	30	30	1	-
Shareholders' equity	130	130	14,938	54,076	22,902	45,420	108,712	-	20,291	-	372	488	1	-
(-) Adjusted shareholders' equity	130	130	14,938	54,076	22,902	45,420	108,712	-	488	-	372	488	1	-
Interest in capital at the end of the year - %	99.99	99.99	50.00	50.00	100.00	100.00	100.00	-	100.00	-	33.33	33.33	100.00	-
(Loss) net income for the year	(3,741)	-	(66,289)	30,633	(13,373)	(8,893)	4,680	-	504	-	183	93	-	-

e. Guarantees granted in favor of subsidiaries

On December 31, 2009 the Company presented an amount of R\$ 21,831 (R\$ 13,800 as of December 31, 2008) related to guarantees granted, R\$ 13,800 of which in favor of its subsidiary Maxion Componentes Estruturais Ltda. and R\$ 8,031 in favor of its jointly-owned subsidiary Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

11 Property, plant and equipment

a. Composition

	Average rate of depreciation % p.a.	Parent company			
		2009		2008	
		Cost	Depreciation (VI)	Net	Net
Buildings and improvement	4	149,192	(47,750)	101,442	44,864
Machinery and equipment	10	471,078	(280,527)	190,551	127,085
Patterns	10 a 33 (I)	26,961	(23,163)	3,798	715
Furniture and fixtures	10	10,111	(6,587)	3,524	2,275
Vehicles	20	1,936	(1,165)	771	325
Computer equipment	20	12,367	(9,518)	2,849	2,976
Others	10 e 20	4,334	(2,961)	1,373	1,731
Tools	20	36,414	(28,456)	7,958	5,422
Land		22,376	-	22,376	4,964
Construction in progress (II)		40,574	-	40,574	17,758
Spare parts of machinery		40,428	-	40,428	37,865
Advances to suppliers		832	-	832	7,720
		<u>816,603</u>	<u>(400,127)</u>	<u>416,476</u>	<u>253,700</u>

b. Movement - Parent company

Account	12/31/2008	12/31/2009				Cost
	Cost	(III) Merger	Additions	Write-off	Transfers	
Buildings and improvement:	82,291	65,645	1,415	(159)	-	149,192
Machinery and equipment	307,289	139,994	19,283	(3,532)	8,044	471,078
Patterns	14,368	12,540	169	(116)	-	26,961
Furniture and fixtures	6,303	3,266	574	(32)	-	10,111
Vehicles	943	955	38	-	-	1,936
Computer equipment	8,794	3,620	372	(419)	-	12,367
Others	4,297	-	93	(56)	-	4,334
Tools	31,928	404	3,208	-	874	36,414
Land	4,964	17,412	-	-	-	22,376
Construction in progress (II)	17,758	5,920	16,941	-	(45)	40,574
Spare parts of machinery	37,865	-	2,563	-	-	40,428
Advances to suppliers	7,720	685	1,300	-	(8,873)	832
	<u>524,520</u>	<u>250,441</u>	<u>45,956</u>	<u>(4,314)</u>	<u>-</u>	<u>816,603</u>

# Ioche-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

#### c. Composition

	Average rate of depreciation % p.a.	Consolidated			
		2009		2008	
		Cost	(VI) Depreciation	Net	Net
Buildings and improvement:	4	213,689	(63,156)	150,533	83,006
Machinery and equipment	10	634,576	(336,151)	298,425	196,315
Patterns	10 a 33 (I)	41,136	(33,149)	7,987	2,486
Furniture and fixtures	10	12,523	(7,887)	4,636	3,399
Vehicles	20	2,394	(1,295)	1,099	403
Computer equipment	20	14,108	(10,738)	3,370	3,668
Others	10 e 20	4,387	(2,988)	1,399	1,761
Tools	20	43,678	(30,884)	12,794	11,344
Land		27,173	-	27,173	9,188
Construction in progress (IV)		59,864	-	59,864	20,567
Spare parts of machinery		41,824	-	41,824	39,473
Advances to suppliers		1,203	-	1,203	7,720
		<u>1,096,555</u>	<u>(486,248)</u>	<u>610,307</u>	<u>379,330</u>

#### d. Movement - Consolidated

Account	12/31/2008 Cost	12/31/2009					Cost
		Merger	(VII) Exchange variation	Additions	Write-off	Transfers	
Buildings and improvement:	130,631	86,184	(4,726)	1,431	(72)	241	213,689
Machinery and equipment	411,868	203,362	(7,940)	20,067	(3,382)	10,601	634,576
Patterns	23,553	16,098	41	169	(216)	1,491	41,136
Furniture and fixtures	8,190	3,730	(2)	582	(32)	63	12,531
Vehicles	1,083	1,061	1	38	-	209	2,392
Computer equipment	10,156	4,040	(116)	515	(419)	32	14,208
Others	4,349	-	-	93	(55)	-	4,387
Tools	38,320	2,757	(1,641)	3,262	-	874	43,572
Land	9,188	17,979	6	-	-	-	27,173
Construction in progress (IV)	20,567	24,243	209	19,483	-	(4,638)	59,864
Spare parts of machinery	39,473	-	-	2,634	(283)	-	41,824
Advances to suppliers	7,720	685	-	1,710	(39)	(8,873)	1,203
	<u>705,098</u>	<u>360,139</u>	<u>(14,168)</u>	<u>49,984</u>	<u>(4,498)</u>	<u>-</u>	<u>1,096,555</u>

(I) Average rate of 14.39% in 2009 and 14.39% in 2008.

(II) Amount basically comprised of buildings, in the amount of R\$ 1,232 (R\$ 1,029 as of December 31, 2008), machinery and equipment of R\$ 36,096 (R\$ 12,457 as of December 31, 2008) and other fixed assets of R\$ 3,246 (R\$ 4,272 as of December 31, 2008), mainly related to the expansion of the units of Mexico, Contagem, Cruzeiro and Limeira.

(III) The additions are represented by the merger of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. this year, for the amount of R\$ 250,441. This amount corresponds to the original cost of the assets, in the amount of R\$ 151,473 of fixed assets, at the date of the merger and the goodwill of the assets of permanent assets segregated in: (i) Buildings/Improvements, in the amount of R\$ 45,876; (ii) Machinery and Equipment, in the amount of R\$ 36,615; and (iii) Land, in the amount of R\$ 16,977. The amount of the merger is supported by an accounting appraisal report and equity appraisal report, issued by independent experts.

(IV) Amount basically composed of buildings, in the amount of R\$ 96 (R\$ 1,442 as of December 31, 2008), machinery and equipment of R\$ 57,572 (R\$ 13,921 as of December 31, 2008) and other fixed assets of R\$ 2,196 (R\$ 5,204 as of December 31, 2008), mainly related to the expansion of the units of Mexico, Contagem, Cruzeiro and Limeira.

(V) The additions, in the amount of R\$ 360,139 are represented by the merger of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. this year, for the amount of R\$ 250,441 and acquisition of the subsidiary Iochepe Sistemas Automotivos do México, S.A. de C.V., in the amount of R\$ 109,698.

(VI) The amount of R\$ 100,225 of accumulated depreciation of merged assets of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. is included in the parent company. A total of R\$ 120,873 of accumulated depreciation is included in the consolidated, related to merged assets of Meritor Comércio e Indústria de Sistemas Automotivos Ltda., in the amount of R\$ 100,225 and in the acquisition of the subsidiary Iochepe Sistemas Automotivos do México, S.A. de C.V., in the amount of R\$ 20,648.

(VII) Includes R\$ 1,796 of exchange variation of the acquisition of the subsidiary Iochepe Sistemas Automotivos do México, S.A. de C.V.

For the year ended December 31, 2009, the Company and its subsidiaries and jointly-owned subsidiary did not identify the existence of indicators that the specific assets of the Company might be recognized in accounting for amounts higher than the recoverable amount. Therefore, no provision was recognized in the financial statements.

# Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

### 12 Intangible

		<b>Parent company</b>						
		<b>Cost/Amortization</b>						
	<b>Useful life term</b>	<b>Methods of amortization</b>	<b>Balances at 31/12/08</b>	<b>Acquisitions</b>	<b>Exchange variation</b>	<b>Amortization</b>	<b>Balances at 31/12/09</b>	<b>Balances at 31/12/08</b>
<i>Defined useful life</i>								
Goodwill in the acquisition of interest (a)	6 years	does not amortize	-	20,292	-	-	20,292	-
Software (c)	5 years	linear	-	2,252	-	(1,666)	586	-
			<u>-</u>	<u>22,544</u>	<u>-</u>	<u>(1,666)</u>	<u>20,878</u>	<u>-</u>
<b>Consolidated</b>								
<b>Cost/Amortization</b>								
	<b>Useful life term</b>	<b>Methods of amortization</b>	<b>Balances at 31/12/08</b>	<b>Acquisitions</b>	<b>Exchange variation</b>	<b>Amortization</b>	<b>Balances at 31/12/09</b>	<b>Balances at 31/12/08</b>
<i>Defined useful life</i>								
Goodwill in the acquisition of interest (a)	6 years	does not amortize	-	20,292	-	-	20,292	-
Right to use land (b)	50 years	linear	6,152	-	(1,572)	(364)	4,216	5,910
Software (c)	5 years	linear	-	2,252	-	(1,666)	586	-
			<u>6,152</u>	<u>22,544</u>	<u>(1,572)</u>	<u>(2,030)</u>	<u>25,094</u>	<u>5,910</u>

(a) Refers to goodwill resulting from the acquisition of 100% of the capital of Meritor Comércio e Indústria de Sistemas Automotivos Ltda., as of September 21, 2009. According to an appraisal report issued by an independent expert company, it was estimated that the market fair value of the acquired Company, at the base date of September 21, 2009, was of R\$ 79,762, using the discount rates in actual terms of 11.5% p.a. The total amount of the goodwill, considering the goodwill of the assets was of R\$ 125,757, being recorded in fixed assets in buildings: R\$ 45,876; machinery and equipment: R\$ 33,277; stamps, devices and tools: R\$ 2,596; and land: R\$ 16,977, with the total amount of goodwill of assets of R\$ 98,726. In December 2009 there was the accomplishment of the purchase of Meritor Comércio e Indústria de Sistemas Automotivos Ltda., with the reversal of an ICMS provision that was in the opening balance, in the net amount of R\$ (7,242). The final settlement, in the amount of R\$ 503, was paid on December 23, 2009, being added in intangible goodwill. With these movements, the intangible assets presented the amount of R\$ 20,292

(b) The intangible assets with defined useful life refer mainly to the right to use the land, in the net amount of R\$ 4,216 (R\$ 5,910, as of December 31, 2008), in Nantong (China), for the construction of the subsidiary Maxion (Nantong) Wheels, Co. Ltd. The amortization is linearly calculated within the period of 50 years, established in the concession contract.

(c) Right to use software acquired with the merger of Meritor Comércio e Indústria de Sistemas Automotivos Ltda., according to Note 1.3.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

#### 13 Loans and financing

##### a. Parent company

	Index	Annual interest - % Annual	Effective rate Transaction cost - %	Cost of transaction incurred	Balances of the costs of transaction to allocate	2009	2008
<b>Local currency:</b>							
Commercial promissory note	CDI +	2.0	2.55 (a)	1,506	1,012	201,993	-
BNDES - EXIM PSI	-	4.5	0.58 (b)	270	2,774	234,106	-
BNDES - EXIM	TJLP	2.07	-	-	-	3,262	40,348
FINEP	-	5.0	-	-	-	4,993	-
FINAME	TJLP	1.10 to 3.80	-	-	-	963	4,667
FINAME - PSI	-	4.5	-	-	-	117	-
Subtotal local currency						<u>445,434</u>	<u>45,015</u>
<b>Foreign currency:</b>							
Import - US\$ 19,467 thousand (2008 - US\$ 18,828 thousand)	-	3.31 to 9.08	-	-	-	33,896	44,002
ACC - US\$ 5,368 thousand (2008 - US\$ 25,336 thousand)	-	4.95 to 6.90	-	-	-	9,346	59,211
Pre-export - US\$ 10,750 thousand (2008 - US\$ 9,560 thousand)	% CDI	101.9	-	-	-	<u>18,718</u>	<u>22,341</u>
Subtotal foreign currency						<u>61,960</u>	<u>125,554</u>
Total loan and financing						<u>507,394</u>	<u>170,569</u>
<b>Current liabilities:</b>							
Loan and financing						222,930	106,447
Costs to amortize (c)						( 1,012)	-
Total						<u>221,918</u>	<u>106,447</u>
<b>Non-current liabilities:</b>							
Loan and financing						284,464	64,122
Costs to amortize (c)						( 2,774)	-
Total						<u>281,690</u>	<u>64,122</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

The non-current installments have the following payment schedule:

Maturity:

2011	28,742
2012	249,200
2013	3,170
2014 onwards	<u>3,352</u>
	<u>284,464</u>

The financing are secured by property, plant and equipment assets in the amount of R\$ 1,080(R\$ 4,667 in 2008).

### b. Consolidated

	Index	Annual interest - % Annual	Effective rate Transaction cost - %	Cost of transaction incurred	Balances of the costs of the transaction to allocate	2009	2008
Local currency:							
Commercial promissory note	CDI +	2.0	2.55 (a)	1,506	1,012	201,993	-
BNDES - EXIM PSI	-	4.5	0.51 (b)	270	2,774	265,980	-
BNDES - EXIM	TJLP	2.07 to 4.30	-	-	-	62,708	188,360
FINEP	-	5.0	-	-	-	4,993	-
FINAME	TJLP	1.00 to 6.80	-	-	-	2,634	6,547
Working capital	% CDI	126	-	-	-	8,269	-
FINAME - PSI	-	4.5	-	-	-	<u>117</u>	<u>-</u>
Subtotal local currency						<u>546,694</u>	<u>194,907</u>
Foreign currency:							
Import							
US\$ 25,242 thousand (2008 - US\$ 24,136 thousand)	-	3.31 to 9.08	-	-	-	43,953	56,405
ACC - US\$ 13,943 thousand (2008 - US\$ 25,336 thousand)	-	3.30 to 7.80	-	-	-	24,277	59,211

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

	Index	Annual interest - % Annual	Effective rate Transaction cost - %	Cost of transaction incurred	Balances of the costs of the transaction to allocate	2009	2008
Pre-export US\$ 10,750 thousand (2008 - US\$ 9,560 thousand)	% CDI	101.9	-	-	-	18,718	22,342
Working capital US\$ 8,966 thousand (2008 - US\$ 5,402 thousand)	-	6.75	-	-	-	<u>15,612</u>	<u>12,624</u>
Subtotal foreign currency						<u>102,560</u>	<u>150,582</u>
Total loan and financing						<u>649,254</u>	<u>345,489</u>
Current liabilities:							
Loan and financing						276,216	219,885
Costs to amortize (c)						( 1,012)	-
Total						<u>275,204</u>	<u>219,885</u>
Non-current liabilities:							
Loan and financing						373,038	125,604
Costs to amortize (c)						( 2,774)	-
Total						<u>370,264</u>	<u>125,604</u>

The non-current installments have the following payment schedule:

Maturity:

2011	55,654
2012	301,465
2013	12,538
2014 onwards	<u>3,381</u>
	<u>373,038</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

- (a) The Effective Rate of the Transaction Cost is a weighted average of all the series of the Promissory Notes. We use this methodology due to the fact that the (CDI) interests are variable, being in accordance with the CPC 08 Accounting Pronouncement - Costs of Transaction and Premium in the Securities Issue.
- (b) The Effective Rate of the Transaction Cost is a weighted average of all the BNDES-EXIM Contracts. The calculation methodology is in accordance with the CPC 08 Accounting Pronouncement - Costs of Transaction and Premium in the Securities Issue.
- (c) The Costs to Amortize refer to the applicability of CPC 08. The Company is amortizing the transaction costs for the term of financings and loans occurred in the funding.

The loans and financing (FINAME) are secured by property, plant and equipment assets in the amount of R\$ 2,751 (R\$ 6,547 as of December 31, 2008).

The promissory notes of R\$ 201,993 and the BNDES-EXIM PSI of R\$ 131,440 are guaranteed through accounts receivable from the Parent Company in Brazil, in the amount of R\$ 139,765, plus mortgages of the blueprints of the branches of Limeira and Cruzeiro, in the amount of R\$ 75,707 and R\$ 31,212, respectively.

The Company has liabilities bound to contracts with restrictive provisions, bound to the maintenance of specific financial indices ("Covenants") (Commercial Promissory Note and BNDES-EXIM PSI, partially in the amount of R\$ 131,440) and, among these commitments, there are provisions that foresee the limits of some indices established between the parties. In case of noncompliance with this specific contractual clause, this creditor might, after the notification of the noncompliance by the Company, require the anticipated maturity of the debts maintained with the Company. The "Covenants" are evaluated on a six-month period basis. The Company has been in compliance with its "Covenants".

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

### 14 Accounts payable - suppliers

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
In country	49,626	24,699	98,093	46,702
In Foreign	<u>2,372</u>	<u>2,050</u>	<u>10,315</u>	<u>14,270</u>
	<u>51,998</u>	<u>26,749</u>	<u>108,408</u>	<u>60,972</u>

### 15 Payment of taxes in installments - Law 11941/09 (Consolidated)

On November 18, 2009 the Board of Directors of the Company approved its adherence to the program for the reduction in the payment of taxes and for payment of taxes in installments in accordance with Law 11941/99 and MP 470/2009 of its subsidiary (Maxion Componentes Estruturais Ltda.) and jointly-owned subsidiary (Amsted-Maxion Fundação e Equipamentos Ferroviários S.A).

On November 30, 2009 the process for adoption of the Program of Debt Paid in Installments of the Attorney General of the Finance Ministry and of the Federal Internal Revenue Department was concluded, granted by Provisional Measure 470/2009 ("Program"), involving the lawsuits related to the IPI credit-premium benefit in the export operations ("Credit-Premium").

Due to the adoption of the Program, the following procedures were performed: (i) payment of R\$ 13,026, R\$ 3,741 of which in cash and R\$ 9,285 with the use of fiscal losses and (ii) adoption of the payment in 12 installments of R\$ 1,063, the total of which R\$ 12,756, with the payment of the first installment at the moment of the adoption, amounting to R\$ 25,782.

Therefore, on November 30, 2009, there was an accounting record of an increase in current liabilities, due to the payment in installments of taxes and a reduction in the provision for fiscal contingencies, due to the reversal, as follows:

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

	<b>Parent company</b>	<b>Consolidated</b>
Taxes paid in installments	-	11,693
Reversal of provision for contingencies	<u>(19,319)</u>	<u>(41,419)</u>
Total	<u>(19,319)</u>	<u>(29,726)</u>

The aforementioned adoption had an effect of R\$ 7,661 in the revenue of the parent company and R\$ 6,585 in the consolidated, respectively recognized, in the following accounts:

	<b>Parent company</b>	<b>Consolidated</b>
Financial income	816	1,186
Deferred income and social contribution taxes	(5,887)	(3,271)
Other operating income	<u>12,732</u>	<u>8,670</u>
Total	<u>7,661</u>	<u>6,585</u>

### 16 Provision for contingencies

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

Based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover possible losses from the current actions, as follows:

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

	Parent company		Consolidated	
	2009	2008	2009	2008
Tax:				
Federal	12,152	30,575	20,123	58,311
State	15	15	15	15
Municipal	22	21	22	21
Labor	3,860	5,718	5,827	7,899
Civil	<u>517</u>	<u>517</u>	<u>517</u>	<u>517</u>
	16,566	36,846	26,504	66,763
Judicial deposits	<u>(5,541)</u>	<u>(3,367)</u>	<u>(12,658)</u>	<u>( 8,742)</u>
	<u>11,025</u>	<u>33,479</u>	<u>13,846</u>	<u>58,021</u>

Changes in the parent company and consolidated provision for contingencies are presented as follow:

Contingencies	Parent company					Balance at 31/12/2009
	Balance at 31/12/2008	Additions	Updating	Reversals	Used (a)	
Tax:						
Federal	30,575	2,718	1,239	(2,048)	(20,332)	12,152
State	15	-	-	-	-	15
Municipal	21	1	-	-	-	22
Labor	5,718	7	307	-	(2,172)	3,860
Civil	517	-	-	-	-	517
	<u>36,846</u>	<u>2,726</u>	<u>1,546</u>	<u>(2,048)</u>	<u>(22,504)</u>	<u>16,566</u>
Judicial deposits	<u>(3,367)</u>	<u>(2,022)</u>	<u>( 262)</u>	<u>-</u>	<u>110</u>	<u>(5,541)</u>
	<u>33,479</u>	<u>704</u>	<u>1,284</u>	<u>(2,048)</u>	<u>(22,394)</u>	<u>11,025</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

	Consolidated					
Contingencies	Balance at 31/12/2008	Additions	Updating	Reversals	Used (a)	Balance at 31/12/2009
Tax:						
Federal	58,311	4,247	2,583	(2,288)	(42,730)	20,123
State	15	-	-	-	-	15
Municipal	21	1	-	-	-	22
Labor	7,899	879	307	(174)	(3,084)	5,827
Civil	<u>517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517</u>
	<u>66,763</u>	<u>5,127</u>	<u>2,890</u>	<u>(2,462)</u>	<u>(45,814)</u>	<u>26,504</u>
Judicial deposits	<u>(8,742)</u>	<u>(3,705)</u>	<u>(666)</u>	<u>=</u>	<u>455</u>	<u>(12,658)</u>
	<u>58,021</u>	<u>1,422</u>	<u>2,224</u>	<u>(2,462)</u>	<u>(45,359)</u>	<u>13,846</u>

- (a) The applications for the 2009 year refer to the IPI credit-premium, in the amount of R\$ 19,319 (parent company), R\$ 41,419 (consolidated) - see Note 15 and other applications in the amount of R\$ 1,013 (parent company), R\$ 1,311 (consolidated).

We present below a brief description of the legal proceedings, according to their nature, in which the Company and its subsidiaries are joint parties, in accordance with its nature:

### Proceedings of a tax nature

At December 31, 2009, the Company and its subsidiaries and its jointly-owned subsidiary were parties to legal and administrative proceedings related to tax issues, assessed by their legal counsel as being a probable or possible risk in the approximate amount of R\$ 31,749 (R\$ 62,598 as of December 31, 2008), where R\$ 20,160 (R\$ 58,347 as of December 31, 2008) considered a probable risk is provisioned.

- The fiscal contingencies refer, mainly, to legal discussions related to the collection of PIS/COFINS on commission and royalties paid abroad, which started in 2005, in the amount of R\$ 6,139 (R\$ 5,041 as of December 31, 2008).

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### **Proceedings of a labor nature**

At December 31, 2009, the Company and its subsidiaries and its jointly-owned subsidiary were parties to approximately 338 (413 as of December 31, 2008) labor suits. The main themes addressed in these labor proceedings are overtime, additional allowances for dangerous work and health hazards, wage parity, severance pay, and fines related to the Government Severance Payment Fund (FGTS) referring to the Summer and Collor Plans, amongst others, being there are no actions with individual relevant amount. The total amount in discussion corresponds to R\$ 10,519 (R\$ 11,979 as of December 31, 2008), which was recorded a provision amounting to R\$ 5,827 (R\$ 7,899 on December 31, 2008) based on the previous experience, representing the best estimate to the losses of probable risk.

### **Proceedings of a civil nature**

At December 31, 2009, the Company and its subsidiaries were parties to legal proceedings related to civil issues, assessed by their legal counsel as being a probable or possible risk in the approximate amount of R\$ 2,662 (R\$ 2,662 as at December 31, 2008), where R\$ 517 (R\$ 517 as at December 31, 2008) were considered as a probable risk and provisioned for.

There are other proceedings assessed by its legal counsel as being of remote risk with no sufficiently secure measured amounts, for which no provision was recorded considering that accounting practices adopted in Brazil do not require them to be entered in the accounting or to be disclosed.

### **Contingent assets**

On July 31, 2007, Civil Lawsuit 94.0034458-9, which authorizes the Parent Company to offset the tax loss for the base period of 1989, related to the restatement expenses of the balance corresponding to the understated inflation in the months of January and February of 1989 (Economic Plan - Plano Verão), as well as the financial credit corresponding to the amount overpaid in 1989 and 1990, reached a final decision on July 6, 2007. The determination of the amounts of these credits, as well as the enabling process with the Federal Revenue Department (SRF), have already been requested. We are waiting for the Federal Internal Revenue Department's position.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### 17 Benefits to employees

The Company (Wheels and Chassis Division) has been participating, since August 1st, 2004, in Brasil Prev Seguros e Previdência S.A., which offers plans of retirement complementation, annuity and disability compensation. The retirement plan is of defined contribution, and the capitalization financial basis is used in the actuarial calculation of the reserves. On December 31, 2009, 4,140 employees participated in this plan (4,509 employees as of December 31, 2008). The total of contributions of the Company reached the amount of R\$ 1,092 (R\$ 1,056 on December 31, 2008).

### 18 Shareholder's equity (parent company)

#### *a. Capital*

The Share Capital is in the amount of R\$ 261,463,287.99 split into 47,431,686 common shares, registered and with no par value.

The capital will be split solely into common shares, being prohibited the issue of preferred shares.

The Company is authorized to increase its share capital, regardless of a statutory reform, up to the limit of 5,330,000 common shares, registered and with no par value, through the issue of new common shares.

The issues within the authorized capital limit will be carried out upon resolution of the Board of Directors that will fix the conditions for the issue of these shares, including quantity, price and term for their payment in capital.

The Company may, within the authorized capital limit, and in accordance with the plan approved by the General Meeting, grant options of share acquisition to its management, employees or individuals who render services for the Company, under the terms of paragraph 3, Article 168 of Law 6404/76.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

*(In thousands of Reais)*

#### ***b. Share rights***

Each common share entitles the holder to 1 (one) vote in resolutions by Shareholders' Meetings. These shares will be registered shares and will be kept in deposit accounts in the name of their holders, in the financial institution authorized by the Brazilian Securities and Exchange Commission (CVM) and at the Company's discretion, without issuing certificates. The depositing institution may charge shareholders for the cost of property transfer services regarding registered shares, in compliance with the ceiling rates determined by CVM.

The Company may suspend share transfer services for periods not in excess of fifteen days each, and not greater than a total of ninety days during the year. Shareholders will be entitled to underwrite new shares and/or securities convertible into shares, in proportion to the shares they own. The term for exercising preference will be of 30 (thirty) days as of the publication of the minutes with the resolution on the respective capital increase, or the respective notice. The body authorizing the issue may extend this period doubling it.

#### ***c. Statutory reserve for investments and working capital***

The purpose of this reserve is to ensure investments in permanent assets and resources for increasing working capital, including amortization of Company debts, as well as the capitalization and financing of subsidiary and associated companies. It is formed with an annual appropriation of a minimum of 10% up to a maximum of 58% of net income, and the maximum amount of this reserve together with the legal reserve cannot exceed capital.

#### ***d. Allocation of net income***

Net income for the year calculated in accordance with Article 191 of Law 6404/76 is appropriated as follows: (i) 5% to the legal reserve which may not exceed 20% of capital, (ii) 37% for distribution as the obligatory dividend and (iii) the remaining amount, which was not appropriated to the statutory reserve for investments and working capital or retained as prescribed in the capital budget approved at shareholders' meeting is to be distributed as a supplementary dividend to shareholders.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

	<b>2009</b>
Net income for the year	55,133
Legal reserve (5%)	( 2,757)
Proposed dividends - (37 %) - dividends per share R\$ 0.43	(20,399)
Statutory reserve of investments and working capital (58%)	(31,977)

#### ***e. Shareholder's compensation***

The proposed dividend recorded in the financial statements, which is pending approval at the next shareholders' meeting is 37% of net profit adjusted as defined in the Art. 202 of law 6404/76, equal to R\$ 20,399.

#### ***f. Equity evaluation adjustments***

The adjustments for the year refer to:

- Adjustments of Securities: refers to the measurement of financial instruments of operations of equity protection (hedging accounting), in the amount of R\$ 18,976 (R\$ (18,976) on December 31, 2008), net of taxes. These operations were wholly settled this year.
- Retained Adjustments of Conversion: the amount of R\$ (14,218) (R\$ 16,492 on December 31, 2008) refers to the exchange variation result of the investment in the subsidiaries Iochpe Holdings LLC and Maxion (Nantong) Wheels, Co. Ltd., in accordance with the rules described in CPC 02 - Effects of Changes in the Exchange Rates and Conversion of the Accounting Statements, approved by CVM Deliberation 534.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

#### 19 Financial results

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Financial expenses</b>				
Interest	(18,180)	(6,727)	(28,771)	(23,093)
Exchange variations of financial instruments	( 2,795)	-	(11,620)	-
Exchange variations - Others	(11,045)	(39,055)	(17,468)	(32,975)
Bank expenses/rates	( 4,961)	( 1,986)	( 4,961)	( 1,986)
Others	( 1,521)	( 455)	( 6,238)	( 4,606)
	<u>(38,502)</u>	<u>(48,223)</u>	<u>(69,058)</u>	<u>(62,660)</u>
<b>Financial income</b>				
Financial income on interest earnings bank deposits	6,081	261	7,419	5,926
Interest and discounts obtained	7,908	343	8,386	2,220
Exchange variations of financial instruments	-	1,874	-	5,666
Exchange variations - Others	33,986	16,563	37,277	20,414
Others	<u>1,210</u>	<u>595</u>	<u>1,524</u>	<u>852</u>
	<u>49,185</u>	<u>19,636</u>	<u>54,606</u>	<u>35,078</u>

#### 20 Other (expense) operating income

	<u>Parent company</u>		<u>Consolidated</u>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Operating expenses</b>				
Operational reorganization (a)	-	-	(8,954)	-
Complement of provision for contingencies	(1,200)	(600)	(1,933)	(2,743)
Losses with discontinued business	( 604)	(3,236)	(3,541)	(3,196)
Others	( 94)	( 557)	(3,539)	(2,401)
	<u>(1,898)</u>	<u>(4,393)</u>	<u>(17,967)</u>	<u>(8,340)</u>

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Operating income</b>				
Reversal of provision - IPI (b)	12,732	-	8,670	-
Reversal of provision - (c)	2,424	2,597	2,424	4,452
Untimely Federal Tax Credits (PIS/Cofins)	-	-	-	837
Rental income - Hortolândia site	-	-	2,856	1,786
Others	<u>1,633</u>	<u>18</u>	<u>3,836</u>	<u>1,495</u>
	<u>16,789</u>	<u>2,615</u>	<u>17,786</u>	<u>8,570</u>
	<u>14,891</u>	<u>(1,778)</u>	<u>(181)</u>	<u>230</u>

- (a) Operational restructuring, on July 6, 2009, in order to comply its operational structure with the current market scenario of railway equipment. The Company decided to interrupt its activities at the plant located in Osasco, State of São Paulo. The Osasco plant was responsible for the production of railway castings and operated in a third-party property. With this adequacy, Amsted Maxion starts to concentrate all its activities of castings in the plant located in the city of Cruzeiro, which is dedicated to the production of industrial and railway castings. The operations of assembling of railway equipment remain in the Hortolândia plant.

Management understands that these measures do not reduce its capacity to provide support to the railway equipment market. With the recovery of the demand in these segments, there is no obstacle for the retaking of operations in Osasco, as well as for the eventual expansion of the capacity installed in Cruzeiro.

The amount of R\$ 8,954 refers to: (I) termination of collaborators: R\$ 5,731; (II) rentals and penalties: R\$ 872; (III) restructuring of the production in the Cruzeiro plant: R\$ 577 and inventory differences: R\$ 1,774.

- (b) Use of the IPI credit-premium provision - See Note 15.
- (c) Refers, in its majority, to the reversal of the provision related to the discussion of the extension of the PIS calculation basis, foreseen in Law 9718/98.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### **21 Financial instruments**

The Company and its subsidiaries carry out transactions with financial instruments. The management of these instruments is done through operating strategies and internal controls aimed at assuring liquidity, profitability and security. The use of financial instruments for hedging purposes is done through a periodic analysis of the risk exposure that management intends to mitigate (exchange) and is presented to the Board of Directors for approval and implementation of the strategy. The Company and its jointly-owned subsidiary do not invest in derivatives or any other risky assets on a speculative basis. The results obtained from these transactions are consistent with the policies and strategies defined by the Company's management.

All the transactions with financial instruments are recognized in the Company's and jointly-owned subsidiary's financial statements.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

### Notes to the financial statements

(In thousands of Reais)

#### Financial instruments per category

		Parent Company					
		2009			2008		
Note		Fair value through result	Fair value of derivatives	Amortized cost	Fair value through result	Fair value of derivatives	Amortized cost
<b>Assets</b>							
	Cash and cash equivalents	5	146,094	-	-	69,147	-
	Trade account receivable	6	-	-	152,467	-	112,745
			146,094	-	152,467	69,147	112,745
<b>Liabilities</b>							
	Loan and financing	13	-	-	507,394	-	170,569
	Suppliers	14	-	-	51,998	-	26,749
	Derivative financial instruments		-	-	-	12,729	-
			-	-	559,392	12,729	197,318
		<b>Consolidated</b>					
		2009			2008		
		Fair value through result	Fair value of derivatives	Amortized cost	Fair value through result	Fair value of derivatives	Amortized cost
<b>Ativo</b>							
	Cash and cash equivalents	5	178,228	-	-	90,036	-
	Trade account receivable	6	-	-	200,161	-	243,659
			178,228	-	200,161	90,036	243,659
<b>Passivo</b>							
	Loan and financing	13	-	-	649,254	-	345,489
	Suppliers	14	-	-	108,408	-	60,972
	Derivative financial instruments		-	-	-	28,752	-
			-	-	757,662	28,752	406,461

# Iochpe-Maxion S.A. and subsidiaries

## **Publicly-held Company**

## Notes to the financial statements

*(In thousands of Reais)*

The transactions by the Company and its jointly-owned subsidiary are subject to the risk factors described below:

### **Credit risk**

This results from the likelihood that the Company and its jointly-owned subsidiary may have losses owing to default by its counterparts or by the depositing financial institutions of funds or financial investments. To mitigate these risks, the Company and its jointly-owned subsidiary adopt the practice of analyzing their counterparts' financial and net worth condition, in addition to defining credit limits and permanently monitoring their current positions. With regard to financial institutions, the Company and its jointly-owned subsidiary only enter into transactions with low-risk financial institutions as assessed by rating agencies.

### **Interest rate risk**

This results from the likelihood that the Company and its subsidiaries and jointly-owned subsidiary may be subject to gains or losses owing to changes in the interest rates in connection with their financial assets and liabilities. In order to mitigate this kind of risk, the Company and its subsidiaries seek to diversify their investments in terms of pre-fixed and post-fixed interest rates.

### **Exchange rate risk**

This results from the likelihood of fluctuations in the foreign exchange rates employed by the Company and its jointly-owned subsidiary, for the acquisition of inputs, the sale of goods, and acquisition of financial instruments. In addition to the sums payable and receivable in foreign currency, the Company has investments in overseas subsidiaries, besides having sale and purchase operating flows in other currencies. The Company and its jointly-owned subsidiary have a specific policy to contract hedging transactions in order to mitigate these risks.

# Iochpe-Maxion S.A. and subsidiaries

## **Publicly-held Company**

## Notes to the financial statements

*(In thousands of Reais)*

The Company's risk management policies were set up in order to detect and analyze risks faced by the Company, to aid in defining adequate risk limits and controls, and to monitor risks and compliance with limits. The risk management policies and systems are reviewed regularly in order to reflect changes in market conditions and in Company activities.

The Company Audit Committee supervises how management monitors compliance with risk management policies and procedures, and reviews the risk management policy's adequacy with regard to the risks faced by the Company.

### **Derivative financial instruments**

The Company and its jointly-owned subsidiary have a policy of investing in derivative financial instruments in order to mitigate or to eliminate risks inherent to their operations, as described in the preceding items, and hence they exercise a permanent monitoring on the derivative financial instrument investments, by means of their internal controls.

The Company and its jointly-owned subsidiary did not invest in derivative financial instruments requiring deposits in warranty. The derivative agreements do not penalty clauses should the Company decide to cancel them.

### **Cash flow hedge policy**

The Company has a formalized policy regulating the hiring of derivative financial instruments.

The Company and its jointly-owned subsidiary use the Cash Flow Hedge to fix the amount in local currency of up to 100% of the projected amount of the shipments of the exports for the 12 subsequent months. The derivative financial instrument of this policy is the Non Deliverable Forward ("NDF"), however, the Company and its subsidiaries and jointly-owned subsidiary at this date do not have any NDF operation hired.

The Company and its subsidiaries and jointly-owned subsidiary are exposed to interest rate fluctuation risks in its loans, financings and interest earnings bank deposits.

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

In the table above, three local interest rate scenarios are taken into account with the respective impacts in the results of the Company and its subsidiaries.

In addition to the probable scenario, CVM, through Instruction 475 established that two additional scenarios were presented, with deterioration of 25% and 50% of the variable of the risk considered. These scenarios are presented in accordance with CVM regulation.

### Sensitivity analysis of foreign currency changes

	Scenarios in Brazilian Reais			
	Probable	Possible - 25%	Remote - 50%	
<b>Financings and loans</b>				
US\$ rate - R\$	1.7412	1.77	2.18	2.61
Financing and loan - US\$ 58,901 thousand	102,558	104,255	128,404	153,732
Effect		(1,697)	(25,846)	(51,174)

### Sensitivity analysis of interest rate changes (Consolidated)

Financings and loans	Scenarios in Brazilian Reais			
	Probable	Possible - 25%	Remote - 50%	
TJLP rate	6.00%	6.00%	7.50%	9.00%
Indexed financing - TJLP - R\$ 65,342	3,921	3,921	4,901	5,881
Effect	-	-	(980)	(1,960)

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

(In thousands of Reais)

There are financings in FINEP, in the amount of R\$ 4,993, which prefixed rate is 5.00% p.a. and another BNDES - EXIM/Finame PSI, in the amount of R\$ 266,097, the rate of which is prefixed in 4.5% p.a., which are not exposed to risks of fluctuations in the interest and exchange rates.

### Interest earnings bank deposits

		Scenarios in Brazilian Reais		
		Probable	Possible - 25%	Remote - 50%
CDI rate	8.55%	10.32%	6.41%	4.28%
Marketable securities - R\$ 122,926	10,510	12,686	7,880	5,261
Effect		2,176	(2,630)	(5,249)

## 22 Insurance coverage

The Company and its subsidiaries and jointly-owned subsidiary have insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the orientation of experts and take into consideration the nature and the level of risk involved. The assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, they were not examined by our independent auditors.

	Parent company	Consolidated
Material damages	264,515	505,153
Unearned profits	125,342	125,342
Civil liabilities	76,904	81,330

# Iochpe-Maxion S.A. and subsidiaries

## Publicly-held Company

## Notes to the financial statements

*(In thousands of Reais)*

### **23 Subsequent events**

New pronouncements, interpretations and guidance issued and not adopted.

According to the process of conversion of the accounting practices adopted in Brazil to the International Financial Reporting Standards (IFRS), various pronouncements, interpretations and guidance were issued in 2009, with mandatory application for the years ended as from December 2010 and for the financial statements of 2009 to be disclosed jointly with the 2010 statements, for comparison purposes.

The Company and its subsidiaries and jointly-owned subsidiary are under evaluation process of the potential effects related to the pronouncements, interpretations and guidance, which may have relevant impact in the financial statements for the year ended December 31, 2009, to be presented comparatively to the financial statements for the year ending December 31, 2010, as well as on the following years.

The consolidated financial statements of the following year will be prepared in accordance with CPC 37 - Initial adoption of the International Accounting Standards and CVM Instruction 457, as of July 13, 2007.