



Iochope-Maxion S.A. and subsidiary companies
(Publicly-held company)

Financial statements
December 31, 2010 and 2009 and
January 1st, 2009

(A free translation of the original financial statements in Portuguese, prepared in accordance with the International Financial Reporting Standards (IFRS), and with the accounting practices adopted in Brazil, and rules of the Brazilian Securities Commission – CVM)



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Management report

1) 2010 HIGHLIGHTS

- Consolidated net operating revenue of R\$2,227.4 million, an increase of 69.0% over 2009;
- EBIT of R\$261.6 million, an increase of 175.3% over 2009;
- EBITDA of R\$312.3 million, an increase of 123.3% when compared to 2009;
- Net income of R\$164.2 million (earnings per share of R\$1.9776), an increase of 197.7% over 2009 (earnings per share of R\$0.6642, adjusted for the stock split of 1:1 implemented after the April 27th, 2010, Shareholders' Meeting).

2) 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	4Q10	4Q09	Var.	2010	2009	Var.
Passenger Cars	705,508	680,362	3.7%	2,823,949	2,575,418	9.7%
Light Commercials	156,484	133,296	17.4%	582,570	449,337	29.7%
Trucks	49,473	39,258	26.0%	191,646	123,633	55.0%
Buses	10,043	8,586	17.0%	45,869	34,535	32.8%
Total Vehicles	921,508	861,502	7.0%	3,644,034	3,182,923	14.5%
Agricultural Machinery	19,708	20,423	-3.5%	88,874	66,210	34.2%

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

Segment	4Q10	4Q09	Var.	2010	2009	Var.
Passenger Cars	151,928	118,542	28.2%	615,989	373,747	64.8%
Light Commercials	32,139	26,627	20.7%	113,565	78,178	45.3%
Trucks	6,186	3,914	58.0%	23,060	13,504	70.8%
Buses	4,283	3,207	33.6%	14,624	9,896	47.8%
Total Vehicles	194,536	152,290	27.7%	767,238	475,325	61.4%
Agricultural Machinery	6,081	4,484	35.6%	19,161	14,780	29.6%

According to data from CSM Worldwide, an entity that provides global information regarding the automotive sector, the vehicle production in the NAFTA region, in units, for the periods indicated, are shown below:

Segment	4Q10	4Q09	Var.	2010	2009	Var.
Passenger Cars	1,278,413	1,281,252	-0.2%	5,194,547	4,017,810	29.3%
Light Commercials	1,778,386	1,471,911	20.8%	6,748,157	4,565,112	47.8%
Total Light Vehicles	3,056,799	2,753,163	11.0%	11,942,704	8,582,922	39.1%

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

Segment	4Q10	4Q09	Var.	2010	2009	Var.
Railway Freight Cars (units)	1,198	244	391.0%	3,265	981	232.9%
Railway Wheels (units)*	12,002	4,642	158.5%	54,129	33,634	60.9%
Castings (tonnes)*	761	411	85.1%	2,764	1,645	68.0%

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

3) FINANCIAL AND OPERATING PERFORMANCE

Consolidated

I.S - R\$ thousand	4Q10	4Q09	Var.	2010	2009	Var.
Net Operating Revenue	549,866	438,418	25.4%	2,227,398	1,317,607	69.0%
Cost of Goods Sold	(469,389)	(363,298)	29.2%	(1,810,781)	(1,114,596)	62.5%
Gross Profit	80,477	75,120	7.1%	416,616	203,011	105.2%
	14.6%	17.1%		18.7%	15.4%	
Operating Expenses	(42,712)	(26,883)	58.9%	(155,060)	(108,009)	43.6%
Operating Income (EBIT)	37,765	48,237	-21.7%	261,557	95,002	175.3%
	6.9%	11.0%		11.7%	7.2%	
Financial Results	(4,522)	(8,130)	-44.4%	(29,506)	(14,452)	104.2%
Net Income	25,671	42,097	-39.0%	164,153	55,133	197.7%
	4.7%	9.6%		7.4%	4.2%	
EBITDA	49,416	61,536	-19.7%	312,271	139,864	123.3%
	9.0%	14.0%		14.0%	10.6%	

3.1) Net operating revenue

Consolidated net operating revenue totaled R\$2,227.4 million in 2010, an increase of 69.0% over 2009.

Major factors contributing to this result were: (i) the inclusion of Fumagalli Division in the results throughout the year (3 months results in 2009); (ii) the strong growth in Brazilian vehicles and agricultural machinery production, especially due to the growth on the production of trucks impacted by a strong domestic demand and also due to the recovery of vehicles and agricultural machineries exports and (iii) the growth in the North-American production of light vehicles.

Consolidated exports and international sales totaled US\$240.3 million or R\$422.5 million in 2010, an increase of 135.6% in US dollars and 115.4% in *reais* over 2009.

The consolidated main export and international sales destinations, by value, were: USA (57.9%); Mexico (26.0%); Asia/Oceania (7.3%); Latin America (6.8%); Europe (1.7%); Africa/Middle East (0.2%); and Canada (0.1%).

In the 4Q10, consolidated net operating revenue totaled R\$549.9 million, up by 25.4% against the 4Q09.

Consolidated Net Operating Revenue - R\$ thousand	4Q10		4Q09		Var.	2010		2009		Var.
Wheels and Chassis Division										
Wheels (Brazil)										
Domestic Market	81,847	14.9%	89,562	20.4%	-8.6%	363,960	16.3%	252,784	19.2%	44.0%
International Markets	8,582	1.6%	6,313	1.4%	35.9%	37,690	1.7%	22,330	1.7%	68.8%
Total	90,429	16.4%	95,875	21.9%	-5.7%	401,650	18.0%	275,114	20.9%	46.0%
Wheels (China)										
International Markets	8,160	1.5%	3,383	0.8%	141.2%	35,217	1.6%	13,518	1.0%	160.5%
Total	8,160	1.5%	3,383	0.8%	141.2%	35,217	1.6%	13,518	1.0%	160.5%
Chassis										
Domestic Market	173,560	31.6%	158,558	36.2%	9.5%	734,625	33.0%	551,313	41.8%	33.3%
International Markets	7,764	1.4%	10,298	2.3%	-24.6%	31,896	1.4%	60,372	4.6%	-47.2%
Total	181,324	33.0%	168,856	38.5%	7.4%	766,521	34.4%	611,685	46.4%	25.3%
Wheels and Chassis Division										
Domestic Market	255,407	46.4%	248,120	56.6%	2.9%	1,098,585	49.3%	804,097	61.0%	36.6%
International Markets	24,506	4.5%	19,994	4.6%	22.6%	104,803	4.7%	96,220	7.3%	8.9%
Total	279,912	50.9%	268,114	61.2%	4.4%	1,203,388	54.0%	900,317	68.3%	33.7%
Fumagalli Division										
Domestic Market	73,266	13.3%	63,846	14.6%	14.8%	280,679	12.6%	73,509	5.6%	281.8%
International Markets	68,781	12.5%	45,786	10.4%	50.2%	281,076	12.6%	53,467	4.1%	425.7%
Total	142,047	25.8%	109,632	25.0%	29.6%	561,755	25.2%	126,976	9.6%	342.4%
Automotive Comp. Division										
Domestic Market	44,413	8.1%	34,052	7.8%	30.4%	168,382	7.6%	128,891	9.8%	30.6%
International Markets	198	0.0%	428	0.1%	-53.7%	985	0.0%	1,152	0.1%	-14.5%
Total	44,611	8.1%	34,480	7.9%	29.4%	169,367	7.6%	130,043	9.9%	30.2%
AmstedMaxion (50%)										
Domestic Market	75,132	13.7%	17,880	4.1%	320.2%	257,706	11.6%	114,991	8.7%	124.1%
International Markets	8,164	1.5%	8,312	1.9%	-1.8%	35,182	1.6%	45,280	3.4%	-22.3%
Total	83,296	15.1%	26,192	6.0%	218.0%	292,888	13.1%	160,270	12.2%	82.7%
Iochepe-Maxion Consol.										
Domestic Market	448,218	81.5%	363,897	83.0%	23.2%	1,805,352	81.1%	1,121,488	85.1%	61.0%
International Markets	101,648	18.5%	74,520	17.0%	36.4%	422,046	18.9%	196,119	14.9%	115.2%
Total	549,866	100.0%	438,418	100.0%	25.4%	2,227,398	100.0%	1,317,606	100.0%	69.0%

3.2) Cost of Goods Sold

The cost of goods sold reached R\$1,810.8 million in 2010, equivalent to 81.3% of consolidated net operating revenue, up by 62.5% against 2009, when COGS accounted for 84.6% of consolidated net operating revenue.

The cost of goods sold reached R\$469.4 million in the 4Q10, equivalent to 85.4% of consolidated net operating revenue, up by 29.2% against the same quarter of 2009, when cost of goods sold accounted for 82.9% of consolidated net operating revenue.

3.3) Gross Profit

In 2010, gross profit stood at R\$416.6 million, representing a gross margin of 18.7%, up by 105.2% against 2009, when gross profit totaled R\$203.0 million and gross margin stood at 15.4%.

In the 4Q10, gross profit totaled R\$80.5 million, representing a gross margin of 14.6%, up by 7.1% against 4Q09, when gross profit totaled R\$75.1 million, with a gross margin of 17.1%.

3.4) Net Operating Expenses

Net operating expenses reached R\$155.1 million in 2010, an increase of 43.6% over the previous year. Net operating expenses were equivalent to 7.0% of the consolidated net operating revenue in 2010, against 8.2% in 2009.

Net operating expenses reached R\$42.7 million in the 4Q10 (7.8% of the consolidated net operating revenue), up by 58.9% against the same quarter of 2009 (6.1% of the consolidated net operating revenue).

The main drivers of the variation in the operating expenses in 2010 were: (i) inclusion of the Fumagalli Division in the results and (ii) higher variable sales and freight expenses, due to the growth of domestic sales and the volume of exports.

3.5) Earnings Before Interest and Tax (EBIT)

EBIT reached R\$261.6 million in 2010, or 11.7% of consolidated net operating revenue, up by 175.3% against 2009, when it accounted for 7.2% of the consolidated net operating revenue.

In 4Q10, EBIT amounted to R\$37.8 million (6.9% of consolidated net operating revenue), down by 21.7% against the same period of 2009 (11.0% of consolidated net operating revenue).

3.6) Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

EBITDA totaled R\$312.3 million in 2010, up by 123.3% against the previous year. As a margin of consolidated net operating revenue, EBITDA increased from 10.6% in 2009 to 14.0% in 2010.

In 4Q10, EBITDA totaled R\$49.4 million (9.0% of consolidated net operating revenue), down by 19.7% against 4Q09 (14.0% of consolidated net operating revenue).

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

EBITDA Reconciliation R\$ thousand	4Q10	4Q09	Var.	2010	2009	Var.
Net Income	25,671	42,097	-39.0%	164,153	55,133	197.7%
Income Taxes	(7,572)	1,990	-480.5%	(67,898)	(25,417)	167.1%
Financial Results	(4,522)	(8,130)	-44.4%	(29,506)	(14,452)	104.2%
Depreciation / Amortization	(11,651)	(13,300)	-12.4%	(50,714)	(44,862)	13.0%
EBITDA	49,416	61,536	-19.7%	312,271	139,864	123.3%

3.7) Financial Result

Net financial result in 2010 was a loss of R\$29.5 million, an increase of 104.2% when compared to the loss of R\$14.5 million in 2009.

This result is mainly due to: (i) an increase in expenses from interest paid on financing and loans, which totaled R\$47.5 million in 2010, against R\$37.9 million in 2009 and (ii) a reduction of the revenue related to FX rate variation from R\$8.2 million in 2009 to R\$3.9 million in 2010.

Financial result was a loss of R\$4.5 million in the 4Q10, a decrease of 44.4% against the loss of R\$8.1 million in 4Q09.

3.8) Net Income

In 2010, net income totaled R\$164.2 million (earnings per share of R\$1.9776), an increase of 197.7% over 2009 (R\$55.1 million and earnings per share of R\$0.6642, adjusted pro-forma for the stock split of 1:1 implemented after the April 27th, 2010, Shareholders' Meeting).

In the 4Q10, net income totaled R\$25.7 million, a reduction of 39.0% over the 4Q9.

4) CAPEX

In 2010, capital expenditures in new-product development and plant upgrades totaled R\$94.9 million (R\$50.0 million in 2009).

In the 4Q10, capital expenditures totaled R\$26.2 million (R\$17.3 million in 4Q09).

5) LIQUIDITY AND INDEBTEDNESS

Consolidated cash and cash equivalents at the end of 2010 was R\$323.1 million, with 85.0% of such amount denominated in *Reais*, 12.6% in Mexican Pesos, 2.0% in US Dollars and 0.4% in Yuans.

Financial investments accounted for nearly 94.9% of such amount, consisting entirely of short-term instruments.

Consolidated gross bank debt reached on the same date R\$731.3 million, R\$138.4 million (18.9%) of which registered in the short-term and R\$592.9 million (81.1%) in the long-term. The indexes for this gross bank debt were: fixed interest of 4.5% per year (BNDES – PSI program) with 66.6%, followed by the TJLP with 11.7%, US dollars with 9.9%, fixed interest of 5.5% (BNDES – PSI program) with 7.4%, and the Yuan with 4.4%.

Consolidated net bank debt stood at R\$408.2 million at the end of 2010, down by 13.4% against the previous year. The net debt/last 12 months EBITDA ratio reached 1.3x at the end of 2010, below the 3.4x ratio recorded at the end of 2009.

6) NON-DELIVERABLE FORWARD OPERATIONS (NDFs)

lochpe-Maxion uses NDF operations to fix the *Reais* value of a portion of the forecasted value of its export shipments over the subsequent 12 months as well as a portion of its obligations in foreign currency (Hedge Accounting). No NDF transactions were contracted in 4Q10.

At the end of 2010, the contracted NDFs were all related to buying future dollar and provisioned as equity adjustment and totaled US\$9.6 million, all to expire from January to July 2011 and if such contracts would expire in that moment it would generate a loss of R\$1.8 million.

7) DIVIDENDS

lochpe-Maxion's bylaws provides for the distribution of 37% of net income (less any accumulated losses from previous periods). As net income reached R\$164.2 million in 2010, the dividends to be distributed in 2011, referring to 2010, should amount to R\$60.7 million (R\$20.4 million in the previous year) or R\$0.64025559 per share (R\$0.43008422 per share in the previous year).

8) EQUITY

The equity at the end of 2010 reached R\$779.4 million (book value of R\$8.22 per share), up by 15.4% against equity for 2009 (R\$675.4 million and book value of R\$7.12 per share, adjusted pro-forma for: (i) the stock split of 1:1 implemented after the April 27th, 2010, Shareholders' Meeting and for (ii) the application of the Deemed Cost concept).

The variation in the equity at the end of 2010 was due to: (i) the addition of R\$164.2 million corresponding to net income for the year; (ii) positive adjustment of R\$0.1 million, due to exchange variation in foreign investments; (iii) positive adjustment of R\$1.6 million, due to provisioning of share-based payment transactions (Stock Options Plan) in income for the year ; (iv) negative adjustment of R\$1.2 million related to the market value of non-deliverable forward (NDF) transactions, net of taxes, at the end of the year; and (v) reduction of R\$60.7 million related to the proposed distribution of dividends.

9) RETAINED EARNINGS

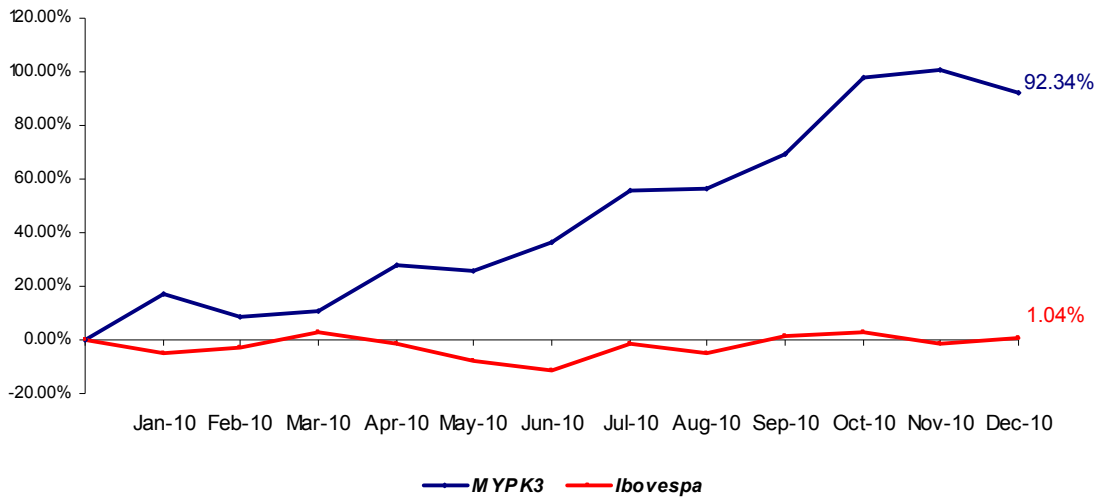
Due to the adoption of the deemed cost concept to property, plant and equipment and its respective depreciation throughout the year, at the end of 2010, a balance of R\$12.4 million remained ("Retained Earnings") in the equity.

Management's proposal is to allocate said balance as provided for in the Company's by-laws, that is, distribution of 37% of such balance (R\$4.6 million or R\$0.04849146 per share) as additional dividends, 5% (R\$0.6 million) as legal reserve, and 58% (R\$7.2 million) as statutory reserve for investments and working capital.

10) CAPITAL MARKETS

lochpe-Maxion's common shares (Bovespa: MYPK3) closed 2010 priced at R\$24.10, appreciating 92.34% over the year, and 13.68% over the last quarter (always considering the stock split of 1:1 implemented after the April 27th, 2010, Shareholders' Meeting). At the end of 2010, lochpe-Maxion's market capitalization totaled R\$2,286.2 million.

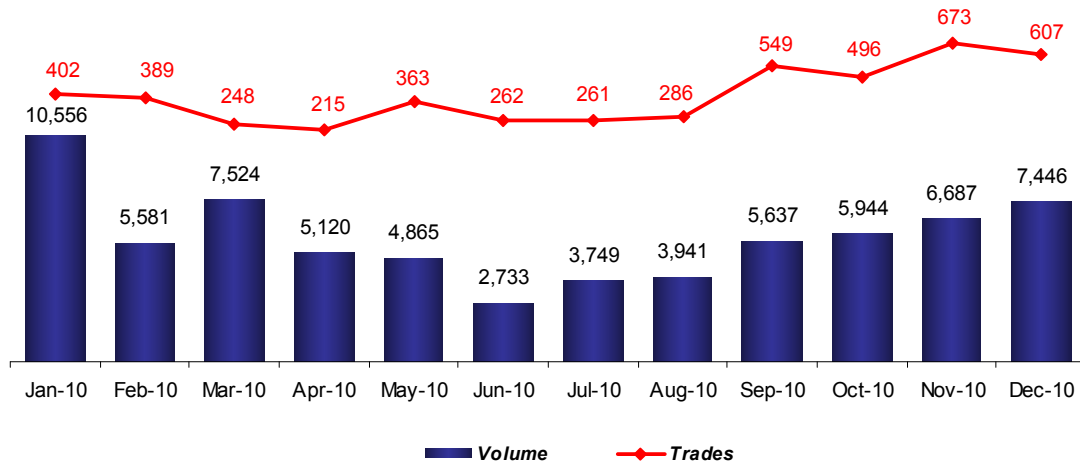
Shares Performance – LTM



lochpe-Maxion’s daily traded volume on the São Paulo Stock Exchange (Bovespa) averaged R\$5.8 million in 2010 (R\$ 2.5 million in 2009) from an average of 394 trades per day (168 in 2009)

In the 4Q10, the daily trade volume averaged R\$6.7 million (R\$4.4 in the same period of last year) from an average of 592 trades per day (247 trades in the 4Q09).

Average Daily Traded Volume



11) STOCK SPLIT

The Shareholders’ Meeting held on April 27th, 2010 voted for a stock split of 1:1, increasing the total quantity of shares of lochpe-Maxion from 47,431,686 to 94,863,372 shares.

12) BUSINESS SEGMENTS

12.1) Automotive Segment

In 2010, the automotive segment recorded net operating revenue of R\$1,934.5 million, or 86.9% of the consolidated net operating revenue, up by 67.2% against the previous year.

The EBIT reached R\$269.6 million, an increase of 122.4%; EBITDA reached R\$314.2 million, an increase of 96.6%, and net income totaled R\$177.2 million, an increase of 100.8%, always comparing 2010 with the previous year.

Major factors contributing to this result were: (i) the inclusion of Fumagalli Division in the results throughout the year (3 months results in 2009); (ii) the strong growth in Brazilian vehicles and agricultural machinery production, especially due to the growth on the production of trucks impacted by a strong domestic demand and also due to the recovery of vehicles and agricultural machineries exports and (iii) the growth in the North-American production of Light Vehicles.

I.S - R\$ thousand	4Q10	4Q09	Var.	2010	2009	Var.
Net Operating Revenue	466,570	412,226	13.2%	1,934,510	1,157,337	67.2%
Cost of Goods Sold	(389,390)	(335,584)	16.0%	(1,534,902)	(954,600)	60.8%
Gross Profit	77,180	76,642	0.7%	399,608	202,737	97.1%
	16.5%	18.6%		20.7%	17.5%	
Operating Expenses	(33,094)	(27,257)	21.4%	(129,979)	(81,477)	59.5%
Operating Income (EBIT)	44,085	49,385	-10.7%	269,629	121,260	122.4%
	9.4%	12.0%		13.9%	10.5%	
Financial Results	(1,194)	(5,596)	-78.7%	(17,755)	9,490	-287.1%
Net Income	32,035	34,824	-8.0%	177,235	88,280	100.8%
	6.9%	8.4%		9.2%	7.6%	
EBITDA	54,385	61,423	-11.5%	314,240	159,826	96.6%
	11.7%	14.9%		16.2%	13.8%	

12.2) Railway segment

In 2010, the railway segment recorded a net operating revenue of R\$292.9 million, or 13.1% of consolidated net operating revenue, up by 82.7% against the previous year.

EBIT was negative in R\$8.1 million, an improvement of 69.3%; EBITDA was negative in R\$2.0 million, an improvement of 90.1%; and net income was negative in R\$13.1 million, an improvement of 60.5%, always comparing 2010 with the previous year.

The increase of domestic demand for railway freight cars contributed to this result.

I.S - R\$ thousand	4Q10	4Q09	Var.	2010	2009	Var.
Net Operating Revenue	83,296	26,192	218.0%	292,889	160,270	82.7%
Cost of Goods Sold	(79,999)	(27,714)	188.7%	(275,880)	(159,996)	72.4%
Gross Profit	3,297	(1,522)	-316.6%	17,009	274	6096.5%
	4.0%	-5.8%		5.8%	0.2%	
Operating Expenses	(9,618)	374	-2670.1%	(25,080)	(26,533)	-5.5%
Operating Income (EBIT)	(6,320)	(1,148)	450.5%	(8,072)	(26,258)	-69.3%
	-7.6%	-4.4%		-2.8%	-16.4%	
Financial Results	(3,328)	(2,534)	31.3%	(11,751)	(23,942)	-50.9%
Net Income	(6,364)	7,273	-187.5%	(13,083)	(33,146)	-60.5%
	-7.6%	27.8%		-4.5%	-20.7%	
EBITDA	(4,969)	113	-4485.2%	(1,969)	(19,962)	-90.1%
	-6.0%	0.4%		-0.7%	-12.5%	

13) IOCHPE FOUNDATION

Founded by lochpe-Maxion S.A in 1989, lochpe Foundation develops programs in the areas of education, culture and social welfare, through partnerships with private and public entities.

lochpe-Maxion supports lochpe Foundation in its projects like the “Formare” project, that provides professional education courses to youth between 16 to 18 years old of low income families, through partnerships with large and medium companies and the “Art in School” project, whose mission is to promote the qualification of the educational art process based on the premise that art education develops perceptive skills and the capacity for critical thinking.

14) CVM INSTRUCTION No. 381

In compliance with CVM Instruction No. 381/2003, we inform that, in the year ended on December 31, 2010, we did not engage the services of our independent auditors for any activities other than those related to external audit.

In the course of our relationship with our independent auditors, we seek to evaluate any conflict of interests regarding non-audit activities based on the following principles: auditors are not expected to (a) audit their own work; (b) perform management functions; and (c) promote our interests.

15) ARBITRATION CLAUSE

The company is bound to arbitration at the Arbitration Chamber of the *Novo Mercado*, as provided for in the arbitration clause included in its by-laws.

16) MANAGEMENT’S STATEMENT

These financial statements include:

- The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the accounting practices adopted in Brazil, which comply with the pronouncements issued by the Accounting Pronouncements Committee(CPCs);
- The individual financial statements of the parent company were prepared in accordance with the accounting practices adopted in Brazil (CPCs).

The individual financial statements of the parent company were prepared in accordance with the CPCs, that is, investments on controlled companies are recorded at the equity accounting method, unlike the IFRS, which require investments to be recorded at their cost or fair value.

However, there are no differences between the shareholders' equity and consolidated income recorded by the Company and the shareholders' equity and income recorded by the parent company in their respective individual financial statements. Accordingly, the consolidated financial statements of the Company and the individual financial statements of the parent company are being presented side by side, as part of a single set of financial statements.

These are the first consolidated statements prepared in compliance with both the IFRS and CPC 37.

Non-financial information, as well as other operating information, was not audited by the independent accountants.

EBITDA means net earnings (loss) before financial income, income and social contribution taxes, depreciation and amortization. EBITDA should not be considered as an alternative to net income, as an indicator of the Company's operating performance, or as an alternative to cash flow as an indicator of liquidity. The Company's management believes that EBITDA is a practical measure to determine its operating performance and enabling comparison with other companies. However, we emphasize that EBITDA is not an established unit of measurement under the Brazilian accounting practices and may be defined and calculated in different ways by different companies.

Cruzeiro, February 18, 2011.



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Independent auditors' report on the Financial Statements

To
Board of Directors and Senior Management of
Iochpe-Maxion S.A.
Cruzeiro - SP

We have audited the accompanying individual and consolidated financial statements of Iochpe-Maxion S.A. ("Company"), identified as Parent company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility regarding the financial statements

Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB, and in accordance with the accounting practices adopted in Brazil as well as for the internal controls that it deemed necessary to enable the preparation of these financial statements free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with the Brazilian and international auditing standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves the performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of these entities internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Iochpe-Maxion S.A. as of December 31, 2010, the performance of its operations and its cash flows, for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iochpe-Maxion S.A. as of December 31, 2010, the performance of its operations and its cash flows, for the year then ended, in conformity with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Other issues

Emphasis

As described in the note 2, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Company, these practices differ from IFRS, as far as the individual financial statements are concerned, only as regards the valuation of investments in subsidiaries under the equity method, as, for IFRS purposes, they would be valued at cost or fair value.

Statements of added value

We have also audited the individual and consolidated statements of value added (DVA) for the year ended December 31, 2010, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as supplementary information under IFRS, as these standards do not require the presentation of a statement of value added. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole.

São Paulo, February 18, 2011

KPMG Auditores Independentes
CRC 2SP014428/O-6

Wagner Bottino
Accountant CRC 1SP196907/O-7

Iochepe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Balance sheets

December 31, 2010 and 2009, and January 1, 2009

(In thousands of Reais)

Assets	Note	Parent Company - CPC			Consolidated - IFRS			Liabilities and shareholders' equity	Note	Parent Company - CPC			Consolidated - IFRS		
		12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009			12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Current assets															
Cash and cash equivalents	5	6,717	26,130	28,740	57,639	55,302	39,180	Loans and financing	13	24,309	222,930	106,447	138,403	276,216	219,885
Interest earnings bank deposits	5.1	246,767	119,964	40,407	265,481	122,926	50,856	Suppliers	14	59,427	51,998	26,749	150,106	108,408	60,972
Trade accounts receivable	6	175,397	152,136	112,142	252,661	199,830	243,056	Taxes and contributions payable		11,414	7,558	2,212	11,943	9,148	2,886
Inventories	7	186,674	125,738	185,456	321,035	199,883	244,527	Related parties	9	2,727	2,726	2,467	-	-	-
Dividends receivable		-	-	3,000	-	-	-	Installment payment of taxes	15	-	-	-	563	11,693	-
Recoverable taxes	8	10,808	6,580	8,008	26,479	13,156	13,694	Salaries and vacations payable		59,579	35,542	36,104	72,659	40,538	49,908
Prepaid expenses		475	6,098	1,901	779	6,743	1,901	Advances from clients		34,490	7,930	11,031	80,594	13,433	24,152
Other accounts receivable		11,236	4,513	5,092	17,350	11,560	7,985	Dividends payable	18	60,737	20,399	79,214	60,737	20,399	79,214
								Other accounts payable		8,703	13,447	12,734	27,320	19,126	34,937
								Financial instruments payable		1,782	-	12,729	1,782	-	28,752
		638,074	441,159	384,746	941,424	609,400	601,199			263,168	362,530	289,687	544,107	498,961	500,706
Non-current assets															
Long-term assets															
Related parties	9	5,890	6,084	6,207	-	-	-	Non-current liabilities							
Trade accounts receivable	6	331	331	603	331	331	603	Loans and financing	13	494,125	284,464	64,122	592,867	373,038	125,604
Recoverable taxes	8	17,532	23,323	16,144	47,137	24,156	16,667	Provision for contingencies	16	19,359	16,566	36,846	28,918	26,504	66,763
Deferred taxes	8	55,239	69,415	88,369	91,933	103,623	109,900	Deferred taxes	8	94,565	85,220	91,174	128,029	113,794	109,596
Judicial deposits		15,438	15,742	16,214	23,956	22,859	21,589	Other accounts payable		9,356	7,731	5,868	11,089	8,637	6,611
Other accounts receivable		3,353	3,522	364	4,623	4,695	1,718			617,405	393,981	198,010	760,903	521,973	308,574
		97,783	118,417	127,901	167,980	155,664	150,477	Shareholders' equity							
Investments	10	206,332	193,596	108,743	233	357	395	Capital	18	360,000	261,463	261,463	360,000	261,463	261,463
Property, plant and equipment	11	696,290	657,709	521,859	948,178	902,651	701,670	Profit reserves		231,404	218,692	183,958	231,404	218,692	183,958
Intangible assets	12	21,482	20,878	-	26,583	25,094	5,910	Equity evaluation adjustment	18	180,963	192,948	193,768	180,963	192,948	193,768
Deferred charges		-	129	129	-	3,145	5,310	Accumulated translation adjustments	18	2,421	2,274	16,492	2,421	2,274	16,492
		924,104	872,312	630,731	974,994	931,247	713,285	Additional dividends proposed	18	4,600	-	-	4,600	-	-
		1,659,961	1,431,888	1,143,378	2,084,398	1,696,311	1,464,961			779,388	675,377	655,681	779,388	675,377	655,681
										1,659,961	1,431,888	1,143,378	2,084,398	1,696,311	1,464,961

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Statements of income

Years ended December 31, 2010 and 2009

(In thousands of reais, except earnings per share)

	Note	Parent Company - CPC		Consolidated - IFRS	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009
Revenues		1,728,689	1,021,255	2,227,398	1,317,607
Cost of goods sold and services rendered		<u>(1,379,824)</u>	<u>(841,049)</u>	<u>(1,810,781)</u>	<u>(1,114,596)</u>
Gross profit		348,865	180,206	416,617	203,011
Other income	22	2,591	16,789	7,105	17,786
Sales expenses		(40,768)	(24,962)	(69,300)	(49,341)
Administrative expenses		(59,382)	(37,660)	(80,554)	(54,650)
Management compensation	9	(4,532)	(3,837)	(4,532)	(3,837)
Other expenses	22	<u>(4,015)</u>	<u>(1,898)</u>	<u>(7,779)</u>	<u>(17,967)</u>
Income (loss) before net financial income (loss), equity income and taxes		242,759	128,638	261,557	95,002
Financial income	20	21,186	49,185	24,974	54,606
Financial expenses	20	(38,628)	(38,502)	(54,480)	(69,058)
Net financial income (expenses)		(17,442)	10,683	(29,506)	(14,452)
Equity in income of subsidiaries and associated companies	10	1,365	(38,985)	-	-
Income before taxes		226,682	100,336	232,051	80,550
Income and social contribution taxes					
Current	8	(37,017)	(27,045)	(45,073)	(33,812)
(Reversal) deferred		<u>(25,512)</u>	<u>(18,158)</u>	<u>(22,825)</u>	<u>8,395</u>
Income for the year		<u>164,153</u>	<u>55,133</u>	<u>164,153</u>	<u>55,133</u>
Income for the year per share - Basic (R\$)		<u>1.9776</u>	<u>1.1624</u>		
Income for the year per share - Diluted (R\$)		<u>1.9746</u>	<u>1.1624</u>		

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Statements of comprehensive income (Parent Company/Consolidated)

Years ended December 31, 2010 and 2009

(In thousands of Reais)

	12/31/2010	12/31/2009
Income for the year	164,153	55,133
Other comprehensive income		
Measurement of financial instruments, net	(1,176)	-
Settlement of financial instruments in the year	-	18,976
Exchange variation over investments abroad	147	(14,218)
Total comprehensive income	<u>163,124</u>	<u>59,891</u>

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009 and January 1, 2009

(In thousands of Reais)

	Note	Profit reserves						Retained earnings	Total
		Capital	Statutory capital	Investment and working capital statutory reserve	Equity evaluation adjustment	Accumulated translation adjustments	Additional dividends proposed		
Balances at January 1, 2009		261,463	22,865	161,093	193,768	16,492	-	-	655,681
Income for the year		-	-	-	-	-	-	55,133	55,133
Depreciation of the deemed cost		-	-	-	(19,796)	-	-	-	(19,796)
Other comprehensive income									
Settlement of financial instruments in the year		-	-	-	18,976	-	-	-	18,976
Exchange variation over investments abroad	10	-	-	-	-	(14,218)	-	-	(14,218)
Allocations:									
Legal reserve		-	2,757	-	-	-	-	(2,757)	-
Statutory reserve of investments and working capital		-	-	31,977	-	-	-	(31,977)	-
Dividends payable		-	-	-	-	-	-	(20,399)	(20,399)
Balances at December 31, 2009		261,463	25,622	193,070	192,948	2,274	-	-	675,377
Capital Increase with statutory reserve		98,537	-	(98,537)	-	-	-	-	-
Income for the year		-	-	-	-	-	-	164,153	164,153
Transactions with stock-based payments	19	-	-	-	1,624	-	-	-	1,624
Depreciation of the deemed cost		-	-	-	(12,433)	-	-	12,433	-
Other comprehensive income									
Measurement of financial instruments, net	23	-	-	-	(1,176)	-	-	-	(1,176)
Exchange variation over investments abroad	10	-	-	-	-	147	-	-	147
Distribution of income for the year:									
Legal reserve	18	-	8,207	-	-	-	-	(8,207)	-
Statutory reserve of investments and working capital	18	-	-	95,209	-	-	-	(95,209)	-
Compulsory minimum dividends	18	-	-	-	-	-	-	(60,737)	(60,737)
Allocation of retained earnings:									
Legal reserve	18	-	622	-	-	-	-	(622)	-
Statutory reserve of investments and working capital	18	-	-	7,211	-	-	-	(7,211)	-
Additional dividends proposed	18	-	-	-	-	-	4,600	(4,600)	-
Balances at December 31, 2010		<u>360,000</u>	<u>34,451</u>	<u>196,953</u>	<u>180,963</u>	<u>2,421</u>	<u>4,600</u>	<u>-</u>	<u>779,388</u>

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Statements of cash flows - Indirect method

Years ended December 31, 2010 and 2009

(In thousands of Reais)

	Note	Parent Company - CPC		Consolidated - IFRS	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009
Cash flow from operating activities					
Net income before income and social contribution taxes		226,682	100,336	232,051	80,550
Adjusted by:					
Depreciation and amortization		34,963	31,439	50,713	44,862
Depreciation of the deemed cost		12,433	-	12,433	-
Current and non-current deferred taxes		25,512	18,158	22,825	(8,395)
Residual value of written-off property, plant and equipment		3,883	2,006	11,482	1,306
Equity in income of subsidiaries and associated companies	10	(1,365)	38,985	-	-
Provision for contingencies (additions + restatements)	16	4,983	4,272	7,444	8,017
Reversal of provision of contingencies	16	(2,190)	(24,552)	(5,030)	(48,276)
Foreign exchange variation of foreign investment	10	(147)	14,218	(147)	-
Measuring of financial instruments		1,176	10,576	1,176	-
Stock option plan		(1,624)	-	(1,624)	-
Exchange variation - Property, plant and equipment overseas	11	-	-	(725)	14,168
Interest on own capital and dividends of subsidiaries					
Dividends receivable	10	90	102	-	-
Changes in assets and liabilities					
Increase in interest earning bank deposits		(126,803)	(79,557)	(142,555)	(72,070)
(Increase) decrease in accounts receivable		(23,261)	(39,722)	(52,831)	43,498
(Increase) decrease in inventories		(60,936)	59,718	(121,152)	44,644
Increase in suppliers		7,429	25,249	41,698	47,436
Decrease (increase) in other accounts receivable, recoverable taxes and other accounts		1,130	(27,383)	(37,155)	(11,220)
Increase (decrease) in other accounts payable, provisions and other accounts		14,552	(16,829)	64,165	(4,986)
Income and social contribution taxes	8	(37,017)	(27,045)	(45,073)	(33,812)
Net cash and cash equivalents generated by operational activities		<u>79,490</u>	<u>89,971</u>	<u>37,695</u>	<u>105,722</u>
Cash flows from investing activities					
Capital increase in cash	10	(11,314)	(9,202)	-	-
Acquisition / investment increase in cash	10	-	(208,542)	-	-
Goodwill in investment acquisitions - intangible		-	(20,292)	-	(20,292)
Acquisition of intangible assets	12	(803)	(586)	(803)	(586)
Acquisition of property, plant and equipment	11	(77,427)	(45,956)	(94,921)	(49,984)
Addition property, plant and equipment (takeover)		-	(65,614)	-	(241,329)
Net cash and cash equivalents invested in investment activities		<u>(89,544)</u>	<u>(350,192)</u>	<u>(95,724)</u>	<u>(312,191)</u>
Cash flows from financing activities					
Loans		469,598	588,985	684,011	774,563
Payments of loans		(439,237)	(236,647)	(569,391)	(445,080)
Payment of interest on loans		(19,321)	(15,513)	(32,604)	(25,718)
Payment of dividends	18	(20,399)	(79,214)	(20,399)	(79,214)
Net cash and cash equivalents invested in financing activities		<u>(9,359)</u>	<u>257,611</u>	<u>61,617</u>	<u>224,551</u>
Increase in cash and cash equivalents		<u>(19,413)</u>	<u>(2,610)</u>	<u>3,588</u>	<u>18,082</u>
Exchange variation in cash and cash equivalents of foreign subsidiaries					
		-	-	(1,251)	(1,960)
At the beginning of the year	5	26,130	28,740	55,302	39,180
At the end of the year	5	<u>6,717</u>	<u>26,130</u>	<u>57,639</u>	<u>55,302</u>
Increase in cash and cash equivalents		<u>(19,413)</u>	<u>(2,610)</u>	<u>2,337</u>	<u>16,122</u>

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Statements of added value

Years ended December 31, 2010 and 2009

(In thousands of Reais)

	Note	Parent Company - CPC		Consolidated - IFRS (*)	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009
Income (expenses)					
Revenues		2,109,266	1,249,332	2,635,284	1,583,963
Reversal for allowance for doubtful accounts and contingencies		(197)	(64)	(197)	(64)
Other operating income		1,882	16,789	5,559	17,786
		<u>2,110,951</u>	<u>1,266,057</u>	<u>2,640,646</u>	<u>1,601,685</u>
Inputs acquired by third parties (include ICMS and IPI)					
Raw materials used		1,037,386	651,005	1,185,828	809,584
Cost of goods sold and services provided		172,252	134,016	325,814	189,216
Materials, energy, outsourced services and other		135,000	54,628	193,967	107,035
		<u>1,344,638</u>	<u>839,649</u>	<u>1,705,609</u>	<u>1,105,835</u>
Gross added value		766,313	426,408	935,037	495,850
Retentions					
Depreciation and amortization		<u>(34,963)</u>	<u>(31,439)</u>	<u>(50,713)</u>	<u>(44,862)</u>
Net added value produced by the Company and its subsidiaries		731,350	394,969	884,324	450,988
Added value received as transfer					
Equity in income of subsidiaries and associated companies	10	1,365	(38,985)	-	-
Financial income	20	21,186	49,185	24,974	54,606
		<u>22,551</u>	<u>10,200</u>	<u>24,974</u>	<u>54,606</u>
Total added value payable		<u>753,901</u>	<u>405,169</u>	<u>909,298</u>	<u>505,594</u>
Distribution of added value					
Employees					
Personnel and social charges		290,179	164,285	373,664	208,682
Profit sharing		26,959	9,089	33,084	12,642
Taxes					
Federal		154,575	99,687	174,478	116,483
State		66,491	38,187	94,075	40,570
Municipal		318	58	811	379
Lenders					
Interest / exchange variations / rates	20	38,628	38,502	54,480	69,058
Rents		165	228	2,120	2,647
Shareholders					
Dividends	18	65,337	20,399	65,337	20,399
Retained earnings	18	<u>111,249</u>	<u>34,734</u>	<u>111,249</u>	<u>34,734</u>
		<u>753,901</u>	<u>405,169</u>	<u>909,298</u>	<u>505,594</u>

(*) - The consolidated statement of added value is not an integral part of the consolidated financial statements under IFRS.

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Notes to the financial statements

December 31, 2010 and 2009 and January 1, 2009

(In thousands of Reais)

1 Operations

The Company's activities comprise the manufacturing and trading of complete chassis, crossbars and heavy wheels by the Wheel and Chassis Division (located in the municipality of Cruzeiro, state of São Paulo); the manufacturing and sales of hand brake levers, pedal assemblies, and other automotive components by the Automotive Component Division (located in the municipality of Contagem, state of Minas Gerais); the manufacturing and sales of steel wheel for automobiles, pick-up trucks, sports utility vehicles, and light/medium commercial vehicles by the Fumagalli Division (located in the municipality of Limeira, state of São Paulo, and in San Luiz Potosi, Mexico and in Troy, Michigan - USA); the manufacturing and sales of highway wheels by Maxion (Nantong) Wheels, Co., Ltd., and having ownership interest in companies that operate in manufacturing and sales of components for highway vehicles and railroad vehicles, foundry and replacement parts.

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.

This transaction is described in the section business combination in Note 12.

The industrial park comprises five plants in Brazil, two of them dedicated to the railroad equipment sector and three to the automotive sector, plus two plants abroad, one in China and one in Mexico, which are briefly described below.

- **The Wheel and Chassis Division:** (Cruzeiro, SP) is dedicated to the manufacturing and sales of complete chassis, crossbars and heavy wheels.
- **The Automotive Component Division:** (Contagem, MG) is dedicated to the manufacturing and sales of hand brake levers, pedal assemblies, and other automotive components.
- **The Fumagalli Division:** (Limeira, SP and San Luiz Potosi - Mexico) is dedicated to the manufacturing and sales of steel wheels for automobiles, pick-up trucks, sports utility vehicles, and light/medium commercial vehicles.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais)

Jointly-owned subsidiaries

- **Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.:** The railroad equipment plant operates by means of two divisions: The Cruzeiro, SP Division, which is dedicated to the production of industrial and railroad castings, and railroad wheels; and the Hortolândia, SP Division, for the production of railroad cargo wagons.
- **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.

Subsidiaries

- **Iochpe Sistemas Automotivos de México, S.A. de C.V.:** A Company with main offices in Mexico city, which holds ownership interest in the company's Maxion Fumagalli de México S de RL de C.V. located in San Luiz Potosi, Mexico and Servicios Maxion Fumagalli de México S.A. de C.V. located in the state of Nuevo Leon, Mexico.
- **Maxion Fumagalli de México S de RL de C.V.:** A Company with main offices in San Luiz Potosi, Mexico, focused on the manufacturing and sales of steel wheels for automobiles, pick-up trucks, sports utility vehicles and light/medium commercial vehicles.
- **Servicios Maxion Fumagalli de México S.A de C.V.:** A Company with main offices in the state of Nuevo Leon, Mexico, focused on providing commercial and financial management services and outsourcing of manpower.
- **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 Fumagalli Japan KK:** A Company with main offices in Yokohama, Japan, focused on automobile wheel importing and exporting. It was established in May, 2010 and has not yet started operations.
- **Cooperatie Maxion Europe U.A.:** A Company with main offices in Amsterdam, Holland, focused on importing and exporting heavy wheels for automotive vehicles. It was established in October 2010, and has not yet started operations.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais)

- **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 Fumagalli Automotive USA, Inc.:** A Company with main offices in Troy, Michigan, USA, whose purpose is the management of inventory and sales of products from the Wheel and Chassis Division and the Fumagalli Division for the US, Canada and Mexico market.
- **Iochpe Holdings, LLC:** A Company with main offices in Delaware, USA, which holds ownership interest in Maxion Fumagalli Automotive USA, Inc. and Maxion Fumagalli Japan KK.

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:** Non-operating Company headquartered in Cayman, BVI, which is idle since 2003.

The ultimate Parent Company Iochpe Maxion S.A. has its shares listed in the São Paulo Stock Exchange, in New Market Level 1, under the code MYPK3.

Concentration of our sales

A great portion of the revenue of the Company and its subsidiaries and jointly-owned subsidiaries arises from the sales of products to automotive manufacturing companies, railroad operating companies and mining companies.

Fluctuations in the price of steel, our key input

An expressive part of the operations of the Company and its subsidiaries and jointly-owned subsidiaries depend on the capacity to acquire steel at competitive prices. Should steel price have a significant increase and the Company and its subsidiaries and jointly-owned subsidiaries be unable to pass on the increase to product prices or reduce operating costs to offset said increase, their operating margin will decrease.

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais)

2 Basis of preparation

2.1 Statement of compliance (regarding the IFRS and CPC rules)

These financial statements include:

- The consolidated financial statements were prepared in accordance with the International Financial Reporting System (IFRS) issued by the *International Accounting Standards Board (IASB)* and also in accordance with the accounting practices adopted in Brazil that follow the pronouncements issued by the Accounting Pronouncements Committee (CPCs);
- The individual financial statements of the subsidiary were prepared in accordance with the accounting practices adopted in Brazil (CPCs).

The parent Company's individual financial statements were prepared in accordance with the CPCs, which call for presenting investments in subsidiaries in accordance with the equity method, unlike the IFRS, which require investments in subsidiaries to be valued at cost or fair value.

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

These are the first consolidated statements prepared according to the IFRS, which the CPC 37 was applied.

The Board of Directors authorized the issue of individual and consolidated financial statements on February 18, 2011.

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(In thousands of Reais)

2.2 Basis of measurement

The individual and consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the balance sheets:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Property, plant and equipment in which the deemed cost were adopted.

2.3 Functional currency and presentation currency

These individual and consolidated financial statements are presented in Brazilian Real, which is the Company's functional currency. All financial information presented in Brazilian Reais has been rounded to the nearest value, except otherwise indicated.

2.4 Transition to IFRS - International accounting standards and Adoption of the new CPCs

The Company and its subsidiaries and jointly-owned subsidiaries have chosen January 1, 2009 as the date of transition into IFRS. The opening balance reflects all IFRS pronouncements and interpretations in effect on December 31, 2010, except for exemptions and exceptions allowed in the application of IFRS 1 "*First Time Adoption of International Financial Reporting Standards*", convergent with CPC 37, for purposes of measuring the impacts on the balance sheet, which are presented below:

2.4.1 Exemption adopted by the Company

Presentation of accumulated exchange translation adjustments

The Company chose to present accumulated effects (IAS 21, convergent with CPC 02) on the date of transition into IFRS arising from translation of financial statements of subsidiaries and investees with a functional currency that differs from the Company's reporting currency, as accumulated profits in the opening balance. After the date of transition into the IFRS, the Company recognized the translation adjustments directly in a specific account of shareholders' equity.

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2.5 Adoption of new accounting policies and estimates

New pronouncements, interpretations and guidance issued and adopted

Within the process of convergence of the accounting practices adopted in Brazil with the International Financial Reporting Standards (IFRS), the Company implemented the pronouncements, interpretations and guidance issued throughout 2009, whose application is mandatory for the fiscal years beginning on or after January 1, 2010. The Company and its subsidiaries and jointly-owned subsidiaries have evaluated the impacts of the pronouncements, interpretations and guidelines issued, and the conclusions are stated in Notes 2.5.1(IFRS) and 2.6 (new CPCs).

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Notes to the financial statements

(In thousands of Reais)

2.5.1 Consolidated adjustments into IFRS

	Released 12/31/09	adjustment IFRS	Adjusted 12/31/09	Consolidated Disclosed 12/31/10
Assets				
Current				
Deferred tax	21,345	(21,345) a	-	-
Other accounts receivables	609,400	-	609,400	941,424
	<u>630,745</u>	<u>(21,345)</u>	<u>609,400</u>	<u>941,424</u>
Noncurrent				
Deferred tax	82,278	21,345 a	103,623	91,933
Judicial deposits	10,201	12,658 b	22,859	23,956
Property, plant and equipment	610,307	292,344 c	902,651	948,178
Other accounts receivables	57,778	-	57,778	78,907
	<u>760,564</u>	<u>326,347</u>	<u>1,086,911</u>	<u>1,142,974</u>
	<u>1,391,309</u>	<u>305,002</u>	<u>1,696,311</u>	<u>2,084,398</u>
Current Liabilities				
Other accounts payable	498,961	-	498,961	550,331
	<u>498,961</u>	<u>-</u>	<u>498,961</u>	<u>550,331</u>
Noncurrent				
Provision for contingencies	13,846	12,658 b	26,504	28,918
Deferred tax	14,398	99,396 c	113,794	128,029
Other accounts payables	381,675	-	381,675	603,956
	<u>409,919</u>	<u>112,054</u>	<u>521,973</u>	<u>760,903</u>
Shareholders' equity				
Accumulated translation adjustments	2,274	-	2,274	2,421
Deemed cost	-	192,948 c	192,948	180,515
Financial instruments	-	-	-	(1,176)
Others	480,155	-	480,155	591,404
	<u>482,429</u>	<u>192,948</u>	<u>675,377</u>	<u>773,164</u>
	<u>1,391,309</u>	<u>305,002</u>	<u>1,696,311</u>	<u>2,084,398</u>

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(In thousands of Reais)

- a. Reclassification of the heading "Deferred taxes" recorded in current assets, to noncurrent assets, in compliance with "IAS 1 - Presentation of Financial Statements".
- b. Reclassification of the balance of escrow deposits, which was stated for its net amount in long-term liabilities under the heading "reserve for contingencies" when linked to respective contingencies, to the heading "Escrow deposits" for its gross amount, in noncurrent assets.
- c. Adjustments under the headings of "Property, plant and equipment", "Deferred tax liabilities", "Retained earnings / accumulated losses", "Equity adjustment", "Cost of goods sold", "Equity in earnings", "Deferred income and social contribution taxes", "Net income", due to the adoption of the new costing for fixed assets under IAS 16 - Property, plant and equipment and IFRS 1 - Initial Adoption of International Accounting Standards, since the management of the Company and its subsidiaries and jointly-owned subsidiaries has detected fixed asset items still in operation and able to provide future cash generation that are recognized in the balance sheet for an amount much lower than their fair value.

The calculation of the new "deemed cost" of fixed assets was based on the technical report issued by a specialized firm on June 20, 2010, as of January 1, 2009.

2.6 Explanation of the main impacts arising from the adoption of BRGAAP new standards

The Company adopted CPC standards described below during the year ended December 31, 2010, including for the comparative period ending December 31, 2009 and the opening balance sheet as of January 1, 2009. The application of these standards ("new standards") impacted amounts presented in the Company's individual financial statements, as follows:

- CPC 15 - Business combination
- CPC 18 - Investments in associated companies and subsidiaries
- CPC 19 - Investment in Joint Venture
- CPC 20 - Borrowing costs
- CPC 22 - Segment information (IFRS 8)
- CPC 23 – Accounting policies, changes in accounting estimates and errors
- CPC 25 – Provisions, contingent liabilities and contingent assets

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- CPC 26 - Presentation of financial statements
- CPC 27 - Property, plant and equipment
- CPC 32 - Income tax
- CPC 33 – Employee benefits
- CPC 36 - Consolidated statements
- CPC 37 – Initial adoption of international accounting standards
- CPC 38 - Financial instruments: Recognition and Measurement
- CPC 39 - Financial instruments: Presentation
- CPC 40 - Financial instruments: Evidencing
- CPC 41- Income per share
- CPC 43 - Initial adoption of technical pronouncements CPC 15 to 41
- ICPC 10 - Interpretation of the initial application of CPC technical statements 27, 28, 37 and 43 to fixed assets and investment property.

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	Released 12/31/09	Adjustment CPC's	Adjusted 12/31/09	Parent Company Disclosed 12/31/10
Assets				
Current				
Deferred tax	20,110	(20,110) a	-	-
Other accounts receivables	441,159	-	441,159	638,074
	<u>461,269</u>	<u>(20,110)</u>	<u>441,159</u>	<u>638,074</u>
Noncurrent				
Deferred tax	49,305	20,110 a	69,415	55,239
Judicial deposits	10,201	5,541 b	15,742	15,438
Investments	159,862	33,734 c	193,596	206,332
Property, plant and equipment	416,476	241,233 c	657,709	696,290
Other accounts receivables	54,267	-	54,267	48,588
	<u>690,111</u>	<u>300,618</u>	<u>990,729</u>	<u>1,021,887</u>
	<u>1,151,380</u>	<u>280,508</u>	<u>1,431,888</u>	<u>1,659,961</u>
Current Liabilities				
Other accounts payable	362,530	-	362,530	269,392
	<u>362,530</u>	<u>-</u>	<u>362,530</u>	<u>269,392</u>
Noncurrent				
Provision for contingencies	11,025	5,541 b	16,566	19,359
Deferred tax	3,201	82,019 c	85,220	94,565
Other accounts payable	292,195	-	292,195	503,481
	<u>306,421</u>	<u>87,560</u>	<u>393,981</u>	<u>617,405</u>
Shareholders' equity				
Accumulated translation adjustments	2,274	-	2,274	2,421
Deemed cost	-	192,948 c	192,948	180,515
Financial instruments	-	-	-	(1,176)
Other	480,155	-	480,155	591,404
	<u>482,429</u>	<u>192,948</u>	<u>675,377</u>	<u>773,164</u>
	<u>1,151,380</u>	<u>280,508</u>	<u>1,431,888</u>	<u>1,659,961</u>

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- a. Reclassification from the heading "Deferred taxes" recorded in current assets, into noncurrent assets, in compliance with "CPC 26 - Presentation of Financial Statements".
- b. Reclassification of the balance of escrow deposits, which was stated for its net amount in long-term liabilities under the heading "reserve for contingencies" when linked to respective contingencies, to the heading "Escrow deposits" for its gross amount, in noncurrent assets.
- c. Adjustments under the headings of "Property, plant and equipment", "Deferred tax liabilities", "Retained earnings/accumulated losses", "Equity adjustments", "Deferred income and social contribution taxes", and "Net income", due to the adoption of the new "deemed cost" for fixed assets with basis on "CPC 27 - Property, plant and equipment" and "CPC 43 - Initial Adoption of Technical Pronouncements CPC 15 to 40", since the management of the Company and its subsidiaries and jointly-owned subsidiaries has detected fixed asset items still in operation and able to provide generation of future cash flows that are recognized in the balance sheet at an amount considerably lower than their fair value.

The calculation of the new "deemed cost" of fixed assets was made with basis on a technical report issued by a specialized firm on June 20, 2010 as of January 1, 2009.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in these individual and consolidated financial statements and in the preparation of the opening balance sheet drawn up on January ¹, 2009, for the purpose of enabling the transition to the IFRS and Accounting Pronouncements Committee (CPCs), except otherwise indicated.

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a. Basis of consolidation

- Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Description of the main consolidation procedures:

- Elimination of intercompany asset and liability account balances;
- Elimination of investments in the capital, reserves and retained earnings of the subsidiaries;
- Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment;

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 subsidiaries review the estimates and assumptions at least once a quarterly.

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c. Foreign currency

Transactions in foreign currency are translated into the respective functional currency of the Company and its subsidiaries and jointly-owned subsidiaries at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are reconverted into the functional currency at the exchange rate determined on that date. Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted by interest and effective payments during the period, and the amortized cost in foreign currency at the exchange rate on the closing date.

Gains and losses resulting from variations of foreign investments are recognized directly in shareholders' equity in the account of accumulated equity adjustments, and recognized in the statement of income when these investments are fully or partially divested. The financial statements of the foreign subsidiaries are adjusted to the accounting practices adopted in Brazil, and, subsequently, translated into the local functional currency at the exchange rate in effect at the balance sheet date.

Some subsidiaries have a different functional currency from the parent company, such as Iochpe Holdings LLC, Maxion Fumagalli Automotive USA, Inc., Iochpe Sistemas Automotivos de 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.

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.

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d. Financial instruments

- *Non-derivative financial assets*

The Company and its subsidiaries and jointly-owned subsidiaries recognize loans, receivables and deposits as of the initial date when they were originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiation under which becomes a party to the contractual provisions of the instrument.

The Company and its subsidiaries and jointly-owned subsidiaries derecognizes a financial asset when contractual rights to the cash flows from the asset expire or it transfers the rights to receive contractual cash flows arising from a financial asset in a transaction where virtually all risks and benefits associated with ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

The Company and its subsidiaries and jointly-owned subsidiaries have the following non-derivative assets: financial assets recorded at fair value through profit or loss and loans and receivables.

Financial assets 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.

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Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on any active market. Such assets are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

Loans and receivables comprise trade accounts receivable and other credits.

Cash and cash equivalents

Cash and cash equivalents include balances of cash and financial investments with the original maturity of three months or less as from the contracting date. Overdraft limits of banks that have to be paid at sight and that form an integral part of cash management, are included as a component of cash and cash equivalents for cash flow demonstration purposes.

- *Non-derivative financial liabilities*

The Company and its subsidiaries and jointly-owned subsidiaries recognize issued subordinated debt securities and subordinated liabilities initially as of the date when they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the negotiation date on which becomes a party to the contractual provisions of the instrument. The Company and its subsidiaries and jointly-owned subsidiaries write off a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company and its subsidiaries and jointly-owned subsidiaries have the following non-derivative financial liabilities: loans, financing, suppliers and other accounts payable.

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

- *Derivative financial instruments*

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.

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.

- e. *Trade accounts receivable*

Trade accounts receivable are recorded in the amounts billed, and include the respective direct taxes for which the Company and its subsidiaries and jointly-owned subsidiaries are responsible.

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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 subsidiaries did not record the present value because the effects are not relevant for the financial statements.

The allowance for doubtful accounts was calculated at an amount considered adequate by the management to cover any losses arising on collection of accounts receivable.

f. Inventories

Inventories are measured at the lower value between the cost and net realizable value. The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, as well as other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, less the estimated completion costs and selling expenses.

g. Investments

Investments in subsidiaries and jointly-owned subsidiaries are assessed under the equity accounting method.

Other investments that do not fit into the category above are stated at cost of acquisition, less the provision for devaluation, when applicable.

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

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h. Property, plant and equipment

- *Recognition and measurement*

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and *impairment* losses, when required.

The Company and its subsidiaries and jointly-owned subsidiaries chose to revalue the fixed asset items for their *deemed cost* on the year opening date of January 1st, 2009. The effects of the deemed cost increased the account of property, plant and equipment with a contra entry in shareholders' equity, net of tax effects, as explained in Note 11.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and direct labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located, and loan costs on qualified assets for which the start-up capitalization date be January 1, 2009 or later.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the carrying amount of Property, plant and equipment and are recognized net within "Other income" in the income statement.

- *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its subsidiaries, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

- *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other substituted for cost, less its residual value.

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Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company and its subsidiaries and jointly-owned subsidiaries will obtain ownership by the end of the lease term. Lands are not depreciated.

The estimated useful for the current and comparative periods are shown in the Note 11.

The depreciation methods, useful lives and residual values will be reviewed at each reporting date and potential adjustments will be recognized as a change in accounting estimates.

i. Intangible assets

Intangible assets include assets acquired from third parties, including by means of business combination by the Company. The following criteria are applied:

- a.** Acquired from third parties by means of business combination: Goodwill determined in acquisitions involving business combinations that neither are nor amortized.
- b.** Intangible assets acquired from third parties: are measured at the total acquisition cost, minus amortization.

- Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

- Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

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Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, except goodwill, without a defined useful life from the date they are available for use, since this is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset.

The useful estimated lives for the current and comparative periods are shown in the Note 12.

j. Leased assets

Leases in terms of which the Company and its subsidiaries and jointly-owned subsidiaries assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The other leases are operating leases and are not recognized in the balance sheet.

k. Employee benefits

Defined contribution plan

Defined Contribution Plan is a post-employment benefit plan under which the Company and its subsidiaries and jointly-owned subsidiaries pay fixed contributions to insurance firm Brasil Prev Seguros e Previdência S.A. and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefit expenses in profit or loss for the year in which the services are rendered by the employees.

Short-term employee benefits

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

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

Transactions with share-based payments

The fair value of share-based payment awards is recognized at the grant date, as personnel expenses, with a corresponding increase in shareholders' equity, over the period when employees become unconditionally entitled to the benefits. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met, so that the amount ultimately recognized as an expense is based on the actual number of awards meeting these conditions at vesting date.

1. Impairment

The carrying amounts of the Company's non-financial assets, except for inventories and deferred income tax and social contribution, are reviewed at each reporting date for indication of impairment. If such indication exists, the asset's recoverable amount is determined. For goodwill and intangible assets with an undefined useful life, the recoverable value is estimated on an annual basis.

The recoverable value of an asset or cash-generating unit is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions as to the recoverability period of capital and the risks specific to the asset. For the purpose of impairment testing, the assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or group of assets (the "cash generating unit" or "CGU"). For testing goodwill recoverable value, the amount of goodwill for expected future profitability was allocated to the road business segment *CGU*, as described in Note 25. That allocation reflects the lowest level in which the goodwill is monitored for internal purposes and is not greater than an operating segment determined under IFRS 8 and CPC 22.

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Company management did not identify any evidence that would justify the need for reduction to recoverable value on December 31, 2010, December 31, 2009 and January 1, 2009.

m. Provisions

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

Current and non-current liabilities are stated at known or calculable amounts, plus, when applicable, the corresponding charges, monetary and/or exchange variations incurred through the balance sheet date.

n. Income

Income and expenses are recognized on the accrual basis.

The operating revenue from sales of assets in the normal course of business is measured by the fair value of the installment received or receivable. Operating revenue is recognized when there is convincing evidence that the risks and rewards inherent to the ownership of the assets have been transferred to the purchaser.

The income from services rendered is recognized in profit and loss with basis on the stage of completion of the service on the date of the presentation of financial statements.

o. Lease payments

Payments for operating leasing are charged to income on the straight-line basis over the lease period. Lease incentives received are recognized as an integral part of total lease expenses, over the lease agreement period.

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Minimum lease payments made under financial leasing are apportioned between financial expenses and reduction of the outstanding liability. Financial expenses are allocated in each period over the lease period in order to produce a continuous and periodic compounding interest rate over the remaining liability balance. Contingent lease payments are recorded by reviewing minimum lease payments over the remaining lease period upon confirmation of the lease adjustment.

p. Financial income and expenses

Financial revenues basically comprise income from interest on cash investments. Interest income is recognized in income under the effective interest method.

Financial expenses include basically loan interest expenses. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit and loss using the effective interest rate method.

q. Income and 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.

In Mexico, the Company is subject to a 30% income tax rate, and in the United States it is subject to a tax rate of 35% in average, and those rates are calculated on taxable income, in accordance with the legislations of each of these jurisdictions.

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

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Current taxes are the taxes payable or receivable on the taxable income or loss for the year, at tax rates enacted or substantively enacted on the date of presentation of the financial statements, and any adjustments to taxes payable in relation to prior years.

Deferred taxes are recognized in relation to the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not business combination, and not affecting the accounts nor taxable profit or loss, and differences related to investments in subsidiaries and subsidiary entities when likely not to be reversed within a foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred taxes are measured at tax rates expected to be applied to temporary differences when they are reversed, based on laws enacted or substantively decreed by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against tax liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

r. Income per share

The basic earnings per share are calculated based on the result for the financial year attributable to the Company's controlling and non-controlling shareholders and the weighted average of outstanding common shares in the respective period. The diluted earnings per share are calculated based on the mentioned average of outstanding shares, adjusted by instruments that can potentially be converted into shares, with a dilution effect, in the periods presented, pursuant to CPC 41- Income per share and IAS 33 - Income per share.

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s. Segment reporting

An operating segment is a component of the Company and its subsidiaries and jointly-owned subsidiaries that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

t. Determination of fair value

The calculation of present value is made for each transaction based on an interest rate that reflects the term, the currency, and the risk of one transaction. Company and its subsidiaries and jointly-owned subsidiaries did not record the present-value adjustment since it had no material effect on the financial statements.

u. Value-Added Statements

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

v. New rules and interpretations not yet adopted

Several rules, amendments, standards and interpretations of IFRS issued by IASB have not been effective yet for the year ended December 31, as follows:

- Limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- Improvements to IFRS 2010 (IAS 24);
- IFRS 9 Financial Instruments;

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- Prepayment of a minimum fund requirement (Amendment to IFRIC 14);
- Amendments to IAS 32 Classification of rights issues.

The CPC (Accounting Pronouncements Committee) has not yet issued pronouncements equivalent to the aforementioned IFRSs, although that is expected to be done before the date when they are required to come into effect. The advanced adoption of IFRS pronouncements is conditioned to the prior approval by a regulatory act by the Brazilian Securities Commission ("CVM").

Company and its subsidiaries and jointly-owned subsidiaries did not estimate the extent of the impact of these new rules in their financial statements.

4 Consolidated financial statements

The consolidated financial statements as of December 31, 2010 and 2009 were prepared in accordance with the International Financial Reporting System (IFRS) issued by the *International Accounting Standards Board - IASB*, and the CPC standards, and cover the financial statements of Iochpe-Maxion S.A. and its subsidiaries and jointly-owned subsidiaries listed below:

	Direct Ownership - %			Indirect Ownership - %		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Amsted-Maxion Fundação e Equipamentos						
Ferroviários S.A.	50,00	50,00	50,00	-	-	-
Maxion (Nantong) Wheels, Co., Ltda.	100,00	100,00	100,00	-	-	-
Iochpe Sistemas Automotivos de México, S.A. De C.V.	100,00	100,00	-	-	-	-
Maxion Fumagalli de México S de RL de C.V. (3)	-	-	-	100,00	100,00	-
Servicios Maxion Fumagalli de México S.A de C.V. (3)	-	-	-	100,00	100,00	-
Maxion Hong Kong Limited. (4)	100,00	100,00	-	-	-	-
Remon Resende Montadora Ltda. (5)	33,33	33,33	33,33	-	-	-
Maxion Fumagalli Japan KK (6)	-	-	-	100,00	-	-
Cooperatie Maxion Europe U.A. (6)	99,99	-	-	-	-	-
Iochpe Holdings, LLC	100,00	100,00	100,00	-	-	-
Maxion Fumagalli Automotive USA, Inc.(1)	-	-	-	100,00	100,00	100,00
Maxion Componentes Estruturais Ltda. (2)	99,99	99,99	99,99	-	-	-
Newbridge Strategic Partners (2)	100,00	100,00	100,00	-	-	-

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- (1) Financial statements consolidated by the subsidiary Iochpe Holdings, LLC.
- (2) Inactive Company.
- (3) Financial statements consolidated by subsidiary Iochpe Sistemas Automotivos de México, S.A. de C.V.
- (4) Company organized in 2009.
- (5) Financial statements consolidated due to the joint ownership maintained by the Company.
- (6) Companies organized in 2010.

Subsidiaries and jointly-owned subsidiaries

The financial statements of subsidiaries and *jointly-owned subsidiaries* are included in the consolidated financial statements as from the date they start to be controlled by the Company until the date such control ceases. The accounting policies of subsidiaries and jointly-owned subsidiaries are aligned with the policies adopted by the Company.

In the individual (Parent Company) financial statements, the financial data of subsidiaries and jointly-owned subsidiaries are recognized in the equity method of accounting.

Jointly-owned companies Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. and Remon Resende Montadora Ltda. are stated under the equity method of accounting in the parent Company's individual financial statements and proportionally consolidated in the consolidated financial statements, due to the Company's ownership interest in them, of 50% and 33.33%, in accordance with Brazilian Securities Commission (CVM) resolution No. 608/09 of November 26, 2009.

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The main captions of assets and liabilities and of the statement of income of such company are as follows:

	Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.		
	12/31/2010	12/31/2009 Adjusted	1/1/2009 Adjusted
Balance sheets			
Current assets	295,506	132,638	423,918
Noncurrent assets	381,212	307,412	270,570
Total do assets	676,718	440,050	694,488
Current liabilities	382,711	143,317	372,569
Noncurrent liabilities	236,712	214,328	196,323
Shareholders' equity	57,295	82,405	125,596
Total liabilities and shareholders' equity	676,718	440,050	694,488

	Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.	
	12/31/2010	12/31/2009
Statements of operation		
Net revenues	585,778	320,541
Cost of goods sold	(551,761)	(319,989)
Gross profit	34,017	552
Operations expenses, net	(73,663)	(100,949)
Income and social contribution taxes	13,480	34,108
Net loss for the year	(26,166)	(66,289)

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	Remon Resende Montadora Ltda.		
	12/31/2010	12/31/2009	1/1/2009
Balance sheets			
Current assets	845	481	744
Noncurrent assets	<u>95</u>	<u>56</u>	<u>33</u>
Total assets	<u>940</u>	<u>537</u>	<u>777</u>
Current liabilities	527	165	296
Shareholders' equity	<u>413</u>	<u>372</u>	<u>481</u>
Total liabilities and shareholders' equity	<u>940</u>	<u>537</u>	<u>777</u>

	Remon Resende Montadora Ltda.	
	12/31/2010	12/31/2009
Statements of income		
Net revenues	2,372	1,709
Cost of goods sold	<u>(1,243)</u>	<u>(824)</u>
Gross profit	1,129	885
Operations expenses, net	(707)	(661)
Income and social contribution taxes	<u>(66)</u>	<u>(41)</u>
Net income for the year	<u>356</u>	<u>183</u>

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5 Cash and cash equivalents

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Caixa e Bancos						
Domestic bank	6,717	26,130	28,740	9,302	30,143	37,779
Foreign bank	-	-	-	7,221	25,159	1,401
	<u>6,717</u>	<u>26,130</u>	<u>28,740</u>	<u>16,523</u>	<u>55,302</u>	<u>39,180</u>
Short-term						
Financial investments						
Foreign bank	-	-	-	41,116	-	-
	<u>6,717</u>	<u>26,130</u>	<u>28,740</u>	<u>57,639</u>	<u>55,302</u>	<u>39,180</u>

Interest earning bank deposits are readily convertible into a known cash amount and are subject to an immaterial risk of change in their market value.

The Company considers as cash equivalents the balances of cash, banks, short-term investments and financial investments with maturity in up to 90 days (or lower) as from the contracting date.

5.1 Interest earnings bank deposits

Short-term						
Financial investments						
Domestic bank	<u>246,767</u>	<u>119,964</u>	<u>40,407</u>	<u>265,481</u>	<u>122,926</u>	<u>50,856</u>

Short-term financial investments refer to bank deposit certificates (CDB) monetarily restated with basis on the variation of interbank deposit certificates (CDI), and remunerated at rates ranging from 100% to 104.5% (100.6% to 104% of CDI on December 31, 2009, and 99.9% to 104% of CDI on January 1st, 2009).

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6 Trade accounts receivable

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Current						
Domestic customers	153,753	139,765	88,212	232,747	186,285	169,643
Foreign customers	23,586	24,261	26,814	21,892	25,687	76,580
Discounted export related to receivable	-	(10,685)	(533)	-	(10,685)	(533)
Provision for doubtful accounts	(1,942)	(1,205)	(2,351)	(1,978)	(1,457)	(2,634)
	<u>175,397</u>	<u>152,136</u>	<u>112,142</u>	<u>252,661</u>	<u>199,830</u>	<u>243,056</u>
Noncurrent						
Domestic customers	331	331	712	331	331	712
Provision for doubtful accounts	-	-	(109)	-	-	(109)
	<u>331</u>	<u>331</u>	<u>603</u>	<u>331</u>	<u>331</u>	<u>603</u>

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Accounts receivables - overdue						
from 1 to 30 days	13,134	9,068	25,853	17,107	10,295	42,009
from 31 to 60 days	1,705	690	2,009	2,562	1,688	13,254
from 61 to 90 days	237	1,602	638	258	1,654	4,705
from 91 to 180 days	1,255	173	735	1,741	423	3,132
More than 181 days	1,766	943	1,858	2,362	944	1,858
Total	<u>18,097</u>	<u>12,476</u>	<u>31,093</u>	<u>24,030</u>	<u>15,004</u>	<u>64,958</u>

The Company and its subsidiaries and jointly-owned subsidiaries follow the procedure of analyzing their past due securities on a monthly basis, and make allowances for doubtful accounts for the entire amount of securities past due for over 90 days and having no evidence of negotiation, or owed by customers facing bankruptcy or composition with creditors.

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7 Inventories

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Finished goods	54,680	39,128	71,538	94,376	72,932	93,751
Work in progress	18,942	17,703	14,018	23,986	19,127	15,487
Raw material	78,157	56,713	92,084	154,643	87,807	116,657
Auxiliary and maintenance materials	3,905	3,347	691	13,669	11,573	6,311
Packaging and storeroom materials	3,794	3,811	2,544	3,955	7,858	2,670
Advance to suppliers	28,119	5,594	4,269	33,332	5,279	10,212
Import in transit	2,860	4,326	2,261	5,343	4,360	2,261
Provision for devaluation of inventories	<u>(3,783)</u>	<u>(4,884)</u>	<u>(1,949)</u>	<u>(8,269)</u>	<u>(9,053)</u>	<u>(2,822)</u>
	<u>186,674</u>	<u>125,738</u>	<u>185,456</u>	<u>321,035</u>	<u>199,883</u>	<u>244,527</u>

Certain items considered to be obsolete or slow moving were the subject of a provision for loss on obsolete items. The effect of the provision for loss on obsolete items was a reduction in the cost of goods sold, in the amount of R\$ 1,101 in the parent Company's income (reduction of R\$ 784 in the consolidated) in the year ended December 31, 2010.

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8 Deferred and recoverable taxes

a. Recoverable taxes

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Value added tax on Sales and services (ICMS)	11,681	17,514	6,175	27,715	19,046	7,251
Tax for social security financing of social contribution (COFINS)	6,553	6,871	6,896	17,802	7,826	2,395
Income tax (IR)J	7,663	3,097	8,506	11,747	6,126	12,066
Employees profit participation program (PIS)	1,316	1,424	1,470	3,650	1,630	1,630
Excise tax (IPI)	882	846	1,045	4,515	1,301	6,907
Others	245	151	60	8,187	1,383	112
	<u>28,340</u>	<u>29,903</u>	<u>24,152</u>	<u>73,616</u>	<u>37,312</u>	<u>30,361</u>
Current assets	<u>(10,808)</u>	<u>(6,580)</u>	<u>(8,008)</u>	<u>(26,479)</u>	<u>(13,156)</u>	<u>(13,694)</u>
Noncurrent assets	<u>17,532</u>	<u>23,323</u>	<u>16,144</u>	<u>47,137</u>	<u>24,156</u>	<u>16,667</u>

b. Deferred taxes

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 book values.

In accordance with CPC 32 and in compliance with international standards (IAS 12), the Company and its jointly-owned subsidiaries, based on the expectation of generating future taxable income, as determined by a management-approved technical study, also recognized tax credits on prior-years' social contribution tax loss carryforwards that do not expire and that can be offset up to 30% of annual taxable income. The amount of deferred tax assets is reviewed on a quarterly basis by the Company and its jointly-owned subsidiaries and the related adjustments have not been significantly different from management's estimates.

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The amounts of deferred income and social contribution taxes recognized in assets and in long-term liabilities have the following origins:

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Temporary differences						
Tax contingencies	5,048	4,144	10,539	7,661	6,854	19,213
Labor and civil contingencies	1,342	1,488	1,988	1,979	2,157	2,730
Provision for doubtful accounts	660	410	836	673	495	905
Provision for profit sharing	1,481	1,137	1,934	1,481	1,137	1,934
Provision for devaluation of inventories	1,286	1,660	663	2,811	3,078	959
Measurement of financial instruments	-	-	4,328	-	-	9,776
Others	4,796	3,457	2,602	4,761	2,686	8,904
Subtotal	14,613	12,296	22,890	19,366	16,407	44,421
Tax loss carry-forwards	29,139	41,263	48,166	51,767	63,677	48,166
Negative basis of social contribution	11,487	15,856	17,313	20,800	23,539	17,313
Subtotal	40,626	57,119	65,479	72,567	87,216	65,479
Total	55,239	69,415	88,369	91,933	103,623	109,900
Noncurrent liabilities						
Differences between the accounting practices						
Adopted in Mexico and Brazil	-	-	-	(2,620)	-	-
Changes in useful life - Mexico	-	-	-	17,690	12,186	-
Deemed cost - cost - CPC 27	76,537	82,019	91,174	93,268	99,396	109,656
Depreciation of deemed cost - CPC 27	9,180	-	-	10,823	-	-
Capitalized financial cost - CPC 08	2,151	3,201	-	2,151	3,201	-
Amortization of goodwill - investments	7,307	-	-	7,307	-	-
Others	(610)	-	-	(590)	(989)	-
Total	94,565	85,220	91,174	128,029	113,794	109,656

Subsidiary Maxion Componentes Estruturais Ltda. shows tax loss carryforwards in the amount of R\$ 3,741 (R\$ 3,741 as of December 31, 2009 and R\$ 26,716 as of January 1, 2009) and social contribution tax loss carryforwards of R\$ 3,741 (R\$ 3,741 as of December 31, 2009 and R\$ 28,823 as of January 1, 2009), whereas taxes were not recorded since the Company is currently inactive.

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The subsidiary Maxion (Nantong) Wheels, Co.,Ltd. shows tax loss carryforwards in the amount of R\$ 15,481 (R\$ 12,895 as of December 31, 2009 and R\$ 11,232 as of January 1, 2009), and taxes were not recorded because the Company currently expects no future profitability. Those losses prescribe five years after their recording.

Based on the technical study of projected taxable income calculated in accordance with CVM Resolution No. 599/09, of September 15, 2009, IAS 12 and CPC 32, the Company estimates that it will recover the tax credit arising from the tax loss carryforwards over the following years:

	Parent Company	Consolidated Company
2011	13,537	16,213
2012	13,550	16,566
2013	13,029	16,072
2014	510	3,948
2015 onwards	<u>-</u>	<u>19,768</u>
Total tax credits resulting from tax loss and negative basis of social contribution	<u>40,626</u>	<u>72,567</u>

The management of the Company and its jointly-owned subsidiaries considers that deferred assets arising from temporary differences, in the amount of R\$ 14,613 (R\$ 12,296 as of December 31, 2009 and R\$ 22,890 as of January 1, 2009) in the Parent Company, and consolidated in the amount of R\$ 19,366 (R\$ 16,407 as of December 31, 2009 and R\$ 44,421 as of January 1, 2009) will be realized in the proportion of the final resolution of the contingencies and other events.

The expected recoverability of the tax credits is based on the projections of future taxable income taking into consideration various business and financial assumptions at year-end. Accordingly, these estimates may differ from the effective taxable income in the future due to the inherent uncertainties involving these estimates.

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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:

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Net income before tax	226,682	100,336	232,051	80,550
Combined statutory rates - %	34	34	34	34
Income and social contribution taxes calculated At the statutory rates	(77,072)	(34,114)	(78,897)	(27,387)
Equity in income of subsidiaries	464	(13,255)	-	-
Nondeductible expenses	(802)	(219)	(802)	(583)
Exchange variation on foreign investments	-	-	(50)	(4,834)
Temporary additions	286	4,158	286	-
technological innovation project	7,660	-	7,660	-
Tax credit not constituted on temporary differences	-	-	-	4,158
Tax credit not constituted on tax loss carryforward losses	-	-	(5,765)	(21,569)
Goodwill amortization	6,744	-	6,744	-
Depreciation of deemed cost - CPC 27	5,774	-	5,774	-
Capitalization of the transaction cost - CPC 08	(1,016)	3,181	(1,016)	3,181
Used the credit tax	18,073	11,672	18,073	11,672
Nondeductible expenses	-	427	-	427
Others	2,872	1,105	2,820	1,123
Income and social contribution tax expenses	<u>(37,017)</u>	<u>(27,045)</u>	<u>(45,173)</u>	<u>(33,812)</u>
Deferred tax	(25,512)	(18,158)	(22,825)	8,395
Effective tax rate	28%	45%	29%	32%

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9 Related parties

The main asset and liability balances as of December 31, 2010 and 2009 and January 1, 2009, and the transactions influencing income for the period, connected to related party transactions, transactions with key management professionals and other related parties arise from transactions between the Company and its wholly-owned and jointly-owned subsidiaries.

The amounts related to the compensation of the key personnel from management are stated below:

	<u>Parent Company and Consolidated</u>	
	12/31/2010	12/31/2009
a) Board of Directors' and Executive Officers' Compensation	4,532	3,837
b) Key personnel's compensation (salary)	26,304	18,778
c) Interest in pledged income (bonus)	10,676	3,381

The Extraordinary General Meeting held on December 1, 2009 approved the 2010 Stock Option Plan by management and employees of the Company and subsidiaries, as detailed in Note 19.

During the normal course of our business, we carry out operations with related parties at prices, and with terms, financial charges and other conditions compatible with those of the market. Those transactions include, among other, shared service agreements, consulting agreement, loan agreements, financing agreements and the provision of guarantees under the following conditions:

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12/31/2010						
Assets		Liabilities		Income statement		
Accounts receivables	Loan	Supplier	Loan	Sales	Purchase	Administrative expenses
Amsted-Maxion Fundação e Equipamentos						
Ferroviários S.A.						
-	-	-	-	-	27,096	879
Maxion (Nantong) Wheels, Co., Ltd.						
714	-	953	5,996	11,882	-	-
Maxion Fumagalli de México S de RL de C.V						
3,383	-	-	-	18,539	4,215	-
Maxion Fumagalli Automotive USA, Inc.						
2,181	5,996	-	5,386	3,555	140,664	-
Maxion Componentes Estruturais Ltda.						
-	-	-	48	-	-	-
Iochpe Holdings, LLC						
-	2,727	-	456	-	-	-
<u>17,075</u>	<u>5,890</u>	<u>-</u>	<u>2,727</u>	<u>126,340</u>	<u>15,437</u>	<u>-</u>
31/12/2009						
Assets		Liabilities		Income statement		
Accounts receivables	Loans	Suppliers	Loans	Sales	Purchase	Administrative expenses
Amsted-Maxion Fundação e Equipamentos						
Ferroviários S.A.						
-	-	-	-	-	11,661	919
Maxion (Nantong) Wheels, Co., Ltd.						
-	-	-	6,539	89	-	-
Maxion Fumagalli de México S de RL de C.V						
193	-	-	-	4,375	-	-
Maxion Fumagalli Automotive USA, Inc.						
2,588	6,539	573	5,568	3,781	78,622	-
Maxion Componentes Estruturais Ltda.						
-	-	-	48	-	-	-
Iochpe Holdings, LLC						
-	2,726	-	468	-	-	-
<u>15,770</u>	<u>6,084</u>	<u>2,588</u>	<u>2,726</u>	<u>74,247</u>	<u>3,870</u>	<u>-</u>

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais)

	1/1/2009			
	Assets		Liabilities	
	<u>Account receivables</u>	<u>Loans</u>	<u>Suppliers</u>	<u>Loans</u>
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	-	-	-	-
Maxion (Nantong) Wheels, Co., Ltd.	-	-	-	2,021
Maxion Fumagalli de México S de RL de C.V	-	-	-	-
Maxion Fumagalli Automotive USA, Inc.	-	2,021	-	-
Maxion Componentes Estruturais Ltda.	-	-	-	48
Iochpe Holdings, LLC	-	2,467	-	-
Maxion Structural Components USA, Inc.	-	-	-	-
Iochpe-Maxion S.A. (Parent Company)	<u>34,087</u>	<u>6,207</u>	<u>14,838</u>	<u>2,467</u>

The balance of R\$ 5,996 (R\$ 6,539 as of December 31, 2009 and R\$ 2,021 as of January 1, 2009) refers to the loan agreement between Maxion Fumagalli Automotive USA, Inc. and Maxion (Nantong) Wheels, Co., Ltd., monetarily restated by the exchange variation, plus annual interest of 0.44%, without a maturity date.

The balance of R\$ 48 (R\$ 48 as of December 31, 2009 and R\$ 48 as of January 1, 2009), refers to the loan agreement with Maxion Componentes Estruturais Ltda., without a maturity date.

The amount of R\$ 5,386 (R\$ 5,568 as of December 31, 2009) refers to the loan agreement between Maxion Fumagalli Automotive USA, Inc. and Iochpe-Maxion S.A, monetarily restated according to the exchange variation, plus annual interest of 1.41%, with maturity on February 2, 2011.

The amount of R\$ 456 (R\$ 468 as of December 31, 2009), refers to the loan agreement between Iochpe Holdings, LLC and Iochpe-Maxion S.A, monetarily restated according to the exchange variation, plus annual interest of 2.345%, maturing June 30, 2011.

The amount of R\$ 2,727 (R\$ 2,726 as of December 31, 2009 and R\$ 2,467 as of January 1, 2009), refers to the loan agreement between Iochpe-Maxion S.A and Iochpe Holdings, LLC, monetarily restated according to the exchange rate variation, plus annual interest rate of 6%, and maturing on June 30, 2011.

Iochpe-Maxion S.A. and its subsidiaries

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Amsted-Maxion has a transaction of scrap purchasing from Iochpe Maxion S.A, in the amount of R\$ 27,096 (R\$ 11,661 as of December 31, 2009).

Maxion (Nantong) Wheels, Co., Ltd. has a wheel sale transaction in the amount of R\$ 11,882 (R\$ 89 as of December 31, 2009) with Iochpe Maxion S.A (Cruzeiro).

Maxion Fumagalli de México S de RL de C.V. has a wheel sale transaction in the amount of R\$ 18,539 (R\$ 4,375 as of December 31, 2009) with Maxion-Fumagalli Automotive USA, Inc. and purchases in the amount of R\$ 4,215 with Iochpe Maxion S.A. (Limeira).

Maxion-Fumagalli Automotive USA, Inc. has a transaction of wheel and chassis sales in the amount of R\$ 3,555 (R\$ 3,781 as of December 31, 2009) with Iochpe Maxion S.A. (Limeira) and purchases in the amount of R\$ 140,664 (R\$ 78,622 as of December 31, 2009) with the following companies:

- Iochpe Maxion S.A. (Limeira) in the amount of R\$ 88,552;
- Iochpe Maxion S.A. (Cruzeiro) in the amount of R\$ 33,573;
- Maxion Fumagalli de México S de RL de C.V. in the amount of R\$ 18,539;

Provided below is a brief summary of the main agreements entered into by and between Iochpe Maxion S.A. and its subsidiaries and management members.

Shared Services Agreement

On February 29, 2000, Amsted-Maxion Fundação e Equipamentos Ferroviários S.A., and Iochpe-Maxion S.A., aiming to reduce costs and expenses, entered into an agreement to regulate the parties' sharing of infrastructure and facilities located in the properties they own in the city of Cruzeiro, state of São Paulo, since said properties are next to each other in the same industrial plant. Each of the parties will bear maintenance and administration costs related to the facilities located in its property and both parties will bear any investments intended to increase or enhance the production capacity of the facilities, should the project be of mutual interest. The Agreement is valid for 25 years. The infrastructure and installation expenses included in this agreement, entered in administrative expenses, amounted to R\$ 879 as of December 31, 2010 (R\$ 909 as of December 31, 2009).

Iochpe-Maxion S.A. and its subsidiaries

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Agreements with management members

A Maxion Fumagalli Automotive USA, Inc. has an agreement with BMA Automotive LLC ("BMA"), a Company controlled by Mr. Salomão Ioschpe, member of the Board of Directors and indirect controlling shareholder of Iochpe-Maxion S.A. By means of that agreement, BMA Automotive LLC provides consulting services to the Wheel and Chassis Division regarding service to certain customers and development of new supply programs in the US and Canada. The expenses related to said agreement, entered as selling expenses, amounted to R\$ 547 as of December 31, 2010 (R\$ 1,005 as of December 31, 2009).

10 Investments

a. Breakdown of balances in subsidiary companies

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Interest in subsidiaries	206,099	193,363	108,510	-	124	162
Other investments	233	233	233	233	233	233
	<u>206,332</u>	<u>193,596</u>	<u>108,743</u>	<u>233</u>	<u>357</u>	<u>395</u>

b. Movement of balances at subsidiary companies

	12/31/2009								
	Balances at 1/1/2009	Capital Increase in money	Exchange Variation in Foreign investment	Equity in Income subsidiaries	Dividends	Measurement of financial instruments	Merger for Meritor Com. e Ind. Sist. Aut. Ltda	Others (c)	Balances at em 12/31/2009
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	62,798	3,000	-	(33,145)	-	10,576	-	(2,025)	41,204
Maxion (Nantong) Wheels, Co., Ltd.	45,419	2,460	(11,604)	(13,373)	-	-	-	-	22,902
Iochpe Sistemas Automotivos de México, S.A. De C.V. (*)	-	106,295	(2,263)	4,680	-	-	-	-	108,712
Maxion Hong Kong Limited.	-	1	-	-	-	-	-	-	1
Remon Resende Montadora Ltda.	163	-	-	61	(102)	-	-	-	122
Iochpe Holdings, LLC (*)	-	22,485	(351)	504	-	-	-	(2,346)	20,292
Maxion Componentes Estruturais Ltda.	130	3,741	-	(3,741)	-	-	-	-	130
Meritor Com. e Ind. de Sistemas Ltda. (*)	-	79,762	-	6,029	-	-	(84,602)	(1,189)	-
	<u>108,510</u>	<u>217,744</u>	<u>(14,218)</u>	<u>(38,985)</u>	<u>(102)</u>	<u>10,576</u>	<u>(84,602)</u>	<u>(5,560)</u>	<u>193,363</u>

Iochpe-Maxion S.A. and its subsidiaries

(Publicly-held company)

Notes to the financial statements

(In thousands of Reais)

- (a) According to the minutes of the Board meeting held on December 16, 2009, the meeting approved a capital increase of R\$ 11,314 in the subsidiary, and the funds were transferred in 2010.
- (b) The financial statements as of November 30, 2010 were used.
- (c) In the group "Other" we find the amounts of R\$ (2,346) for "Adjustment foreseen in CPC 02", R\$ (1,189) referring to settlements in the merger of Meritor Comércio e Indústria de Sistemas Ltda. and R\$ (2,025) referring to depreciation of the deemed cost of Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. arising from the new deemed cost of fixed assets with basis on CPC 27 and IAS 16 - Property, Plant and Equipment and CPC 37 and IFRS 1 - Initial Adoption of International Accounting Standards.
- (*) Capital increase for acquisitions.

c. Information of the subsidiaries

	12/31/2010							
	Nº of shares or quotas (in thousand)	Interest in capital (%)	Assets	Liabilities	Capital	Shareholders Equity	Sales	(Losses) Net income For the year
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	6,020,031	50,00	676,718	619,423	43,702	57,295	585,778	(26,166)
Maxion (Nantong) Wheels, Co., Ltd. (a)	-	100,00	64,845	47,107	53,757	17,738	35,217	(17,245)
Iochpe Sistemas Automotivos de México, S.A. De C.V.	781,215	100,00	209,948	72,924	105,236	135,024	175,084	25,041
Maxion Hong Kong Limited.	10	100,00	1	-	1	1	-	-
Remon Resende Montadora Ltda.	30	33,33	940	527	90	413	2,372	356
Iochpe Holdings, LLC	5	100,00	56,589	32,168	20,828	24,421	155,044	3,417
Maxion Componentes Estruturais Ltda.	130	99,99	178	48	130	130	-	-

Iochpe-Maxion S.A. and its subsidiaries

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Notes to the financial statements

(In thousands of Reais)

	31/12/2009							(Losses) Net income For the year
	Nº of shares or quotas (in thousand)	Interest in capital (%)	Assets	Liabilities	Capital	Shareholders Equity	Sales	
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	6,020,031	50,00	440,050	357,645	43,702	82,405	320,541	(66,289)
Maxion (Nantong) Wheels, Co., Ltd. (a)	-	100,00	66,099	43,197	42,874	22,902	13,518	(13,373)
Iochpe Sistemas Automotivos de México, S.A. De C.V.	781,215	100,00	150,471	41,759	104,034	108,712	43,350	4,680
Maxion Hong Kong Limited.	10	100,00	1	-	1	1	-	-
Remon Resende Montadora Ltda.	30	33,33	537	165	90	372	1,709	183
Iochpe Holdings, LLC	5	100,00	54,797	34,506	21,765	20,291	91,487	504
Maxion Componentes Estruturais Ltda.	130	99,99	178	48	130	130	-	(3,741)

(a) Under Chinese legislation, number of shares or quotas is not a factor to be considered.

d. Guaranties and sureties granted in favor of the subsidiaries

As of December 31, 2010, the Company had a record for R\$ 146,775 (R\$ 21,877 as of December 31, 2009), referring to granted guarantees, of which R\$ 13,800 were in favor of its subsidiary Maxion Componentes Estruturais Ltda., R\$ 132,975 in favor of its subsidiary Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.

As of December 31, 2010 the Company had an entry for R\$ 32,452 (R\$ 25,063 as of December 31, 2009), referring to guarantees to loans of its subsidiary Maxion (Nantong) Wheels, Co., Ltd.

Iochpe-Maxion S.A. and its subsidiaries

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Notes to the financial statements

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	12/31/2009	12/31/2010			
	Cost	Additions	Write-offs	Transfers	Cost
Advances to suppliers	<u>832</u>	<u>21,792</u>	<u>(57)</u>	<u>(2,265)</u>	<u>20,302</u>
	<u>1,084,832</u>	<u>77,427</u>	<u>(12,452)</u>	<u>-</u>	<u>1,149,807</u>

c. Movement - Parent company - 2009

	1/1/2009			12/31/2009			
	Cost	Deemed cost	(V) Merge	Acquisitions	Write-off	Transfer	Cost
Buildings and improvements	82,291	6,943	65,645	1,415	(159)	-	156,135
Machinery and equipment	307,289	170,131	139,994	19,283	(3,532)	8,044	641,209
Molds	14,368	18,350	12,540	169	(116)	-	45,311
Furniture and fixtures	6,303	4,488	3,266	574	(32)	-	14,599
Vehicles	943	367	955	38	-	-	2,303
Computer equipment	8,794	3,544	3,620	372	(419)	-	15,911
Other fixed assets	4,297	618	-	93	(56)	-	4,952
Tooling	31,928	62,871	404	3,208	-	874	99,285
Land	4,964	-	17,412	-	-	-	22,376
Works in progress	17,758	-	5,920	17,858	-	(45)	41,491
Machinery spare parts	37,865	-	-	2,563	-	-	40,428
Advances to suppliers	<u>7,720</u>	<u>-</u>	<u>685</u>	<u>1,300</u>	<u>-</u>	<u>(8,873)</u>	<u>832</u>
	<u>524,520</u>	<u>267,312</u>	<u>250,441</u>	<u>46,873</u>	<u>(4,314)</u>	<u>-</u>	<u>1,084,832</u>

Iochpe-Maxion S.A. and its subsidiaries

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d. Breakdown

	Depreciation rates % a.a.	Consolidated					
		12/31/2010			12/31/2009	1/1/2009	
		(I)	Cost	Depreciation	Depreciation Deemed cost	Net	Net
Buildings and improvements	2.78 a 8.33	272,661	(68,374)	(3,065)	201,222	193,768	128,042
Machinery and equipment	2 a 20	886,759	(349,022)	(28,405)	509,332	451,767	366,756
Molds	3 a 33	68,328	(33,610)	(4,050)	30,668	53,732	53,314
Furniture and fixtures	4 a 10	17,565	(7,353)	(1,156)	9,056	12,957	12,644
Vehicles	11.11 a 33.33	3,356	(1,344)	(87)	1,925	3,601	3,201
Computer equipment	13 a 50	18,471	(10,697)	(1,751)	6,023	6,805	7,923
Other fixed assets	4 a 50	6,291	(3,199)	(150)	2,942	1,399	1,761
Tooling	6.67 a 10	108,131	(31,340)	(10,604)	66,187	48,558	51,081
Land		27,180	-	-	27,180	27,173	9,188
Works in progress (III)		25,595	-	-	25,595	59,864	20,567
Machinery spare parts		47,745	-	-	47,745	41,824	39,473
Advances to suppliers		20,303	-	-	20,303	1,203	7,720
		<u>1,502,385</u>	<u>(504,939)</u>	<u>(49,268)</u>	<u>948,178</u>	<u>902,651</u>	<u>701,670</u>

e. Movement - Consolidated - 2010

	12/31/2009	12/31/2010				Cost
	Cost	Foreign exchange variation	Additions	Write-offs	Transfers	
Buildings and improvements	260,625	79	1,246	(227)	10,938	272,661
Machinery and equipment	814,740	419	13,821	(8,969)	66,748	886,759
Molds	64,105	38	370	(485)	4,300	68,328
Furniture and fixtures	17,875	3	470	(1,007)	224	17,565
Vehicles	2,874	1	125	(497)	853	3,356
Computer equipment	18,125	1	745	(1,195)	795	18,471
Other fixed assets	5,024	-	872	(5)	400	6,291
Tooling	106,548	(27)	706	(2)	906	108,131
Land	27,173	7	-	-	-	27,180
Works in progress (III)	60,781	204	48,849	(1,711)	(82,528)	25,595
Machinery spare parts	41,824	-	5,921	-	-	47,745
Advances to suppliers	<u>1,203</u>	<u>-</u>	<u>21,796</u>	<u>(60)</u>	<u>(2,636)</u>	<u>20,303</u>
	<u>1,420,897</u>	<u>725</u>	<u>94,921</u>	<u>(14,158)</u>	<u>-</u>	<u>1,502,385</u>

Iochope-Maxion S.A. and its subsidiaries

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f. Movement - Consolidated - 2009

	1/1/2009		12/31/2009					Cost
	Cost	Deemed Cost	Acquisition (IV)	Exchange variation	Acquisition	Write-off	Transfer	
Buildings and improvements	130,631	46,936	86,184	(4,726)	1,431	(72)	241	260,625
Machinery and equipment	411,868	180,164	203,362	(7,940)	20,067	(3,382)	10,601	814,740
Molds	23,553	22,969	16,098	41	169	(216)	1,491	64,105
Furniture and fixtures	8,190	5,344	3,730	(2)	582	(32)	63	17,875
Vehicles	1,083	482	1,061	1	38	-	209	2,874
Computer equipment	10,156	3,917	4,040	(116)	515	(419)	32	18,125
Other fixed assets	4,349	637	-	-	93	(55)	-	5,024
Tooling	38,320	62,976	2,757	(1,641)	3,262	-	874	106,548
Land	9,188	-	17,979	6	-	-	-	27,173
Work in progress	20,567	-	24,243	209	20,400	-	(4,638)	60,781
Machinery spare parts	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>323,425</u>	<u>360,139</u>	<u>(14,168)</u>	<u>50,901</u>	<u>(4,498)</u>	<u>-</u>	<u>1,420,897</u>

- (I) Average rate of buildings and improvements: 5.56%; machinery and equipment - 7.84%; molds 18%; furniture and fixtures - 7.50%; vehicles - 18.89%; computer equipment - 35%; other fixed assets - 26.25%; tooling - 8.33%.
- (II) Amount composed basically by buildings, in the amount of R\$ 5,650 (R\$ 1,232 as of December 31, 2009), machinery and equipment, R\$ 5,776 (R\$ 36,096 as of December 31, 2009) and other items classifiable as fixed assets, R\$ 6,244 (R\$ 3,246 as of December 31, 2009) referring mostly to expansion in the Contagem, Cruzeiro and Limeira units.
- (III) Amount composed basically by buildings, in the amount of R\$ 5,688 (R\$ 96 as of December 31, 2009), machinery and equipment, R\$ 10,596 (R\$ 57,572 as of December 31, 2009) and other assets classifiable as fixed assets, R\$ 9,313 (R\$ 2,196 as of December 31, 2009), referring mostly to expansion in the Mexico, Contagem, Cruzeiro and Limeira units.
- (IV) The acquisitions in the amount of R\$ 360,139 refer mostly to the merger of Meritor Comércio e Indústria de Sistemas Ltda.

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(V) The additions refer to the merger of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. in the fiscal year of 2009 for the amount of R\$ 250,441. This amount corresponds to the original cost of the fixed assets, of R\$ 151,473 on the merger date plus the increment of the permanent asset items, segregated into: (i) Buildings /Improvements in the amount of R\$ 45,876, (ii) Machinery and equipment in the amount of R\$ 36,115 and (iii) Land in the amount of R\$ 16,977. The merger amount is supported by a book value appraisal report and an equity value appraisal report issued by independent experts.

During the year ended December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiaries did not identify any existence of indicators that certain of their assets could be recognized in the books at amounts higher than their recoverable value, and therefore no provision was recognized in the financial statements.

The amounts of fixed assets provided as guarantee are shown in Note 13.

g. Review of the useful life

As of January 1, 2010, the Company and its subsidiaries and jointly-owned subsidiaries reviewed the remaining useful lives of their fixed asset items. The survey was performed with basis on a technical report issued by a specialized firm as of the same date.

The amount of the estimated effect on net income is based on the calculated current depreciation as of December 31, 2010, compared to that on the fixed asset base date, but calculated considering the new remaining useful lives.

Shown below is the estimated effect on net income and the comparison between the rates applied up to December 31, 2009 with the revised rates of the new remaining useful lives.

	Basis 12/31/2010				
	Previous useful life	Revised useful life	Variation	Deferred income tax, long-term	Net amount
Automotive segment	37,560	14,261	23,299	(7,922)	15,377
Railroad Segment	6,477	3,532	2,945	(1,001)	1,944
Consolidated	44,037	17,793	26,244	(8,923)	17,321

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Provided below is a comparison of the depreciation rate as of December 31, 2010 with that as of December 31, 2009 and January 1, 2009.

	Rate of depreciation % p.a. at 12/31/2010	Rate of depreciation % p.a. at 12/31/09 and 1/1/2009
Buildings and improvements	2.78 to 8.33	4
Machinery and equipment	2 to 20	10
Molds	3 to 33	10 to 33
Furniture and fixtures	4 to 10	10
Vehicles	11.11 to 33.33	20
Computer equipment	13 to 50	20
Other fixed assets	4 to 50	10 and 20
Tooling	6.67 to 10	20

h. Deemed cost

At the Board of Directors' meeting held on April 29, 2010 the Company and its subsidiaries and jointly-owned subsidiaries chose to adopt the *deemed cost* and adjusted the opening balances as of the transition date of January 1, 2009 for comparison purposes, in the amount of R\$ 267,312 (Company) and R\$ 323,425 (Consolidated).

The fair values used in the adoption of deemed cost were estimated by experienced, professionally competent outside experts with objectivity and technical knowledge on the appraised assets. To conduct the work, the outside experts took into account the information regarding the use of the appraised assets, past or ongoing technological changes and the economic environment where they operate, as well as the planning and other peculiarities of the Company's businesses. As part of the adoption of deemed cost as of January 1, 2009, the Company's management appraised all classes of fixed assets. In addition, the Company has been reviewing their estimated useful lives and residual values.

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The expenses arising from the adoption of deemed cost with basis on the report and considering the useful lives are as follows:

	2010	2011	2012	2013	2014	após
Parent Company						
Increase in depreciation expenses	(15,895)	(15,895)	(15,895)	(15,895)	(15,895)	(15,895)
Deferred income tax (34%)	5,404	5,404	5,404	5,404	5,404	5,404
Net effect in the income statement	<u>(10,491)</u>	<u>(10,491)</u>	<u>(10,491)</u>	<u>(10,491)</u>	<u>(10,491)</u>	<u>(10,491)</u>
Consolidated						
Increase in depreciation expenses	(18,838)	(18,838)	(18,838)	(18,838)	(18,838)	(18,838)
Deferred income tax (34%)	6,405	6,405	6,405	6,405	6,405	6,405
Net effect in the income statement	<u>(12,433)</u>	<u>(12,433)</u>	<u>(12,433)</u>	<u>(12,433)</u>	<u>(12,433)</u>	<u>(12,433)</u>

The new deemed cost appraisal report issued by independents experts on June 6, 2010 was approved by the Board of Directors on April 29, 2010.

12 Intangible assets

		Parent Company					
		Cost / Amortization					
	Useful life term	Methods of amortization	Balances at 12/31/09	Acquisitions	Exchanges variation	Amortization	Balances at 12/31/10
Goodwill in the acquisition of interest (a)		Does not amortize	20,292	-	-	-	20,292
Software (c)	5 years	linear	586	803	-	(199)	1,190
			<u>20,878</u>	<u>803</u>	<u>-</u>	<u>(199)</u>	<u>21,482</u>

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							Consolidated
							Cost / Amortization
	Useful life term	Methods of amortization	Balances at 12/31/09	Acquisitions	Exchanges variation	Amortization	Balances at 12/31/10
Goodwill in the acquisition of interest (a)		No amortization	20,292	-	-	-	20,292
Rights to use land (b)	50 years	linear	4,216	-	(51)	(178)	3,987
Software (c)	5 years	linear	586	803	-	(199)	1,190
Goodwill in the acquisition of interest (d)		No amortization	-	1,149	(35)	-	1,114
			<u>25,094</u>	<u>1,952</u>	<u>(86)</u>	<u>(377)</u>	<u>26,583</u>

							Parent Company
							Cost / Amortization
	Useful life term	Methods of amortization	Balances at 1/1/09	Acquisitions	Exchange variation	Amortization	Balances at 31/12/09
Goodwill in the acquisition of interest (a)		No amortization	-	20,292	-	-	20,292
Rights to use land (b)	50 years	linear	-	-	-	-	-
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>

							Consolidated
							Cost / Amortization
	Useful life term	Methods of amortization	Balances at 1/1/09	Acquisitions	Exchange variation	Amortization	Balances at 12/31/09
Goodwill in the acquisition of interest (a)		No amortization	-	20,292	-	-	20,292
Rights to use land (b)	50 years	linear	5,910	-	(1,330)	(364)	4,216
Software (c)	5 years	linear	-	2,252	-	(1,666)	586
			<u>5,910</u>	<u>22,544</u>	<u>(1,330)</u>	<u>(2,030)</u>	<u>25,094</u>

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- (a) Refers to the goodwill from the acquisition of 100% of the capital of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. on September 21, 2009. The report issued by an independent specialized firm estimated the acquired Company's fair market value as of September 21, 2009 at R\$ 79,762, using real-term discount rates of 11.5% per year. The total amount of goodwill, taking into account the asset increment, was R\$ 125,757, and the amount recorded in property, plant and equipment under the headings of buildings was R\$ 45,876; of machinery and equipment, R\$ 33,277; dies, fixtures and tooling, R\$ 2,596; and land, R\$ 16,977; and thus the total asset increment amounted to R\$ 98,726. The acquisition of Meritor Comércio e Indústria de Sistemas Automotivos Ltda. was completed in December 2009, by the reversal of an ICMS (state VAT) reserve which was in the opening balance, amounting to a net value of R\$ (7,242) and R\$ 503 of other liabilities. With those changes, the intangible assets amounted to R\$ 20,292.
- (b) Intangibles with a defined useful life refer mostly to land use rights in the net amount of R\$ 3,987 (R\$ 4,216 as of December 31, 2009 and R\$ 5,910 as of January 1, 2009), in Nantong (China), to build the subsidiary Maxion (Nantong) Wheels, Co. Ltd. Amortization is calculated on a straight-line basis over 50 years, as established in the concession agreement.
- (c) Software use rights at Iochpe Maxion S.A., Limeira branch.
- (d) During the year ended December 31, 2010, the Company made an adjustment of R\$ 1,149 due to the final settlement in the acquisition of 100% of the capital of Iochpe Sistemas Automotivos de México, S.A. de C.V. (formerly Delancre S.A. de C.V.) on September 21, 2009.

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Business combination

According to the minutes of the Board of Directors' meeting held on November 12, 2009, and Significant Matter Notice published on November 13, 2009, the Company merged Meritor Comércio e Indústria de Sistemas Automotivos Ltda., aiming to increase productivity and efficiency in its activities, obtaining a greater synergy, and, consequently, reducing the financial and operating costs by optimizing the existing administrative structure. The statement of net assets, for the amount of R\$ 84,602 corresponding to the net assets of Meritor Comércio e Indústria de Sistemas Automotivos Ltda., based on the report of independent experts as of November 2, 2009, dated November 11, 2009, is as follows:

Assets		Liabilities	
Current assets		Current liabilities	
. Cash and cash equivalents	4,994	. Loans and financing	4,949
. Trade accounts receivable	39,621	. Suppliers	14,675
. Inventories	13,310	. Salaries and payroll charges	11,952
. Other	<u>12,252</u>	. Other	<u>21,368</u>
	<u>70,177</u>		<u>52,944</u>
Non-current assets			
Long-term assets	14,865		
property, plant and equipment / cost	151,473		
Accumulated depreciation	(99,347)		
Intangible assets - net	<u>378</u>	Shareholders' equity	<u>84,602</u>
	<u>67,369</u>		
Total	<u>137,546</u>	Total	<u>137,546</u>

Determination of the discount rate

The discount rate was calculated by the Weighted Average Cost of Capital (WACC) method, in which the cost of capital is determined by the weighted average of the market values of the capital structure components (own capital and borrowings).

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The main calculation parameters are based on:

- Risk-free rate: Corresponds to the *yield*, on September 18, 2009, of Federal Reserve 30-year US T-Bonds;
- Beta d: equivalent to the average market Beta researched by the Economática website;
- Risk premium: Ibbotson (Spread between SP500 and 30-year US T-Bonds of 5.7%);
- Size premium: Ibbotson, 3.74%;
- Brazil risk: Portal Brasil website (Sept.18, 2009);
- Risk-free rate: Corresponds to the yield, on September 20, 2009, of the Federal Reserve 20-year US T-Bonds;
- Specific risk (Alfa): The debt cost (Rd) formation model works backwards, so as to avoid distortions in the application of models developed for mature markets (such as the US) in the young Brazilian market. The first step is the determination of borrowing costs for the sector under analysis, or for the Company, should it have a certain size that warrants a differentiated treatment by financial institutions. In the case of Fumagalli Division at Limeira, once we know the nominal cost, the Brazil risk, and the Risk-Free Rate we will consequently arrive at an implicit alpha of 2.0%.
- A US inflation rate of 1.5% per year was applied.

Finally, with the parameters used in the calculation, we arrived at a real discount rate of 11.5% per year.

Growth rate in perpetuity

A 6-year period was used in the cash flow projections. Perpetuity growth rate after year 6 was assumed to be 1.5%.

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Economic and financial modeling

The future profitability method was applied to determine the basis of the goodwill on the acquisition of the Fumagalli Division at Limeira. A financial and economic modeling is conducted in order to show the cash generation capacity over the considered period.

For a forecast of Fumagalli Division Limeira's deferred income, the balance sheet as of September 20, 2009 was used as a starting balance. The operating projections were based on historical performance and on projections grounded on management's experience.

The projections were made for the period considered necessary, under full operating and administrative conditions, and with the following assumptions:

- The methodology is based on generation of discounted free cash flows;
- For determining the Company's value, a 6-year period was considered;
- For the annual period, the fiscal year from September 21 to September 20 was considered;
- The flow was projected in constant currency and the present value was calculated with a real discount rate (not considering inflation);

Operating value calculation

Starting from the operating cash flow projected for 6 years and from the Company's residual value thereafter, taking into account a perpetuity growth rate of 1.5%, explained by the assumption that the sales volume will follow the Brazilian real economic growth, we discounted these to present value, by using the real discount rate described in the preceding item.

Sensitivity analysis

As a consequence of the recording of the recoverable value of Fumagalli Division at Limeira as loss, the recoverable value is equal to the book value of the assets. Consequently, any adverse change in the assumptions used will entail an additional amount of impairment losses.

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The estimated recoverable value of Fumagalli Division at Limeira exceeds its recoverable book value by R\$ 55,144 as of December 31, 2010 (R\$ 22,535 as of December 31, 2009). The Company identified two main assumptions in which reasonably possible changes can result in the fact that the book value exceeds the recoverable value. The following table shows the rates at which individual changes in the two basic assumptions could result in making the recoverable value be equal to the book value:

	<i>Changed required to recoverable value be the same as book value</i>	
	2010	2009
Discount rates before tax	14.3%	11.5%
Projected growth EBITDA	1.0%	1.5%

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13 Loans and financing

a. Parent company

	Index	Annual interest %	Effective rate transaction cost %	Transactions costs incurred	Transaction cost To be incurred	12/31/2010	12/31/2009	1/1/2009
Local currency:								
Commercial promissory note	-	-	-	-	-	-	201,993	-
BNDES – EXIM PSI	-	4.5	0.67 (a)	2,045	5,507	425,774	234,106	-
FINDES PRO-INVEST	IPCA	4.00	-	-	-	13,361	3,262	40,348
BNDES - AUTOMÁTICO	TJLP	5.4 A 8.56	-	-	-	6,610	-	-
FINEP	-	5.0	-	-	-	4,993	4,993	-
FINAME	TJLP	1.00 a 3.80	-	-	-	742	963	4,667
FINAME – PSI	-	4.5 a 5.5	-	-	-	1,722	117	-
Subtotal local currency						<u>453,202</u>	<u>445,434</u>	<u>45,015</u>
Foreign currency:								
Import US\$ 18,058 thousand (12/31/2009 – US\$ 19,467 thousand)	-	2.15 a 8.07	-	-	-	30,089	33,896	44,002
External loans - US\$ 14,218 thousand	-	3.13	-	-	-	23,690	-	-
ACC - US\$ 313 thousand 12/31/2009 – US\$ 5,368 thousand)	-	4.0	-	-	-	522	9,346	59,211
Pre export US\$ 6,560 thousand (12/31/2009 – US\$ 10,750 thousand	% CDI	101.9	-	-	-	10,931	18,718	22,341
Subtotal foreign currency						<u>65,232</u>	<u>61,960</u>	<u>125,554</u>
Total loan and financing						<u>518,434</u>	<u>507,394</u>	<u>170,569</u>
Current liabilities:								
Loan and financing						24,309	223,942	106,447
Cost to be amortized (b)						-	(1,012)	-
Total						<u>24,309</u>	<u>222,930</u>	<u>106,447</u>
Noncurrent liabilities:								
Loan and financing						499,632	287,238	64,122
Cost to be amortized (b)						(5,507)	(2,774)	-
Total						<u>494,125</u>	<u>284,464</u>	<u>64,122</u>

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The portions classified in noncurrent assets have the following payment schedule:

Year of maturity:

2012	136,205
2013	283,755
2014	57,372
2015	4,535
2016 onwards	<u>12,258</u>
	<u>494,125</u>

The FINAME loans are guaranteed by fixed asset items in the amount of R\$ 2,464 (R\$ 1,080 as of December 31, 2009 and R\$ 4,667 as of January 1, 2009).

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b. Consolidated

	Index	Annual interest %	Effective rate transaction cost %	Transaction cost incurred	Transaction cost to be incurred	12/31/2010	12/31/2009	1/1/2009
Local currency:								
Commercial promissory note	-	-	-	-	-	-	201,993	-
BNDES – EXIM PSI	-	4.5	0.58 (a)	2.045	5.507	485,678	265,980	-
BNDES – EXIM	TJLP	2.27 a 8.6	-	-	-	58,623	62,708	188,360
FINAME - FABRICANTE		5.5	-	-	-	53,501	-	-
FINEP	-	5,0	-	-	-	4,993	4,993	-
FINAME	TJLP	1.00 a 4.65	-	-	-	1,613	2,634	6,547
Cash flow	% CDI	119	-	-	-	6,511	8,269	-
FINDES PRO-INVEST	IPCA	4.0	-	-	-	13,361	-	-
FINAME – PSI	-	4.5 a 5.5	-	-	-	2,178	117	-
Subtotal local currency						<u>626,458</u>	<u>546,694</u>	<u>194,907</u>
Foreign currency:								
Import US\$ 24.100 thousand (12/31/2009 – US\$ 25.242 thousand)	-	2.15 a 8.07	-	-	-	40,156	43,953	56,405
External loans - US\$ 14.218 thousand	-	3,13	-	-	-	23,690	-	-
ACC - US\$ 4.149 thousand (12/31/2009 – US\$ 13.943 thousand)	-	2.35 a 7.75	-	-	-	6,913	24,277	59,211
Pre export US\$ 6.561 thousand (12/31/2009 – US\$ 10.750 thousand)	% CDI	101.9	-	-	-	10,931	18,718	22,342
Cash flow US\$ 13.877 thousand (12/31/2009 – US\$ 8.985 thousand)	-	6.54	-	-	-	23,122	15,612	12,624
Subtotal foreign currency						<u>104,812</u>	<u>102,560</u>	<u>150,582</u>
Total loan and financing						<u>731,270</u>	<u>649,254</u>	<u>345,489</u>
Current liabilities:								
Loan and financing						138,403	277,228	219,885
Cost to be amortized (b)						-	(1,012)	-
Total						<u>138,403</u>	<u>276,216</u>	<u>219,885</u>
Noncurrent liabilities:								
Loan and financing						598,374	375,812	125,604
Cost to be amortized (b)						(5,507)	(2,774)	-
Total						<u>592,867</u>	<u>373,038</u>	<u>125,604</u>

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The portions classified in noncurrent assets have the following payment schedule:

Year of maturity:

2012	136,205
2013	344,510
2014	94,876
2015	4,741
2016 onwards	<u>12,535</u>
	<u>592,867</u>

- (a) Effective Rate of the Transaction Cost is a weighted average of all BNDES-EXIM loan agreements. The calculation method is in compliance with Accounting Pronouncement CPC 08 - Transaction Costs and Premiums on Issuance of Securities, with the effective rate of 5.08% (Company) and 5.17% (consolidated).
- (b) Unamortized costs refer to the applicability of CPC 08. The Company is amortizing the transaction costs over the terms of the loans and financing obtained in the funding.

The FINAME loans are guaranteed by fixed asset items in the amount of R\$ 57,292 (R\$ 2,751 as of December 31, 2009 and R\$ 6,547 as of January 01, 2009).

The BNDES-EXIM PSI loan of R\$ 272,886 is guaranteed by the Company's domestic receivables in the amount of R\$ 153,753, plus mortgages of the Limeira and Cruzeiro plants, amounting to R\$ 75,707 and R\$ 31,212, respectively.

The Company has liabilities linked to agreements that have debt covenants requiring maintenance of certain financial indexes ("Covenants") (BNDES - EXIM PSI loan partially amounting to R\$ 272,886). Some of these commitments contain clauses establishing limits agreed upon by the parties. In case of default on that specific contractual clause the creditor would be entitled to, upon notifying the Company, demand the accelerated amortization of the Company's debts. The covenants are evaluated on a semiannual basis. The Company has been fulfilling its covenants.

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14 Suppliers

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Domestic	57,741	49,626	24,699	104,111	98,093	46,702
Foreign	1,686	2,372	2,050	45,995	10,315	14,270
	<u>59,427</u>	<u>51,998</u>	<u>26,749</u>	<u>150,106</u>	<u>108,408</u>	<u>60,972</u>

15 Installment payment of taxes - Law 11941/09 (Consolidated)

On November 18, 2009 the Board of Directors of the Company approved its adhesion to the program for reduction and scheduling of taxes in conformity with Law 11941/09 and PM 470/2009, of its subsidiary (Maxion Componentes Estruturais Ltda.) and subsidiary under joint ownership (Amsted-Maxion Fundação e Equipamentos Ferroviários S.A).

On November 30, 2009, the Company completed the process of its adhesion to the program for installment payment of its debts to the federal treasury and revenue service, as allowed by Provisional Measure No. 470/2009 ("Program") and involving proceedings concerning the IPI (federal VAT) tax credit on export operations ("Bonus Credit") of Amsted-Maxion.

	Consolidated		
	12/31/2010	12/31/2009	1/1/2009
Installment payment of taxes – Law 11.941/09	-	11,693	-
Others installment payment of taxes	563	-	-
Total	<u>563</u>	<u>11,693</u>	<u>-</u>

Based on Law No. 12,249 of June 11, 2010, and administrative rule No. 12 of June 30, 2010, jointly issued by the Federal Treasury and Revenue Service, that balance was paid for using tax loss carryforwards.

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16 Provision for contingencies

The Company and its subsidiaries and jointly-owned subsidiaries are parties to lawsuits and administrative proceedings in several courts and governmental bodies, arising from the normal course of operations, and including tax, labor, civil and other issues.

Based on information from its legal advisors, an analysis of the outstanding legal proceedings, and in respect of labor claims previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover probable losses from the current lawsuits, as follows:

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Tax proceedings:						
Federal	14,730	12,152	30,575	22,415	20,123	58,311
State	15	15	15	15	15	15
Municipal	103	22	21	103	22	21
Labor	3,937	3,860	5,718	5,811	5,827	7,899
Civil	574	517	517	574	517	517
	<u>19,359</u>	<u>16,566</u>	<u>36,846</u>	<u>28,918</u>	<u>26,504</u>	<u>66,763</u>

Changes in the provision for contingencies (Parent Company and consolidated) are as follows:

Contingencies	Parent company					Balances at 12/31/2010
	Balances at 12/31/2009	Additions	Restatements	Reversals	Use	
Tax proceedings:						
Federal	12,152	3,476	762	(59)	(1,601)	14,730
State	15	-	-	-	-	15
Municipal	22	66	15	-	-	103
Labor	3,860	285	322	-	(530)	3,937
Civil	<u>517</u>	<u>48</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>574</u>
	<u>16,566</u>	<u>3,875</u>	<u>1,108</u>	<u>(59)</u>	<u>(2,131)</u>	<u>19,359</u>

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Parent company							
Contingencies	Balances at		Additions	Restatements	Reversals	Use	Balances at
	1/1/2009	12/31/2009					
Tax proceedings:							
Federal	30,575		2,718	1,239	(2,048)	(20,332)	12,152
State	15		-	-	-	-	15
Municipal	21		1	-	-	-	22
Labor	5,418		7	307	-	(2,172)	3,860
Civil	<u>517</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517</u>
	<u>36,846</u>		<u>2,726</u>	<u>1,546</u>	<u>(2,048)</u>	<u>(22,504)</u>	<u>16,566</u>

Consolidated							
Contingencies	Balances at		Additions	Restatements	Reversals	Use	Balances at
	12/31/2009	12/31/2010					
Tax proceedings:							
Federal	20,123		4,811	1,310	(804)	(3,025)	22,415
State	15		-	-	-	-	15
Municipal	22		66	15	-	-	103
Labor	5,827		863	322	-	(1,201)	5,811
Civil	<u>517</u>		<u>48</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>574</u>
	<u>26,504</u>		<u>5,788</u>	<u>1,656</u>	<u>(804)</u>	<u>(4,226)</u>	<u>28,918</u>

Consolidated							
Contingencies	Balances at		Additions	Restatements	Reversals	Use	Balances at
	1/1/2009	12/31/2009					
Tax proceedings:							
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>

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Uses in the year 2009 refer to the premium credit - IPI in the amount of R\$ 19,319 (parent company) R\$ 41,419 (consolidated) and other uses in the amount of R\$ 1,013 (Parent company) R\$ 1,311 (consolidated).

We present below a brief description of the proceedings in which the Company and its subsidiaries and jointly-owned subsidiaries appear as parties, according to their nature:

Tax lawsuits

On December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiaries (Parent company) were parties in lawsuits and administrative proceedings referring to tax matters, classified as a probable or possible risk by the legal advisors, in the approximate amount of R\$ 20,997 (R\$ 21,171 on December 31, 2009 and R\$ 37,120 on January 1, 2009), of which R\$ 14,848 (R\$ 12,189 on December 31, 2009 and R\$ 30,611 on January 1, 2009) considered a probable risk are provisioned.

- The tax contingencies refer mainly to the legal discussions relating to the collection of PIS/COFINS on commission and royalties paid abroad started in 2005, in the amount of R\$ 1,222 (R\$ 1,087 on December 31, 2009 and R\$ 1,035 on January 1, 2009) (Parent company).

On December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiaries (consolidated) were parties in lawsuits and administrative proceedings referring to tax matters, classified as a probable or possible risk by the legal advisors, in the approximate amount of R\$ 28,925 (R\$ 31,749 on December 31, 2009 and R\$ 62,598 on January 1, 2009), of which R\$ 22,533 (R\$ 20,160 on December 31, 2009 and R\$ 58,347 on January 1, 2009) considered a probable risk are provisioned.

- The tax contingencies refer mainly to the legal discussions relating to the collection of PIS/COFINS on commission and royalties paid abroad started in 2005, in the amount of R\$ 7,001 (R\$ 6,139 on December 31, 2009 and R\$ 5,041 on January 1, 2009) (consolidated).

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Labor lawsuits

On December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiaries (Parent company) were parties in 148 (128 on December 31, 2009 and 152 on January 1, 2009) labor lawsuits. The main topics addressed in these proceedings refer to overtime, danger money and extra pay for unhealthy work, salary equivalency, termination pay, FGTS fine referring to the Verão (Summer) and Collor plans, among others, with no proceedings of an individually relevant amount. The total sum discussed is R\$ 3,895 (R\$ 4,948 on December 31, 2009 and R\$ 6,848 on January 1, 2009) for which provision in the amount of R\$ 3,937 (R\$ 3,860 on December 31, 2009 and R\$ 5,718 on January 1, 2009) was formed with a basis on historical information, representing the best estimate for losses of probable risk.

On December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiaries (consolidated) were parties in 417 (338 on December 31, 2009 and 413 on January 1, 2009) labor lawsuits. The main topics addressed in these proceedings refer to overtime, danger money and extra pay for unhealthy work, salary equivalency, termination pay, FGTS fine referring to the Verão (Summer) and Collor plans, among others, with no proceedings of an individually relevant amount. The total amount discussed is R\$ 13,683 (R\$ 10,519 on December 31, 2009 and R\$ 11,979 on January 1, 2009) for which provision in the amount of R\$ 5,811 (R\$ 5,827 on December 31, 2009 and R\$ 7,899 on January 1, 2009) was formed with a basis on historical information, representing the best estimate for losses of probable risk.

Civil lawsuits

On December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiaries (Parent company) were parties in lawsuits that refer to civil matters, classified as a probable or possible risk by the legal advisors, in the approximate amount of R\$ 769 (R\$ 2,662 on December 31, 2009 and R\$ 2,662 on January 1, 2009), of which R\$ 574 (R\$ 517 on December 31, 2009 and R\$ 517 on January 1, 2009) considered of probable risk are provisioned.

There are other processes that have been assessed by the Company's legal counsel as being remote risk of loss which cannot be determined with certainty, for which no provision has been recorded in view of the fact that the accounting practices adopted in Brazil do not require that they be recorded.

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Contingent assets

On July 31, 2007 was the date of publication of the ruling of Ordinary Proceeding n° 94.0034458-9, which became final on July 6, 2007, authorizing the Parent Company to offset tax loss of the base period of 1989, referring to expenses with indexation of the balance sheet corresponding to the inflation-adjustment deficiency in the months of January and February 1989 (Summer Plan), as well as the financial credit corresponding to the sum overpaid in 1989 and 1990. The determination of the amounts of these credits, as well as the qualification process at the Internal Revenue Service, has already been filed. We are awaiting a response from the Internal Revenue.

17 Employee benefits

The Company (Wheel and Chassis Division) has held interest, since August 1, 2004, in Brasil Prev Seguros e Previdência S.A., which offers retirement supplement, pension and sickness benefit plans. The retirement plan is of the defined contribution type, with the capitalization regime utilized in the actuarial calculation of reserves. On December 31, 2010, 5,004 employees (4,140 on December 31, 2009) are participants of this plan. The total sum of contributions made by the Company amounted to R\$ 700 on December 31, 2010 (R\$ 1,092 on December 31, 2009).

18 Shareholders' equity (parent company)

a. Capital

According to the Extraordinary General Meeting of Shareholders (AGE) of April 27, 2010, the Company approved the splitting of its common shares in the proportion of 1:1, with the respective issue of one (1) new common share for every existing common share, without modification of the capital stock, which will henceforth be divided into ninety-four million, eight hundred sixty-three thousand, three hundred seventy-two (94,863,372) nominative common shares with no par value, under the terms of the new approved wording of article 5 of the Company's Bylaws.

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On April 27, 2010 the Company's capital increase was authorized without the issue of shares, in the amount of ninety-eight million, five hundred thirty-six thousand, seven hundred twelve Reais and one cent (R\$ 98,536,712.01), through capitalization of the amount mentioned from the working capital investment reserve account.

The capital is R\$ 360,000 divided into 94,863,372 common nominative shares with no par value, and there was no change in the quantity of shares in the period.

The capital will always be divided exclusively into common shares, with the issuance of preference shares prohibited.

The Company is authorized to increase its capital, regardless of statutory reform, up to the limit of 10,660,000 common nominative shares with no par value, through the issue of new common shares.

Issues within the limit of the authorized capital will be held upon decision of the Board of Directors, which will set the quantity of shares issued, the term of issuance and subscription conditions.

The Company may, within the limit of the authorized capital and according to the plan approved by the General Meeting, grant stock options to its directors and officers, employees or to individuals that render services to the Company, under the terms of paragraph 3 of art. 168 of Law 6404/76.

b. Right of the shares

Each common share will entitle its holder to one (1) vote in the decisions of the General Meetings of Shareholders. The shares will be book entry and will be held in deposit accounts, on behalf of their holders, at the financial institution licensed by the Securities Commission ("CVM") and designated by the Company without issuance of certificates. The depository institution can charge the shareholders the cost of the book entry share ownership transfer service, observing the maximum limits set by CVM.

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The Company will be able to suspend the share transfer services for periods that do not exceed fifteen days each, or the total of ninety days during the year. The shareholders, in proportion to their quantity of shares, will enjoy the right of preference for the subscription of new shares and/or of securities convertible into shares. The deadline for exercising the right of preference will be thirty (30) days from the date of publication of the minutes deliberating the respective increase or of the competent notice. The body that authorizes the issue may extend the period mentioned by up to double.

c. Statutory reserve of investment and of working capital

The investment and working capital reserves are designed to ensure investments in permanent assets and the increase of working capital, even through the amortization of debts of the Company, as well as the capitalization and the financing of subsidiary and associated companies. It will be formed with an annual installment of a minimum of ten percent (10%) and a maximum of fifty-eight percent (58%) of net income and will have as a maximum limit the sum that cannot exceed, together with the legal reserve, the value of the capital stock.

d. Use of net income

Net income for the year, determined in conformity with the terms of article 191 of Law no. 6,404, of December 15, 1976, will be allocated as follows: (i) five percent (5%) for formation of the legal reserve, which will not exceed twenty percent (20%) of the capital, (ii) thirty-seven percent (37%) for distribution, as compulsory dividends and (iii) the rest that is not allocated to the statutory reserve of investment and of working capital or withheld in the manner provided for in the capital budget approved by the General Ordinary Meeting will be allocated as a supplementary dividend to the shareholders.

	2010
Net income for the year	164,153
Legal Reserve (5%)	(8,207)
Proposed dividends - (37 %) - Dividend per share R\$ 0.73	(60,737)
Statutory reserve of investments and working capital (58%)	(95,209)

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	2010
Retained earnings (depreciation of the deemed cost)	12,433
Legal Reserve (5%)	(622)
Proposed dividends - (37 %) - Dividend per share R\$ 0.06	(4,600)
Statutory reserve of investments and working capital (58%)	(7,211)

On account of the adoption of the concept of cost attributed to the fixed assets and of their depreciation throughout the year, there was a balance of R\$ 12,433 left over at the end of 2010 ("Retained Earnings") in Shareholders' Equity.

Management is proposing the disposal of this balance in the same manner as the Company's bylaws social allocates net income for the year, that is, distribution of 37% of this balance (R\$ 4,600 million or R\$ 0.05541881 per share) as additional dividends, 5% (R\$ 622) to the legal reserve and 58% (R\$ 7,211) to the statutory reserve of investment and working capital.

e. Shareholders' compensation

The dividend proposal consigned in the financial statements, according to the bylaws, determines the distribution of a minimum dividend of 37% of net income for the year, adjusted in the manner of art. 202 of Law nº 6,404/76, equivalent to R\$ 65,337. With the adoption of the cost attributed to the fixed assets, the Company adjusted net income for the year, excluding the depreciation expenses of the cost attributed to the fixed assets from the calculation basis of the dividends.

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f. Basic and diluted income per share

The basic and diluted result per shares were calculated with a basis on the result of the year attributable to the controlling and non-controlling shareholders of the Company in the year 2010 and the respective average quantity of common shares in circulation this year, in comparison with the year 2009, according to the chart below:

	Basic	
	12/31/2010	12/31/2009
Income for the year	164,153	55,133
Weighted average number of shares	<u>83,005</u>	<u>47,432</u>
	<u>1,9776</u>	<u>1,1624</u>

	Diluted	
	12/31/2010	12/31/2009
Income for the year	164,153	55,133
Weighted average number of shares	83,005	47,432
Potential effects in the subscription in the stock option	<u>127</u>	<u>-</u>
Weighted average number of shares diluted	<u>83,133</u>	<u>47,432</u>
	<u>1,9746</u>	<u>1,1624</u>

The Company has its shares listed on the São Paulo Stock Exchange, complying with level 1 of the new market, and therefore has only common shares on December 31, 2010 and 2009.

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g. Equity evaluation adjustment

The adjustments and balance of the year refer to:

- Adjustment of cost attributed to property, plant and equipment: the balance of R\$ 180,515 (R\$ 192,948 on December 31, 2009) had movement in the period in the amount of (R\$ 12,433), which refers to net depreciation of income tax of the cost attributed to fixed assets that according to Technical Interpretation ICPC 10, upon initial adoption of the Technical Pronouncements CPC 27 - Property, plant and equipment, CPC 37 - Initial Adoption of the International Accounting Standards and CPC 43 -Initial Adoption of Technical Pronouncements CPC 15 to 40, the Management of the Company and its subsidiaries and jointly-owned subsidiaries detected fixed assets still in operation, capable of producing generation of future cash flows, which are recognized in the balance sheet at a value considerably lower than their fair value.
- Adjustments to securities: refers to the measurement of financial instruments of the hedging accounting operations, in the amount of R\$ (1,176), net of taxes.
- Transactions with stock-based payments: refers to the measurement of the stock option plan in the amount of R\$ 1,624.

h. Accumulated translation adjustments

- Accumulated translation adjustments: the balance of R\$ 2,421 (R\$ 2,274 on December 31, 2009) had movement in the period in the amount of R\$ 147 (R\$ (14,218) on December 31, 2009), which refers to the result of the exchange variation of the investment in the subsidiaries Iochpe Holdings LLC, Iochpe Sistemas Automotivos de México, S.A de C.V. and Maxion (Nantong) Wheels, Co. Ltd. according to the rules described in CPC 02 - Impacts of Changes in Exchange Rates and Translation of Financial Statements.

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19 Share purchase option plan

The Extraordinary General Meeting of Shareholders, held on December 1, 2009, approved the stock option plan for officers and directors of the Company, whereas the individual conditions of each beneficiary are described in this plan.

The Beneficiary should have set aside part of the annual bonus paid by the Company, as profit sharing, net of income tax and other charges levied "Profit Sharing", referring to the year 2009, to acquire, at a Stock Exchange, shares issued by the Company, or the "Company Shares". For these purposes, the Beneficiary should choose between allocating their Profit Sharing in order to commit it in the defined percentages of 75%, 50% or 25%. The percentage appointed by the Beneficiary for acquisition of Company Shares will determine the number of Options that the Beneficiary will be entitled to exercise. If the Beneficiary fails to allocate any percentage of the Profit Sharing to the acquisition of Company Shares, they will not be granted any Options.

The percentage of commitment of Profit Sharing for acquisition of Company Shares should be defined and consequently proven by the Beneficiary to the Company, against presentation of the respective brokerage note up to 5 days after the end of the period for acquisition of Company Shares. The term for acquisition of Company Shares will start on the day subsequent to that on which the Company informs the Beneficiaries of the Strike Price, and will last for 15 calendar days.

Once the established period has elapsed, the Board will define the number of options granted to each Beneficiary, through the application of the following formula:

$$O = (B * M) / P$$

Where:

“O”: number of Options granted to the Beneficiary;

“B”: value, in Reais, of Profit Sharing allocated by the Beneficiary to the acquisition of Company Shares.

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“M”: multiple of the Profit Sharing amount set aside for acquisition of Company Shares, defined according to the specifications below; and

“P”: average price of Company shares at the 20 trading floors of the São Paulo Stock Exchange, immediately subsequent to the end of the period.

The multiple "M" mentioned above will have a fixed numerical value for each Beneficiary, which will be as follows:

- i. If the Beneficiary has set aside 75% of the Profit Sharing for acquisition of Company Shares, "M" will be equivalent to 2.0;
- ii. If the Beneficiary has set aside 50% of the Profit Sharing for acquisition of Company Shares, "M" will be equivalent to 1.5; and
- iii. If the Beneficiary has set aside 25% of the Profit Sharing for acquisition of Company Shares, "M" will be equivalent to 1.0.

On the grant definition date, the Company will enter into the respective Stock Option Contract with the Beneficiary, governing the terms and conditions of the granting.

The Strike Price of the Options will be equivalent to the average price of Company shares at the 20 trading floors of the São Paulo Stock Exchange (BOVESPA) prior to March 3, 2010, immediately before the start of the acquisition period of the Company Shares.

Restatement index of the strike price: IPCA/IBGE, to be applied on the Strike Price of the Options from the date of this Program up to the exercise date of the respective Options.

Exercise of the Options: the Options will be divided into 3 equal Annual Lots, in terms of quantity of Options, exercisable, respectively, in 2, 3 and 4 years from the date of this Program. Once the corresponding grace period has ended, each Annual Lot may be exercised, fully or partially, on a single occasion or on various occasions, and at any time, for the final and extinctive period of 3 years, upon notification to the Company, every year, 10 days in advance. Once this period has elapsed, the Beneficiary will lose their right to exercise the Options of the corresponding Annual Lot, without the right to compensation.

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If the number of Options granted to the Beneficiary is not divisible by 3, surpluses will be allocated to the first Annual Lot.

Payment method: in up to five business days after the date of the effective transfer of shares resulting from the exercise of the option, in national currency, by means of (i) nominal check made out to the Company; (ii) bank transfer to an account appointed by the Company; or (iii) any other payment method expressly allowed by the Company and communicated to the Beneficiary previously and in writing.

The put options of shares in circulation at the end of the year have the following maturity dates and strike prices:

Grant date	Strike price - R\$	Options in circulation			Options exercisable	
		Options in circulation	Remaining contractual life (years)	Strike price - R\$	Options exercisable	Strike price - R\$
March 3 to 18, 2010	15,44	42,388	5	15,44	-	-
March 3 to 18, 2010	15,44	42,387	6	15,44	-	-
March 3 to 18, 2010	15,44	<u>42,387</u>	7	15,44	<u>-</u>	-
		<u>127,162</u>			<u>-</u>	

On December 31, 2010, the unit market price was R\$ 24.10 per share.

The significant data included in the model for pricing of the fair value of the options granted in 2010 were:

- Share price of R\$ 12.01 for 5 years, R\$ 12.77 for 6 years, R\$ 13.54 for 7 years on the share granting date.
- Volatility of 3.15% estimated with a basis on the standard deviation of the daily closing price of the share of the last four years.
- Expected life of the option corresponding to five to seven years.

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- Annual risk-free interest rate of 12.19% for 5 years, 12.06% for 6 years and 11.97% for 7 years.

We present below the simulated effects resulting from the: (i) exercise price of the options granted up to December 31, 2010; and (ii) exercise of all the options that can be granted in the sphere of the Options Grant Program. The set of circumstances in which all the options were exercisable on December 31, 2010 was considered for both scenarios.

	5 years - 1/3	6 years - 1/3	7 years - 1/3
Strike price - R\$	19,53	20,41	21,22
Number of shares to be acquired or issued with exercise of the options	42,388	42,387	42,387
Fair value of the options - R\$	12,01	12,77	13,54
Expense regarding the fair value - R\$ thousand	509	541	574

The expense referring to the fair value of the options granted recognized in net income for the period, according to the period elapsed for acquisition of the right to the exercise of options, and was R \$ 1,624.

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20 Financial income (loss)

	<u>Parent Company</u>		<u>Consolidated</u>	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Financial expenses				
Interest	(28,751)	(18,180)	(37,010)	(28,771)
Exchange variations of financial instruments	-	(2,795)	-	(11,620)
Exchange variations - others	(2,275)	(11,045)	(2,753)	(17,468)
Others	(7,602)	(6,482)	(14,717)	(11,199)
	<u>(38,628)</u>	<u>(38,502)</u>	<u>(54,480)</u>	<u>(69,058)</u>
Financial income				
Financial income on interest earnings bank deposits	13,748	6,081	15,108	7,419
Interest and discounted obtained	1,292	7,908	1,877	8,386
Exchange variations of financial instruments	501	-	501	-
Exchange variations - others	4,423	33,986	6,136	37,277
Others	1,222	1,210	1,352	1,524
	<u>21,186</u>	<u>49,185</u>	<u>24,974</u>	<u>54,606</u>

21 Operating income

We present below the reconciliation between gross income for tax purposes and income presented in the statement of income for the year:

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	<u>Parent Company</u>		<u>Consolidated</u>	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Sales of goods and services rendered - fiscal	2,121,500	1,263,544	2,676,094	1,610,814
(-) Deductions				
Sales taxes	(380,577)	(228,077)	(407,886)	(266,356)
Returns and cancellations	(12,234)	(14,212)	(40,810)	(26,851)
Net revenues	<u>1,728,689</u>	<u>1,021,255</u>	<u>2,227,398</u>	<u>1,317,607</u>

22 Other operating income (expenses)

	<u>Parent Company</u>		<u>Consolidated</u>	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Operating income				
Reversal of provision IPI (a)	-	12,732	-	8,670
Reversal of provision (b)	223	2,424	223	2,424
Untimely Federal Tax Credits (PIS/COFINS)	-	-	897	-
Rental income Hortolândia/Limeira site	1,576	-	4,331	2,856
Others	792	1,633	1,654	3,836
	<u>2,591</u>	<u>16,789</u>	<u>7,105</u>	<u>17,786</u>
Operating expenses				
Operational reorganization (c)	-	-	(1,556)	(8,954)
Complement of provision for contingencies	(1,200)	(1,200)	(2,050)	(1,933)
Write-off of PP&E	(1,419)	(604)	(1,419)	(3,541)
Other administrative expenses	(1,277)	(604)	(1,277)	(3,541)
Others	(119)	(94)	(1,477)	(3,539)
	<u>(4,015)</u>	<u>(2,502)</u>	<u>(7,779)</u>	<u>(21,508)</u>

(a) Use of the IPI premium credit provision in the year 2009 -see note nº 16.

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- (b) Refers mainly to reversal of the provision relating to the discussion of the broadening of the calculation basis of PIS established in Law 9718/98.
- (c) Operational reorganization-on July 6, 2009, aiming to adapt its operating structure to the current scenario of the market of railroad equipment. The Company decided to suspend its activities at the plant located in Osasco, State of São Paulo. The Osasco plant was responsible for the production of cast iron railroad materials and operated on third-party property. With this adaptation, Amsted-Maxion now concentrates all its cast iron activities at the plant located in the city of Cruzeiro, which is dedicated to the production of cast iron railroad and industrial materials. The railroad equipment assembly operations remain at the Hortolândia plant.

Management understands that these measures do not reduce its capacity to serve the market of railroad equipment. With the recovery of demand in these segments, there is no obstacle to the resumption of operations in Osasco or to the potential expansion of the installed capacity in Cruzeiro.

23 Financial instruments

The Company and its subsidiaries and jointly-owned subsidiaries maintain operations with financial instruments. The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The policy relating to the contracting of financial instruments for hedging purposes is approved by the Board of Directors, and subsequently analyzed periodically in relation to exposure to the risk that management intends to hedge (foreign exchange). The Company, its subsidiaries and its jointly-owned subsidiaries do not make investments of a speculative nature, in derivatives or any other risk assets. The results obtained from such operations are consistent with the policies and strategies defined by Company's management.

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The estimated realization values of the financial assets and liabilities of the Company and its subsidiaries and The Company and its subsidiaries and jointly-owned subsidiaries maintain operations with financial instruments were determined through information available in the market and appropriate valuation methodologies. Judgments were required in the interpretation of the market data in order to estimate the most adequate realization values. Consequently, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable value.

The Company and its subsidiaries and jointly-owned subsidiaries can use derivatives to monetize certain risks that they deem acceptable as a result of their profile. In monetizing a risk, the Company and its subsidiaries and jointly-owned subsidiaries earn financial revenue, in exchange for compensating the counterparty in the occurrence of a specific event.

Derivatives are initially recognized at their fair value, and respective transaction costs are recognized in the result when incurred.

The Company's risk management policies were established by the Board of Directors in order to identify and analyze risks faced by the Company, to establish appropriate limits of risks and controls and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and in the Company's activities.

The Company's Audit Committee keeps track of how Management monitors adherence to the risk management policies and procedures, and reviews the adequacy of the risk management model in relation to the risks accepted by the Company.

The Company's Financial Committee keeps track of how Management monitors adherence to the risk management policies and procedures, and reviews the adequacy of the risk management model in relation to the Company's financial risks.

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a. Classification of financial instruments

The classification of financial instruments is presented in the table below, and in the understanding of the Company's Management, there are no financial instruments classified in other categories besides those informed:

Financial instruments per category

	Note	12/31/2010			12/31/2009			Parent Company 1/1/2009		
		Fair value through result	Fair value	Amortized cost	Fair value through result	Fair value	Amortized cost	Fair value through result	Fair value	Amortized cost
Assets										
Cash and cash equivalents	5	6,717	-	-	26,130	-	-	28,740	-	-
Interest earnings bank deposits	5.1	246,767	-	-	119,964	-	-	40,407	-	-
Trade accounts receivables	6	-	-	175,728	-	-	-	-	-	112,745
		<u>253,484</u>	<u>-</u>	<u>175,728</u>	<u>146,094</u>	<u>-</u>	<u>152,67</u>	<u>69,147</u>	<u>-</u>	<u>112,745</u>
Liabilities										
Loan and financing	13	-	-	518,434	-	-	507,394	-	-	170,569
Suppliers	14	-	-	59,427	-	-	51,998	-	-	26,749
Derivative financial instruments		-	1,782	-	-	-	-	-	12,729	-
		<u>-</u>	<u>1,782</u>	<u>577,861</u>	<u>-</u>	<u>-</u>	<u>559,392</u>	<u>-</u>	<u>12,729</u>	<u>197,318</u>
Income statement										
Finance expenses	20	(38,628)	-	-	(38,502)	-	-	-	-	-
Finance income	20	21,186	-	-	49,185	-	-	-	-	-
		<u>(17,442)</u>	<u>-</u>	<u>-</u>	<u>10,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	Note	12/31/2010			12/31/2009			Consolidated 1/1/2009		
		Fair value through result	Fair value	Amortized cost	Fair value through result	Fair value	Amortized cost	Fair value through result	Fair value	Amortized cost
Assets										
Cash and cash equivalents	5	57,639	-	-	55,302	-	-	39,180	-	-
Interest earnings bank deposits	5.1	265,481	-	-	122,926	-	-	50,856	-	-
Trade accounts receivables	6	-	-	252,992	-	-	200,161	-	-	243,659
		<u>323,120</u>	<u>-</u>	<u>252,992</u>	<u>178,228</u>	<u>-</u>	<u>200,161</u>	<u>90,036</u>	<u>-</u>	<u>243,659</u>
Liabilities										
Loan and financing	13	-	-	731,270	-	-	649,254	-	-	345,489
Suppliers	14	-	-	150,106	-	-	108,408	-	-	60,972
Derivative financial instruments		-	1,782	-	-	-	-	-	28,752	-
		<u>-</u>	<u>1,782</u>	<u>881,376</u>	<u>-</u>	<u>-</u>	<u>757,662</u>	<u>-</u>	<u>28,752</u>	<u>406,461</u>
Income statement										
Finance expenses	20	(54,480)	-	-	(69,058)	-	-	-	-	-
Finance income	20	24,974	-	-	54,606	-	-	-	-	-
		<u>(29,506)</u>	<u>-</u>	<u>-</u>	<u>(14,452)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

b. Fair value

In compliance with CPC Technical Pronouncement 38 - Financial Instruments: Recognition and Measurement, on December 31, 2010, the fair values of investments with public quotation were based on the current purchase prices.

For financial assets without an active market or public quotation, Management established the fair value through valuation techniques. These techniques include the use of recent operations contracted with third parties, and reference to other instruments that are substantially similar, the analysis of discounted cash flows and the swap pricing model that makes the greatest possible use of information generated by the market and has the minimum amount of information possible generated by the management of the actual entity.

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IFRS 7 defines fair value as the exchange price that would be received for an asset or the price paid to transfer a liability (output price) in the main market, or in the most advantageous market for the asset or liability, in a normal transaction between market players on the date of measurement, also establishing a hierarchy of three levels to be used to measure the fair value, namely:

- **Level 1** - Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- **Level 2** - Other information, except that included at level 1, whereby the quoted prices (not adjusted) are for the similar assets and liabilities, (directly as prices or indirectly as by-products of the prices) in non-active markets, or other information that is available or that can be corroborated by the information observed in the market for substantially all the terms of the assets and liabilities.
- **Level 3** - Information unavailable due to reduced or non-existent market activity and that is significant for definition of the fair value of assets and liabilities (non-observable).

A market is seen as active if the quoted prices are promptly and regularly available from an exchange, regulatory agency, and others, and those prices represent real market transactions that occur regularly on purely commercial bases; accordingly, the fair value of the financial instruments traded in active markets is based on the market prices, quoted on the balance sheet date, with inclusion at Level 1.

The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined using valuation techniques.

These valuation techniques maximize the use of the data adopted by the market where it is available and rely as little as possible on the specific estimates of the Company.

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If all the relevant information required for the fair value of an instrument is provided by the market, the instrument will be included at Level 2. If the information originates from internal data of the Company, the instrument will be included at level 3.

On December 31, 2010, the Company and its subsidiaries and jointly-owned subsidiary maintained certain assets with their measurement at fair value required on recurrent bases. These assets include investments in private securities and derivative instruments. The Company's asset and liabilities measured at fair value on recurrent bases and subject to disclosure, according to the requirements of IFRS 7 On December 31, 2010 and 2009, are as follows:

	Measured at fair value								
	12/31/2010	Parent Company				Consolidated			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Current assets									
Cash and cash equivalents									
Fair value though result		-	253,484	-	253,484	-	323,120	-	323,120
		<u>-</u>	<u>253,484</u>	<u>-</u>	<u>253,484</u>	<u>-</u>	<u>323,120</u>	<u>-</u>	<u>323,120</u>
Current liabilities									
Non Deliverable Forward ("NDF")		-	1,782	-	1,782	-	1,782	-	1,782
		<u>-</u>	<u>1,782</u>	<u>-</u>	<u>1,782</u>	<u>-</u>	<u>1,782</u>	<u>-</u>	<u>1,782</u>

	Measured at fair value								
	12/31/2009	Parent Company				Consolidated			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Current assets									
Cash and cash equivalents									
Fair value though result		-	146,094	-	146,094	-	178,228	-	178,228
		<u>-</u>	<u>146,094</u>	<u>-</u>	<u>146,094</u>	<u>-</u>	<u>178,228</u>	<u>-</u>	<u>178,228</u>
Current liabilities									
Non Deliverable Forward ("NDF")		-	-	-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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There was no transfer of assets or liabilities between levels of the fair value hierarchy for the period ended December 31, 2010 and 2009.

The operations of the Company and of its subsidiaries and jointly-owned subsidiaries are subject to the risk factors described below:

Credit risk

It results from the possibility of the Company and its subsidiaries and jointly-owned subsidiaries incurring losses arising out of default of their counterparties or financial institutions depository of resources or financial investments. To mitigate these risks, the Company and its jointly-owned subsidiaries adopt the practice of analyzing the financial situations of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions. As regards financial institutions, the Company and its subsidiaries and jointly-owned subsidiaries only conduct operations with low risk financial institutions assessed by rating agencies.

As remarked in note 25, income is all distributed among the car manufacturers, logistics operators and mining companies. Company Management believes that it forms sufficient provisions to cope with non-reception and we have no differences between the fair value and book value of these provisions (see amount of allowance for doubtful accounts in note 6).

Liquidity risk

The cash flow forecast is performed at the Company's operating entities by the finance professionals that continuously monitor liquidity. This forecast takes into consideration the debt financing plans, attainment of the internal goals of the balance sheet quotient and, if applicable, external or legal regulatory requirements - for example, currency restrictions. Through its Risk Management Policy, the Company defines a consolidated minimum cash limit and financial indicators of management of the debt.

The surplus cash maintained by the operating entities, besides the balance required for administration of working capital, is maintained at the entities themselves, but managed by the finance professionals. The Company invests its liquidity according to its Financial Risk Management Policy, approved by the Board of Directors, in investments with liquidity below 90 days, through deposits at financial institutions.

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The chart below represents the non-derivative financial liabilities of the Company, by ranges of maturity, corresponding to the remaining period in the balance sheet up to the contractual date of maturity:

	12/31/2010					
	Parent Company			Consolidated		
	Lower than 1 year	From 1 to 2 years	From 2 to 7 years	Lower than 1 year	From 1 to 2 years	From 2 to 7 years
Loan and financing	24,309	419,960	74,165	138,403	480,715	112,152
	<u>24,309</u>	<u>419,960</u>	<u>74,165</u>	<u>138,403</u>	<u>480,715</u>	<u>112,152</u>

Interest rate risk

Results from the possibility that the Company and its subsidiaries and its jointly-owned subsidiaries are subject to gains or losses arising from fluctuations of interest rates levied on its financial assets and liabilities. Aiming to mitigate this type of risk, the Company and its subsidiaries and jointly-owned subsidiaries seek to diversify borrowings in terms of prefixed or post-fixed rates.

Exchange rate risk

Results from the possibility of oscillations of the exchange rates of foreign currencies used by the Company and its jointly-owned subsidiaries for the acquisition of inputs, the sale of products and the contracting of financial instruments. Besides amounts payable and receivable in foreign currencies, the Company has investments in foreign subsidiaries and has operating flows of purchases and sales in other currencies. The Company and its jointly-owned subsidiaries have a specific policy for the contracting of *hedge* operations to mitigate these risks. The main assets and liabilities subject to exchange risks are:

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Accounts receivable - the Company and its subsidiaries and jointly-owned subsidiaries have a balance of accounts receivable different from the functional currency of each one of the countries of origin in the amount of R\$ 1,051, equivalent to € 472 thousand Euros (R\$ 420 on December 31, 2009, equivalent to € 167 thousand Euros and R\$ 4,595 on December 31, 2008, equivalent to € 1,419 thousand Euros), R\$ 22,535, equivalent to US\$13,525 thousand, (R\$ 25,267 on December 31, 2009, equivalent to US\$ 14,511 thousand and R\$ 71,985 on January 1, 2009, equivalent to US\$ 30,802 thousand).

Loans and financing -as shown in note nº 13, are increased by the charges agreed up to the balance sheet dates, totaling a consolidated balance of liabilities in the amount of R\$ 104,812, equivalent to US\$ 62,905 thousand (R\$ 102,560 on December 31, 2009, equivalent to US\$ 58,901 thousand and R\$ 150,582 on December 1, 2009, equivalent to US\$ 64,434 thousand).

Derivative financial instruments - During the year ended December 31, 2010, the Company purchased dollars in the futures market through NDFs (Non Deliverable Forwards) in the amount of R\$ 16,029, equivalent to US\$ 9,620 thousand maturing from January 2011 to July 2011, aiming to reduce the foreign exchange exposure of our net debt in dollars on the short term.

Derivative financial instruments - During the year ended December 31, 2010, the Company sold dollars in the futures market through NDFs (Non Deliverable Forwards) in the amount of R\$ 1,694 equivalent to US\$ 1,000 thousand maturing from October 2010 to November 2010, aiming to reduce the foreign exchange exposure of our revenue in dollars on the short term.

Cash flow hedge policy

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

The Company and its jointly-owned subsidiaries used the Cash Flow Hedge to fix the amount in local currency of up to 100% of the projected value of export shipments for the subsequent 12 months. The derivative financial instrument of this policy is the Non-Deliverable Forward ("NDF"); - verify the tables below on the contracted amounts.

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Derivative financial instruments

The Company and its jointly-owned subsidiaries have the policy of maintaining operations with derivative financial instruments in order to mitigate or eliminate risks inherent to their operation, as described in the foregoing items; therefore it maintains permanent monitoring of the derivative financial instruments contracted by means of its internal controls.

The Company and its jointly-owned subsidiaries did not contract derivative financial instruments that require margin deposits as security. The derivative contracts do not have clauses of penalties if the Company decides to cancel the contracts.

Criteria for calculating the fair value

The estimated fair value for derivative financial instruments contracted by the Company and its subsidiaries and jointly-owned subsidiaries was determined by information available in the market. The fair value of these derivatives is obtained through the discounted cash flow, according to the contractual rates in force in the market (foreign exchange and interest). However, considerable judgment was required in the interpretation of the market data to estimate the most adequate realization of the fair value of each operation. Consequently, the estimates below do not necessarily indicate the amounts that will be effectively realized upon the financial settlement of transactions.

The Company and its subsidiaries and jointly-owned subsidiaries, within their Financial Risk Management Policy, used futures exchange contracts (Non Deliverable Forward and Deliverable Forward), as follows, as a means of absorbing the impacts of the variations of exchange rates on assets and liabilities, financial result and gross margin:

The Company's consolidated position open on December 31, 2010:

- NDF Purchase - US\$ 9,620 thousand-average dollar rate of R\$ 1.8792 -Maturities in January, March, June and July 2011;
- The NDF operations on December 31, 2010, which were classified in Shareholders' Equity, at the fair value of (R\$ 1,176) referring to the NDF purchase operations of US\$ 9,620.

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- The NDF operations up to December 31, 2010, which were classified in profit and loss-reference value NDF sale US\$ 3,000, fair value R\$ 502.

Composition of the balances of derivative financial instruments intended to hedge exposure to risks.

	Reference value (notional)		Fair value		Amount receivable (received)		Consolidated Amount payable (paid)	
	US\$		R\$		R\$		R\$	
	12/2010	12/2009	12/2010	12/2009	12/2010	12/2009	12/2010	12/2009
Forward contract								
Put position	-	-	-	-	- / 502	-/-	-/-	-/-
	9,620							
Call Position	thousand	-	(1,176)	-	-/-	-/-	(1,176) / -	-/-

Statement of the respective counterparties and trading market or of recording of the instruments:

Description	Book Value grouped by asset		Counterpart (a)		Trading market (b) or Recording of Instruments (c)	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Forward contracts						
Call position	US\$ 9,620	-	Financial institutions	-	Over-the-counter operation - CETIP	-

(a) Financial institutions: Banco do Brasil, Votorantim, HSBC.

(b) Over-the-counter operation.

(c) CETIP.

On December 31, 2010 the Company and its jointly-owned subsidiaries do not have margins provided as collateral.

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During the year ended December 31, 2010, there were no transactions that were not rated for accounting purposes as equity protection.

Statements of the maturity periods are:

NDF - PURCHASE

Date of maturity	NDF - Shareholders' equity		NDF - Income (loss)	
	Reference value (notional) - US\$ thousand	Fair value - R\$ thousand	Reference value (notional) - US\$ thousand	Fair value - R\$ thousand
Jan/2011	1,375	(166)	-	-
Mar/2011	7,115	(873)	-	-
Jun/2011	550	(67)	-	-
Jul/2011	<u>580</u>	<u>(70)</u>	<u>-</u>	<u>-</u>
Total	<u>9,620</u>	<u>(1,176)</u>	<u>-</u>	<u>-</u>

On December 31, 2010 the Company and its subsidiaries executed a Purchase NDF to hedge the future payments in US\$ to overseas suppliers, in the total amount of US\$ 9,620 thousand.

The amount recognized in the Company's profit and loss in the year 2010 was R\$ 501 recorded as financial revenue. See note nº 20.

Sensitivity analysis

Financial instruments, including derivatives, are exposed to the variations of fair value as a result of the fluctuation of exchange rates, interest rates (TJLP), and rate (CDI). The evaluations of the sensitivity of the financial instruments to these variables are presented below:

i. Selection of risks

The Company and its subsidiaries and jointly-owned subsidiaries selected four market risks that can most strongly affect the value of the financial instruments held thereby, such as: (1) the US dollar-real exchange rate; (2) interest rate (TJLP); (3) rate (CDI).

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ii. Selection of scenarios

In the chart below we considered three risk scenarios for the currency indexes of these financial liabilities, whereas the probable scenario is that adopted by the Company and its subsidiaries and jointly-owned subsidiaries. In addition to this scenario, CVM, through Instruction nº 475, determined the presentation of another two scenarios with deterioration of 25% and 50% of the risk variables considered, for which December 31, 2010 was appointed the base date.

The probable scenario considers the Focus disclosure of 10/1/2010 of the US dollar-real quotation, and TJLP interest rates and CDI rates in relation to the closing quotations on December 31, 2010.

The possible and remote scenarios consider highs of 25% and 50%, respectively, of the US dollar-real quotation, and TJLP interest rates and CDI rates in relation to the closing quotations on December 31, 2010.

Sensitivity analysis of foreign currency variations - (Consolidated)

Loans and financing - US\$

		Scenarios in Reais		
		Probable	Possible + 25%	Remote + 50%
Dollar rate - R\$ at 12/31/10	1.6662	1.78	2.08	2.50
Loans and financing - US\$ 62,905	104,812	111,971	130,842	157,263
Effect		(7,159)	(26,030)	(52,451)

Sensitivity analysis of variations in the interest rates (Consolidated)

Loans and financing

		Scenarios in Reais		
		Probable	Possible + 25%	Remote + 50%
TJLP rate on 6/31/10	6.00%	6.00%	7.50%	9.00%
Indexed financings - TJLP - R\$60,236	3,614	3,614	4,518	5,421
Effect	-	-	(904)	(1,807)

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There are financings in the total amount of R\$ 547,963 with a pre-fixed rate between 4.5% and 5.5% per annum, which are not exposed to risks of foreign exchange and interest rate fluctuations.

Sensitivity analysis of variations in the interest earning bank deposits (Consolidated)

Interest earnings bank deposits

		Scenarios in Reais		
		Probable	Possible - 25%	Remote - 50%
CDI rate on 6/31/10	10.64%	11.83%	7.98%	5.32%
Interest earnings bank deposits - R\$				
265,481	28,247	31,406	21,185	14,124
Effect		3,159	(7,062)	(14,124)

24 Commitments

The Company and its subsidiaries and jointly-owned subsidiaries have property rental agreements for variable periods of time between 1 and 5 years with automatic renewal clause. The expectation is that these agreements will continue to be renewed. Expenses with annual rents are estimated according to the table below:

	<u>Parent Company</u>	<u>Consolidated</u>
2011	1,289	2,072
2012	1,334	1,631
2013	1,381	1,600
2014	1,431	1,630
2015	1,486	1,690
	<u>6,921</u>	<u>8,623</u>

In addition, the Company does not have other long-term commitments with third parties.

During the year ended December 31, 2010, expenses with these rental agreements totaled R\$ 2,056 (R\$ 1,744 on December 31, 2009 and R\$ 2,186 on December 31, 2008).

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On December 31, 2010, with a basis on the signed leases, the future obligation estimated for the next five years is indicated in the table below. This table does not include any renewals of the aforesaid agreements, after normal expiration.

25 Segment reporting

The segment reporting is being presented according to CPC 22 - Segment reporting (IFRS 8) and is presented in relation to the businesses of the Company and its subsidiaries and jointly-owned subsidiaries that were identified with a basis on its management structure and on the internal management information used by the main decision makers of the Company.

A segment is a distinguishable component of the Company that is engaged either in providing products or services, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of assets and liabilities that are not directly related to a segment (marketable securities, loans and corporate assets) and the related income and expenses generated by those items.

Since the end of 2004, Iochpe-Maxion has been involved in a corporate and operational restructuring process, aiming to simplify its administrative structure, obtain possible synergies in the manufacture of its products and increase the productivity of its activities.

The same accounting practices as in note nº 3 were used here. As a result of this process, the Company concentrated all the operating activities in which it held interest of 100%, with the exception of its jointly-owned subsidiary Amsted-Maxion Fundação e Equipamentos Ferroviários S.A, in a single legal entity.

At the end of this restructuring, the Company began to conduct its operations through two business segments, automotive and railroad.

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In the automotive segment, Iochpe-Maxion's customers are vehicle manufacturers and its main products are: steel wheels, chassis, structural died assemblies, hand brake levers and sets of pedals.

In the railroad segment its customers are logistics operators and mining companies and its main products are freight cars, cast iron products and railroad wheels.

	12/31/2010			12/31/2009		
	Segments		Total Consolidated	Segments		Total Consolidated
	Automotive	Railroad		Automotive	Railroad	
Revenues	1,934,509	292,889	2,227,398	1,157,336	160,271	1,317,607
Depreciation and amortization (allocated in cost)	(39,849)	(5,956)	(45,805)	(38,780)	(6,007)	(44,787)
Costs of goods sold and services rendered	<u>(1,495,052)</u>	<u>(269,924)</u>	<u>(1,764,976)</u>	<u>(915,821)</u>	<u>(153,988)</u>	<u>(1,069,809)</u>
Costs of goods sold and services rendered	(1,534,901)	(275,880)	(1,810,781)	(954,601)	(159,995)	(1,114,596)
Gross profit	399,608	17,009	416,617	202,735	276	203,011
Other (expenses) operating income						
Administrative and commercial	(124,227)	(25,251)	(149,478)	(83,098)	(24,140)	(107,238)
Depreciation and amortization	(4,760)	(148)	(4,908)	(302)	(288)	(590)
Financial income	23,296	1,678	24,974	52,585	2,021	54,606
Financial expenses	(41,051)	(13,429)	(54,480)	(43,095)	(25,963)	(69,058)
Others (expenses) operating income	<u>(993)</u>	<u>319</u>	<u>(674)</u>	<u>1,924</u>	<u>(2,105)</u>	<u>(181)</u>
	(147,735)	(36,831)	(184,566)	(71,986)	(50,475)	(122,461)
Income (loss) before income and social contribution taxes	251,873	(19,822)	232,051	130,749	(50,199)	80,550
Income and social contribution taxes, net	<u>(74,638)</u>	<u>6,740</u>	<u>(67,898)</u>	<u>(42,471)</u>	<u>17,054</u>	<u>(25,417)</u>
Income (loss) for the year	<u>177,235</u>	<u>(13,082)</u>	<u>164,153</u>	<u>88,278</u>	<u>(33,145)</u>	<u>55,133</u>

- Of the automotive segment sales, 74% (79% on December 31, 2009) are sales to manufacturers from the domestic market. And sales to logistic operators represent 48% (35% on December 31, 2009) while those to mining company's represent 30% (25% on December 31, 2009) of the sales of the railroad segment.

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- Foreign market sales are subdivided by percentage in the following regions:

	12/31/2010			12/31/2009		
	Segments			Segments		
	Automotive	Railroad	Total	Automotive	Railroad	Total
. Africa/Middle East	0.2%	3.8%	0.5%	0.3%	18.1%	3.8%
. Latim America	6.8%	11.5%	7.2%	8.0%	25.0%	11.4%
. Asia / Oceania	7.3%	0.9%	6.8%	8.4%	0.5%	6.8%
. Canada	0.1%	0.9%	0.1%	4.2%	1.3%	3.6%
United States of America	57.9%	80.7%	59.8%	58.9%	54.6%	58.1%
. Europe	1.7%	2.2%	1.8%	3.6%	0.5%	3.0%
. Mexico	26.0%	-	23.8%	16.6%	-	13.3%

26 Balance sheet by segment

	12/31/2010			12/31/2009			1/1/2009		
	Segments			Segments			Segments		
	Automotive	Railroad	Total	Automotive	Railroad	Total	Automotive	Railroad	Total
Assets									
Current	793,672	147,752	941,424	543,081	66,319	609,400	389,241	211,958	601,199
Noncurrent	94,423	73,557	167,980	114,578	41,086	155,664	135,159	15,318	150,477
Investments	233	-	233	357	-	357	395	-	395
PP&E	831,128	117,050	948,178	790,031	112,620	902,651	581,702	119,968	701,670
Intangible	26,583	-	26,583	25,094	-	25,094	5,910	-	5,910
Deferred aseets	-	-	-	3,145	-	3,145	5,310	-	5,310
	<u>1,746,039</u>	<u>338,359</u>	<u>2,084,398</u>	<u>1,476,286</u>	<u>220,025</u>	<u>1,696,311</u>	<u>1,117,717</u>	<u>347,244</u>	<u>1,464,961</u>
Liabilities									
Current	357,352	191,355	548,707	427,302	71,659	498,961	314,422	186,284	500,706
Noncurrent	642,547	118,356	760,903	414,810	107,163	521,973	210,412	98,162	308,574
Shareholders' equity	746,140	28,648	774,788	634,174	41,203	675,377	592,883	62,798	655,681
	<u>1,746,039</u>	<u>338,359</u>	<u>2,084,398</u>	<u>1,476,286</u>	<u>220,025</u>	<u>1,696,311</u>	<u>1,117,717</u>	<u>347,244</u>	<u>1,464,961</u>

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27 Capital management

The policy of Senior Management is to maintain a solid capital base to maintain the confidence of investors, creditors and market and the future development of the business. Senior Management monitors returns on capital, which the Company defines as results of operating activities divided by total shareholders' equity. Senior management also monitors the level of dividends for common shareholders.

Company Management strives to maintain a balance between the highest possible returns with more adequate levels of loans and the advantages and the assurance afforded by a healthy capital position. The objective is to achieve a return compatible with its capital cost reviewed annually through the WACC -Weighted Average Cost of Capital concept.

The debt for ratio of capital at the end of the year is presented below:

	Parent Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Total loan and financing	518,434	507,394	170,569	731,270	649,254	345,489
(-) Cash and cash equivalents	(253,484)	(146,094)	(69,147)	(323,120)	(178,228)	(90,036)
Net debt	<u>264,950</u>	<u>361,300</u>	<u>101,422</u>	<u>408,150</u>	<u>471,026</u>	<u>255,453</u>
Total shareholders' equity	774,788	675,377	655,681	774,788	675,377	655,681
Debt for ratio of capital	<u>34%</u>	<u>53%</u>	<u>15%</u>	<u>53%</u>	<u>70%</u>	<u>39%</u>

On December 31, 2009 the index was higher than in previous years due to the inflow of debts for acquisition of the wheel business of ArvinMeritor, throughout the third quarter.

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28 Insurance coverage

The Company and its subsidiaries and jointly-owned subsidiaries adopt the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual casualties, considering the nature of its activity. 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	262,335	509,095
Loss of profit	59,000	73,250
Civil liability	132,000	148,946

* * *

Dan Ioschpe
President

Oscar A. F. Becker
Investor Relations
Director

Antonio C. Foschini
Accountant
CRC 1SP 072755/O-5