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

Indústrias Romi S.A.

Financial Statements for the Years Ended December 31, 2008 and 2007 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITORS' REPORT

To the Shareholders, Board of Directors and Management of

Indústrias Romi S.A.
Santa Bárbara d'Oeste - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Indústrias Romi S.A. and subsidiaries as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity (Company), cash flows, and value added for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Indústrias Romi S.A. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations, the changes in shareholders' equity (Company), cash flows, and value added for the years then ended, in conformity with international accounting standards issued by the International Accounting Standards Board (IASB).

4. Brazilian accounting practices differ, in certain material respects, from international accounting standards issued by the International Accounting Standards Board (IASB). Information related to the nature and effect of these differences is presented in note 5 to the consolidated financial statements.

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, February 17, 2009

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Walbert Antonio dos Santos
Engagement Partner

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

INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

ASSETS	Note	2008	2007
CURRENT ASSETS			
Cash and cash equivalents	6	135,224	189,010
Short-term investments:			
Held-for-trading securities	6	53,721	111,512
Trade accounts receivable	7	79,591	64,244
Onlending of FINAME manufacturer financing	8	306,892	223,221
Inventories	9	285,344	183,044
Recoverable taxes	10	17,742	11,537
Other receivables		7,247	3,479
Total current assets		885,761	786,047
NONCURRENT ASSETS			
Long-term assets:			
Trade accounts receivable	7	3,700	2,136
Onlending of FINAME manufacturer financing	8	479,371	409,896
Recoverable taxes	10	18,245	5,391
Deferred income tax and social contribution	20	12,731	8,016
Escrow deposits	17	13,803	7,087
Other receivables		6,634	2,928
Property, plant and equipment, net	11	256,340	129,666
Intangible assets	4	2,843	-
Goodwill	4	1,496	-
Total noncurrent assets		795,163	565,120
TOTAL ASSETS		1,680,924	1,351,167

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2008	2007
CURRENT LIABILITIES			
Loans and financing	12	28,503	30,854
FINAME manufacturer financing	13	270,028	192,884
Trade accounts payable		31,136	25,193
Payroll and related taxes	15	33,845	35,934
Taxes payable	16	7,357	8,013
Advances from customers		14,082	9,702
Dividends, interest on capital and profit sharing	18	11,777	2,375
Unpaid profit sharing		4,500	4,400
Other payables		15,160	4,640
Total current liabilities		416,388	313,995
NONCURRENT LIABILITIES			
Loans and financing	12	70,957	50,293
FINAME manufacturer financing	13	453,323	348,710
Deferred income tax and social contribution on negative goodwill	20	7,947	1,404
Taxes payable	16	3,578	1,896
Reserve for contingencies	17	15,876	8,746
Other payables		9,626	-
Total noncurrent liabilities		561,307	411,049
SHAREHOLDERS' EQUITY			
Capital		505,764	505,764
Capital reserve		2,209	2,209
Profit reserve		187,071	117,247
Cumulative foreign currency translation adjustments		5,649	(968)
Controlling shareholders' interest		700,693	624,252
MINORITY INTEREST		2,536	1,871
TOTAL SHAREHOLDERS' EQUITY		703,229	626,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,680,924	1,351,167

The accompanying notes are an integral part of these financial statements.

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INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

	Note	12/31/2008	12/31/2007
GROSS OPERATING REVENUE		696,124	631,988
Cost of sales	25	(416,550)	(359,875)
NET OPERATING REVENUE		279,574	272,113
OPERATING INCOME (EXPENSES)			
Selling expenses	25	(65,927)	(59,786)
General and administrative expenses	25	(63,800)	(45,456)
Research and development expenses	25	(28,766)	(26,340)
Management profit sharing and compensation	25	(12,701)	(12,425)
Tax expenses	25	(2,913)	(6,742)
Other income	4	20,989	1,031
Total		(153,118)	(149,718)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		126,456	122,395
Financial income	26	36,950	30,508
Financial expenses	26	(5,061)	(5,048)
Exchange gains		10,752	(3,796)
Exchange losses		(7,338)	6,258
		35,303	27,922
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		161,759	150,317
INCOME TAX AND SOCIAL CONTRIBUTION	20	(35,152)	(25,543)
Current		(33,324)	(27,457)
Deferred		(1,828)	1,914
NET INCOME		126,607	124,774
ATTRIBUTED TO:			
Management profit sharing		125,726	124,219
Minority interest		881	555
		126,607	124,774
Basic and diluted earnings per share	19	1.606	1.684

The accompanying notes are an integral part of these financial statements.

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INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

		Attributed to management profit sharing									
				Profit reserve							
	Note	Capital	Capital reserve	Profit reserve	Legal reserve	Total	Cumulative foreign currency translation adjustments	Retained earnings	Shareholders equity (Company)	Minority interest	Total
BALANCES AS OF DECEMBER 31, 2006		275,791	2,209	41,263	25,737	67,000	(267)	-	344,733	1,454	346,187
Capital increase		229,973	-	-	-	-	-	-	229,973	-	229,973
Net income		-	-		-	-	-	124,219	124,219	555	124,774
Dividends paid		-	-	-	-	-	(701)	-	(701)	-	(701)
Foreign currency translation adjustments											
Allocations:	18	-	-	-	5,448	5,448	-	(5,448)	-	-	-
Legal reserve	18	-	-	-	-	-	-	(42,814)	(42,814)	-	(42,814)
Interest on capital - Law 9249/95	18	-	-		-	-	-	(31,158)	(31,158)	(138)	(31,296)
Profit retention	18	-	-	44,799	-	44,799	-	(44,799)	-	-	-
BALANCES AS OF DECEMBER 31, 2007		505,764	2,209	86,062	31,185	117,247	(968)	-	624,252	1,871	626,123
Net income		-	-	-	-	-	-	125,726	125,726	881	126,607
Foreign currency translation adjustments		-	-	-	-	-	6,617	-	6,617	-	6,617
Allocations:	18	-	-	(15,566)	-	(15,566)	-	-	(15,566)	-	(15,566)
Legal reserve											
Interest on capital - Law 9249/95	18	-	-	-	5,648	5,648	-	(5,648)	-	-	-
Dividends paid	18	-	-	-	-	-	-	(40,336)	(40,336)	-	(40,336)
Profit retention	18	-	-	79,742	-	79,742	-	(79,742)	-	(216)	(216)
BALANCES AS OF DECEMBER 31, 2008		505,764	2,209	150,238	36,833	187,071	5,649	-	700,693	2,536	703,229

The accompanying notes are an integral part of these financial statements.

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INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

	Note	2008	2007
Cash flows from operating activities:			
Net income		126,607	124,774
Adjustments to reconcile net income to net cash applied in operating activities:			
Provision for income tax and social contribution - current and deferred	20	35,152	25,543
Depreciation	11	15,175	11,855
Allowance for doubtful trade accounts receivable and other receivables		1,897	480
Gain on sale of property, plant and equipment		(485)	(103)
Financial expense		6,462	4,860
Provision for inventory impairment		(3,990)	(1,428)
Provision for possible liabilities, net		414	(2,770)
Gain on the acquisition of interest in subsidiaries	4.2	(19,316)	-
Increase (decrease) in assets:			
Short-term investments in trading securities		57,791	(95,659)
Trade accounts receivable		3,896	(14,252)
Onlending of FINAME manufacturer financing		(153,146)	(202,631)
Inventories		(72,948)	(11,826)
Recoverable taxes, net		(14,685)	(2,791)
Other receivables		(4,206)	(1,128)
Increase (decrease) in liabilities:			
Trade accounts payable		(5,355)	7,275
Payroll and related taxes		(3,171)	10,054
Taxes payable		(8,984)	(2,272)
Advances from customers		4,249	5,074
Other payables		215	2,303
Net cash used in operating activities		(34,428)	(142,642)
Payment of income and social contribution taxes		(24,797)	(23,357)
Payment of interest on loans and financing		(6,953)	(3,293)
Net cash used in operating activities		(66,178)	(169,292)
Cash flows from investing activities:			
Purchases of property, plant and equipment		(123,333)	(27,716)
Sale of property, plant and equipment		1,041	3,592
Capital increase in subsidiary		(970)	-
Acquisition of interest in subsidiary, net of cash balance of investments acquired		(8,676)	-
Net cash used in investing activities		(131,938)	(24,124)
Cash flows from financing activities:			
Capital increase with issue of new shares		-	229,973
Interest on capital and dividends paid		(30,834)	(121,506)
New loans and financing		45,659	56,641
Repayment of financing		(38,134)	(13,951)
New FINAME manufacturer financing	13	398,905	327,342
Payment of FINAME manufacturer financing	13	(217,148)	(167,142)
Share buyback plan	18	(15,566)	-
Net cash provided by financing activities		142,882	311,357
Increase (decrease) in cash and cash equivalents		(55,234)	117,941
Cash and cash equivalents at beginning of year		189,010	71,069
Exchange rate changes on cash balance of foreign subsidiaries		1,448	-
Cash and cash equivalents at end of year		135,224	189,010

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Indústrias Romi S.A. (the "Company") is engaged in the manufacture and sale of machine tools, metal cutting machines, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts in general, IT equipment and peripherals, systems analysis and development of data processing software related to the production, sale, and use of machine tools and plastic injectors, manufacturing and sale of rough cast parts and machined cast parts, export and import, representation on own account or for the account of third parties, and provision of related services, as well as holding interests in other commercial or civil companies, as partner or shareholder, and the management of own and/or third-party assets. The Company's industrial facilities consist of nine plants divided into three units located in the city of Santa Bárbara d'Oeste, in the State of São Paulo. The Company also holds equity interests in subsidiaries in Brazil and abroad, as described in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Basis for presentation

Consolidated financial statements of the Company have been prepared for the years ended d31 2008 and 2007 and are in accordance with the International Accounting Standards Board - IASB.

The consolidated interim financial statements have been prepared using the historical cost as the base value, except for the valuation of certain financial instruments.

2.2. Translation of foreign currency

a) Functional and reporting currency

The information on consolidated subsidiaries is measured using the currency of the country where the entity operates (functional currency). The Company defines the functional currency of each of its subsidiaries after analyzing:

The currency:

i. That mainly influences sales prices for goods and services' prices (usually the currency in which sales prices for its products and services are denominated and settled);

ii. Of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services;

iii. That mainly influences labor, material and other costs of providing goods or services (usuallythe currency in which such costs are denominated and settled);

iv. In which funds from financing activities are substantially generated (e.g., issuance of debt and equity instruments); and

v. In which receipts from operating activities are usually retained.

The following factors were also considered in determining the functional currency of a foreign operation:

a) Whether the activities of the foreign operation are carried out as an extension of the Company rather than being carried out with a significant with a significant degree of autonomy. An example of the former is when the foreign operation only sells only goods imported from the Company and remits proceeds to it. An example of the latter is when the operation accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in its local currency;

b) Whether transactions with the Company are high or low proportion of the forign operation's activiteis;

c) Whether cash flows from the activities of the foreign operation directly affect the cash flows of the Company and are readily available for remittance to it; and

d) Whether cash flows from the activities of the foreign operation are sufficient to service existing and expected debts without funds being made available by the Company.

b) Transactions and balances

The transactions in foreign currency are converted to the functional currency using the exchange rate in effect on the transaction date. The gains and losses resulting from the difference between the conversion of assets and liabilities in foreign currency at the date of the Consolidated Financial Statements and the conversion of the transaction amounts are recognized in the statement of income.

c) Group companies

The results of operations and the financial positions of all the subsidiaries included in the consolidated financial statements, and investments accounted for under the equity method (none of which located in hyperinflationary economies) which have a functional currency different from the reporting currency are translated to the reporting currency as follows:

i. Assets and liabilities are translated at the exchange rate prevailing at the balance sheet dates;

ii. The opening shareholders' equity of each balance sheet will correspond to the closing shareholders' equity of the prior period as translated then; changes in the opening shareholders' equity during the current period will be translated at the rates prevailing on respective dates;

iii. Income and expense accounts are translated at the average monthly exchange rate; and

iv. All exchange rate translation differences are recognized in shareholders' equity, under the caption "Valuation adjustments to shareholders' equity".

2.3. Financial assets

Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets, which are measured at fair value through profit or loss, initially measured at fair value.

Financial assets are classified in the following categories: at fair value through profit or loss, held to maturity, available for sale and loans and receivables. Classification is made according to the nature and purpose of the financial assets and is determined upon initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future estimated cash receipts (including all the rates paid and received forming an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the expected life of the financial assets, or, where appropriate, for a shorter period.

Financial assets at fair recognized value through profit or loss

Financial assets are classified at fair value through profit or loss when assets are held for trading or designated at fair value through profit or loss. A financial asset is classified as held for trading if it is:

- Acquired principally for the purpose of selling it in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- A derivative that it is not a designated and effective hedging instrument.

A financial asset that is not held for trading can be designated at fair value through profit or loss upon initial recognition when:

- This designation eliminates or significantly reduces an inconsistency that might arise upon measurement or recognition;The financial asset is part of a managed group of financial assets or liabilities, or both, and whose performance is measured based on its fair value, according to the Company’s documented risk management or investment strategy, and information about that group of assets is provided internally on that basis; or
- It is part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits that the combined contract as a whole (assets or liabilities) is designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, together with gains and losses recognized in profit or loss. Net gain or loss recognized in profit or loss includes any dividends or interest obtained on the financial asset. Fair value is determined as described in note 14.

Gains are recognized based on effective interest for undesignated debt instruments at fair value through profit or loss.

Loans and receivables

The Company considers the following classes of financial assets and financial liabilities as part of the loans and receivables: cash and cash equivalents, trade accounts receivables, loans, financing - Finame manufacturer, amounts receivable - Finame Manufacturer onlending and other receivables. Loans and receivables are financial assets and financial liabilities with fixed or determinable payments, not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less the allowance for impairment losses. Interest income is recognized by applying the effective rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, except those allocated at fair value through profit or loss, are evaluated by impairment indicators on the balance sheet date. Financial assets are impaired when there is evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been impacted.

An objective evidence of impairment may be:

- Significant financial difficulty of the issuer or obligor;
- Default or delinquency in interest or principal payments; or
- When it is probable that the borrower will enter bankruptcy.

For certain categories of financial assets such as trade accounts receivable and amounts receivable - Finame manufacturer onlending, an allowance for doubtful accounts is calculated based on credit risk analysis, which includes loss history, individual situation of customers, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal counsel, and is considered sufficient to cover possible losses on amounts receivable.

For financial assets recognized at amortized cost, impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset.

The carrying amount of the financial asset is directly reduced by the impairment loss for all the financial assets, except for accounts receivable, whose carrying amount is reduced through the use of an allowance. When a trade note receivable is considered uncollectible, it is written-off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets included in the loans and receivables category, if in a subsequent period the amount of impairment losses decreases and the decrease can be objectively related to an event occurred after the impairment recognition, impairment losses previously recognized are reversed through profit or loss limited to what would have been the amortized cost if the impairment had not been recognized.

In respect to available-for-sale equity securities, impairment losses previously recognized through profit or loss are not derecognized through profit or loss. Any increase in fair value subsequent to the recognition of an impairment loss is recognized directly in shareholders' equity.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4. Financial liabilities and equity instruments issued by the Company

Classification as debt or equity instruments

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

Financial guarantee contracts are initially recognized at fair value and are subsequently measured at the greater of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, *Contingent Liabilities and Contingent Assets*; and

- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified at fair value through profit or loss or as other financial liabilities.

Financial liabilities at fair value recognized through profit or loss

Financial liabilities are classified at fair value through profit or loss when liabilities are held for trading or designated at fair value through profit or loss.

A financial liability is classified as held for trading if it is:

- Incurred principally for the purpose of repurchasing it in the near term;Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- A derivative that it is not a designated and effective hedging instrument.Financial liabilities that are not held for trading can be designated at fair value through profit or loss upon initial recognition when:

- This designation eliminates or significantly reduces an inconsistency that might arise upon measurement or recognition;

- The financial liability is part of a managed group of financial assets or liabilities, or both, and whose performance is measured based on its fair value, according to the Company's documented risk management or investment strategy, and information about that group of assets is provided internally on that basis; or

- It is part of a contract containing one or more embedded derivatives, and IAS 39, *Financial Instruments: Recognition and Measurement* permits that the combined contract as a whole (assets or liabilities) is designated at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, together with gains and losses recognized in profit or loss. Net gains or losses recognized in profit or loss comprise any interest paid on financial liabilities. Fair value is determined as described in note 14.

<u>Other financial liabilities</u>

Other financial liabilities, including loans, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

2.5. Inventories

Inventories are stated at the lower of net realizable value (estimated sale value in the normal course of business minus estimated cost of sale) and average production or acquisition cost. Provisions for slow-moving or obsolete inventories are recorded when considered necessary by Management. The Company determines the cost of its inventory using the absorption method based upon the weighted average cost.

2.6. Property, plant and equipment

Property, plant and equipment are stated at historical cost monetarily adjusted when applicable in accordance with IAS 29, less depreciation, except for land, which is not depreciated, plus interest capitalized during the period of construction of the main new units.

Depreciation is calculated under the straight-line method, based upon the estimated useful lives of the assets.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if the economic benefits associated to these items are probable and the amounts can be reliably measured. The residual balance of the replaced item is written off. Other repairs and maintenance are recognized directly in income when incurred.

The residual value and useful life of the assets are reviewed and adjusted, if necessary, at the fiscal year end.

The residual value of property, plant and equipment is written off immediately at their recoverable value when the residual balance exceeds the recoverable value (Note 2.8.).

2.7. Intangible assets

An intangible asset acquired in a business combination is identified and recognized separately from goodwill, when it falls within the definition of an intangible asset and its fair value can be reasonably measured. The cost of this intangible asset is measured by its fair value as of the acquisition date.

Subsequently to the initial recognition, the intangible assets acquired as part of a business combination is reported at cost less accumulated amortization and possible losses resulting from the measurement of the recoverable amount of assets.

Goodwill witn an undefined useful life is not amortized, but impairment losses are tested at least on an annual basis (see note 2.11. below).

2.8. Provision for recovery of long-lived assets

Management reviews the carrying amount of long-lived assets, principally property, plant and equipment to be held and used in the Company's operations, to determine and assess possible impairment on a periodic basis or whenever events or changes in circumstances indicate that the book value of an asset or group of assets might not be recovered.

Analyses are performed in order to identify circumstances that could require evaluating long-lived assets and determine the extent of this impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company calculates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amounts correspond to the higher of fair value less costs to sell or value-in-use. Estimates future cash flows are discounted to present value to determine the value-in-use at the pre-tax discount rate that reflects a current market assessment rate of the time, cash value, and specific risks for the asset for which the cash flow estimate was not adjusted.

If the carrying amount of an assets (or cash generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. An impairment loss is immediately recognized in the statement of income, unless the asset is recorded at the restated value, case in which the impairment is treated as a decrease in revaluation.

The recoverable amount can increase in the future requiring the reversal of the impairment loss recognized in the past. When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) is increase to the revised estimate of its recoverable amount, but in a way that it does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or cash generating unit) in prior years. The reversal of the impairment loss is immediately recognized in the statement of income.

2.9. Investments

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

Third parties' interest in subsidiaries' shareholders' equity and net income is separately presented in the consolidated balance sheet and statement of income, respectively, under the caption "Minority interest".

Whenever required, adjustments are made to the subsidiaries' financial statements to conform the respective accounting practices to the IFRS applied by the Company.

2.10. Business Combination

Investment in ownership interest is recorded in financial statements under the purchase method. The cost corresponds to the total of (a) fair values, on the exchange date, of the asset granted, of the liability incurred or assumed and of equity investments issued by the acquirer, plus (b) possible costs directly attributable to the business combination. Cost is evaluated at the acquisition date. A possible minority interest in the acquiree is presented in the minority proportion of net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill generated in the acquisition is recorded as the business combination cost which exceeds the acquirer participation in net fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill and other intangible assets with undefined useful lives are not amortized, but the recoverable value loss is tested at least once a year (see nota 2.11. below).

In case the interest of the acquirer in the net fair value of identifiable assets, liabilities and contingent liabilities acquired is higher than the cost, this excess (previously known as negative goodwill) is recorded as an immediate gain in income for the year.

2.11. Goodwill

Goodwill represents the excess of acquisition cost over the net fair value of a subsidiary's, jointly-owned subsidiary's or affiliate's identifiable assets, liabilities and contingent liabilities on the acquisition date, in conformity with IFRS 3. As a result of the exception provided for in IFRS 1, the Company applied IFRS 3 provisions only to acquisitions made after January 1, 2006 (date of transition to IFRS). Before this date, goodwill recorded represented the value computed in accordance with the Brazilian accounting standards on acquisition date.

Goodwill of subsidiaries is recognized as an asset and included in line item "Goodwill". Goodwill is not amortized and is annually tested for impairment or whenever there are indications of loss of equity value. Any impairment loss is immediately recognized in the statement of income for the period, and cannot be subsequently derecognized.

On the disposal of a subsidiary, jointly-owned subsidiary or affiliate, the related goodwill is included in the determination of the gain or loss on disposal.

Goodwill is initially recognized as an asset at cost value and later calculated by the cost value less accumulated losses in recoverable value (impairment).

For recovery test (impariment) purposes, goodwill is appropriated to each of the the cash generating units which benefit from combination sinergies. Cash generating units to which goodwill was appropriated are subject to impairment tests every year or more frequently when there is an indication that the unit may be impaired. If the recoverable value of the cash generating unit is lower that the carrying amount of the unit, impairment losses are firstly appropriated to reduce the carrying amount of any goodwill appropriated to the unit and later to other assets of the unit, on a pro rata basis, based on the carrying amount of each of its assets. Impairment losses recognized in the goodwill are not reversed in a later period.

2.12. Taxation

Income tax and social contribution expense represents tax payable plus deferred charges.

2.12.1. Current taxes

Taxes payable are based on taxable income for the year. Taxable income differs from the net income recorded in the statement of income because it excludes income or expenses taxable or deductible in other years, in addition to excluding items which are never taxable or deductible. The liability for current tax is computed based on rates which were effective on the balance sheet date.

2.12.2. Deferred taxes

Deferred taxes are recognized on the differences between carrying amounts of assets and liabilities in the financial statements and in the corresponding tax bases used for the calculation of taxable income and are recorded under the liability method in the balance sheet. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized for all deductible temporary differences when it is probable that taxable income, against which these temporary differences may be utilized, will be available. These assets and liabilities are not recognized if the temporary difference results from goodwill or from the initial recognition (provided that it is not a business combination) of other assets and liabilities in a transactions which affect both taxable and accounting income.

Deferred tax liabilities are recognized for taxable temporary differences associated to investments in subsidiaries, except when the Company is able to control the reversal of temporary differences and when it is probable that this reversal will not occur in a foreseeable future. Deferred tax assets arising from deductible temporary differences related to these investments will only be recognized when it is probable that there will be a sufficient taxable income against which temporary difference benefits may be utilized and when its reversal in a foreseeable future is probable.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and deducted when it is no longer probable that taxable income will be available to permit that the whole asset, or part of it, be recoverable.

Deferred tax assets and liabilities are measured at the rates applied in the period in which the liability was settled or the asset realized, based on rates (and tax legislation) prevailing at the balance sheet date. Measurement of deferred tax assets and liabilities reflects tax effects arising from the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities on the date of disclosure.

Deferred tax assets and liabilities are offset when there is a legally exercisable right to offset the current tax asset against the current tax liability and when they are related to the income tax levied by the same tax authority and the Company intends to settle the net value of its current tax assets and liabilities.

2.12.3. Current and deferred taxes for the year

Current and deferred taxes are recognized as expense or revenue in the statement of income, except when they are related to items credited or charged directly to capital, in which case taxes are also recognized directly in shareholders' equity, or when they arise from the initial recognition of a business combination. In case of business combinations, the tax effect is recorded through the calculation of goodwill or the determination of an excess in the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree over the business combination cost.

2.13. Employee benefits

The Company has several employee benefit plans, including pension, healthcare, dental care and profit sharing plans. The main plans granted to the Company's employees are described in notes 15 and 21.

The post-employment pension plan is characterized as a defined contribution plan, for which the Company has no legal obligations in case the plan does not have sufficient assets to pay the benefits obtained by the employees as a result of past services, as explained in IAS 19, *Employee Benefits*.

Contributions to defined contribution pension plans are recognized as expenses when actually incurred, i.e, when the services of the Company's employees are provided.

2.14. Other current and noncurrent assets and liabilities

They are recorded at realizable amounts (assets) and at known or estimated amounts plus accrued charges and inflation adjustments incurred (liabilities), when applicable.

2.15. Distribution of dividends and interest on capital

Recognized as liabilities when dividends are approved by the Company's shareholders. The Company's by-laws sets forth that at least 25% of net income for the year calculated in accordance with Brazilian corporate law and with accounting practices adopted in Brazil shall be distributed as dividends. At year end, the Company accrues the minimum dividends not paid during the year up to the limit of the mandatory minimum dividend described above.

Interest on capital was considered as payment of dividends since such interest has the feature of a dividend for financial statement presentation purposes. The amount of interest on capital was calculated as a percentage of the Company's shareholders' equity, using the long-term interest rate (TJLP), established by the Brazilian government and, as required by law, was limited to 50% of the net income for the year or of the balance of retained earnings before net income for the year, whichever is higher. In addition, as permitted by Law 9249/95. withholding income tax calculated at the rate of 15% due on payment or on recording of the related compensation was considered as deductible for income tax purposes.

2.16. Recognition of sales revenue

Revenue is calculated at the fair value of consideration received or receivable. Revenue is reduced by indirect sales taxes, customer returns, rebates and other similar allowances.

Sales revenue is recognized when all of the following conditions are met:

- The Company transferred to the buyer significant risks and benefits related to product ownership;
- The Company does not retain continuing managerial involvement to the degree usually associated with ownership nor or effective control over the goods;
- Revenue can be measured reliably;
- It is probable that economic benefits associated with the transaction will floe to the entity;
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

Freight on sales is recorded as selling expenses.

2.17. Provisions

Provisions are recognized when an entity has a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, considering the risks and uncertainties related to the obligation. When the provision is measured based on the estimated cash flow to settle the current obligation, its value is determined using the present value of these cash flows.

When the economic benefit required to settle a provision is expected to be received from third parties, this amount receivable is recorded as an asset, when reimbursement is virtually certain.

Warranties

Accrued warranty costs are recognized on the date of the sale, based on Management's best estimate of the costs to be incurred for the settlement of the Company's obligation.

2.18. Application of judgment and critical accounting policies when preparing Financial Statements

Critical accounting policies are those that (a) are important to the portrayal of the Company's financial condition and results and (b) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex. In the preparation of the Consolidated Financial Statements, the Company has relied on variables and assumptions derived from historical experience and various other factors that it deems reasonable and relevant. Even if these estimates and assumptions are revised by the Company in the normal course of business, the portrayal of its financial condition and results often requires the use of judgments as regards the effects of matters inherently uncertain on the carrying amount of its assets and liabilities. Actual results may differ from estimates based on different variables, assumptions or conditions. In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, comments have been included that relate to each critical accounting policy described below:

a) Deferred income tax

The liability method of accounting for income taxes is used for deferred income taxes arising from temporary differences between the book and tax base of assets and liabilities and for tax loss carryforwards. Deferred income tax assets and liabilities are calculated using tax rates applicable to taxable income in the years in which those temporary differences are expected to be realized. Future taxable income may be higher or lower than estimates made when determining whether it is necessary to record a tax asset and the amount to be recorded.

b) Useful lives of long-lived assets

The Company recognizes depreciation of its long-lived assets based on estimated useful lives, which are based on industry practices and prior experience and reflect economic lives of long-lived assets. Nevertheless, actual useful lives can vary based on technological update of each unit. Useful lives of long-lived assets also affect impairment tests of those long-lived assets, when required.

2.19. New IFRS and IFRIC interpretations

The following new pronouncements, amendments and interpretations must be adopted for the first time for the period beginning on January 1, 2008, except for amendments to IAS 39 and IFRS 7, as explained below, but are not presently relevant or applicable to the Company.

- IAS 39 and IFRS 7: changes related to the "Reclassification of financial assets" prevailing for transactions occurred on or after July 1, 2008;

- IFRIC 11, "IFRS 2 - Group and treasury share transactions";

- IFRIC 12, "Service concession arrangements";

- IFRIC 14 and "IAS19 - Limit on asset arising from defined benefit plans, minimum requirements of capitalization and its correlation".

The following new pronouncements, amendments and interpretations were issued but are not effective for the year or period beginning January 1, 2008 and have not been adopted in advance.

- IFRS (changes to several standards), prevailing on years beginning on or after January 1, 2009;

- IFRS 8, "Operating segments", prevailing in years beginning on or after January 1, 2009. IFRS 8 replaces IAS14, "Reports per segment" and requires a "management approach" in which information per segment is presented on the same bases of those used for internal report purposes;
- IAS 23 (reviewed), "Loan costs", prevailing in years beginning on or after January 1, 2009;

- IAS 37 (reviewed), "Individual and consolidated financial statements", prevailing in years beginning on or after July 1, 2009;

- IFRS 2 - change related to acquisition and cancellation conditions, prevailing in years beginning on or after January 1, 2009;

- IAS 39 - changes related to items eligible to hedge accounting, prevailing in years beginning on or after July 1, 2009;

- IFRS 1 (reviewed and restructured in 2008), changes relates to cost of investment in subsidiary in the Company's financial statements for the first time adoption of IFRSs prevailing in years beginning on or after January 1, 2009;

- IFRS 3 (reviewed), "Business combinations" and consequent reviews to IAS27 "Individual and consolidated financial statements", IAS28 "Investments in associates" and IAS31 "Interest in joint ventures", are valid for business combinations whose acquisition date occurred on or after the beginning of the fir year starting on or after July 1, 2009. The Company's management is analyzing the impact of new requirements related to the recognition of acquisitions, consolidation and associates in the group;

- IAS 1 (reviewed), "Presentation of financial statements", prevailing in years beginning on or after July 1, 2009;

- IAS 32 and IAS 1 Changes related to "puttable instruments" and liabilities resulting from settlement, prevailing in years beginning on or after January 1, 2009;

- IFRIC 13, "Client loyalty programs", prevailing in years beginning on or after July 1, 2008;
- IFRIC 15, "Real estate construction agreements", prevailing in years beginning on or after January 1, 2009;
- IFRIC 16, "Hedge of net foreign investments" prevailing in years beginning on or after October 1, 2008;
- IFRIC 17, "Distribution of nonmonetary assets to shareholders" prevailing in years beginning on or after July 1, 2009;
- IFRIC 18, "Client asset transfers", prevailing in years beginning on or after July 1, 2009.

The Company will adopt the mentioned pronouncements as of dates in which the standard is to prevail, but no relevant impacts are expected on financial statements.

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1. The following practices were adopted in the preparation of the Consolidated Interim Financial Statements:

3.1.1. Subsidiaries

The Company fully consolidated the financial statements of all its subsidiaries. There is control when the Company holds, directly or indirectly, most of the voting rights at the Shareholders' Meeting or has the power to determine the financial and operational policies, to obtain benefits from its activities. The consolidated financial statements as of December 31, 2008 and 2007 include the accounts of the Company and the following subsidiaries:

Subsidiary	Country	Main activity
Rominor - Comércio, Empreendimentos e Participações S.A. ("Rominor")	Brazil	Ventures and equity interests in general
Romi Machine Tools, Ltd. ("Romi Machine Tools")	United States of America	Distribution of machine tools and cast and machined products in North America
Interocean Com. Importadora e Exportadora S.A. ("Interocean")	Brazil	Trading company, not operating in the periods presented
Favel S.A. ("Favel")	Uruguay	Sales representation for Latin America
J.A.C. Indústria Metalúgica Ltda. ("J.A.C.")	Brazil	Manufacture of plastic blowers
Romi Europa GmbH ("Romi Europa")	Germany	Technical assistance and support to dealers in Europe, Asia, Africa, and Oceania
Romi Itália S.r.l (Romi Itália)	Italy	Development of projects, production and sales, distribution, import and export of machinery and equipment for the processing of plastic raw materials.
Subsidiaries of ("Romi Itália")		
Sandretto UK Ltd.	United Kingdom	Distribution of machinery for plastics and spare parts services..
Sandretto Industries S.A.S.	France	

(a) This subsidiary was acquired on January 25, 2008, see details in note 4.1..

(b) A limited liability company establsihed on May 22, 2008 with a capital of € 300,000 fully subscribed by the single partner Romi Europa. As detailed in note 9, Romi Italia acquired these subsidiaries on July 24, 2008, as part of the Agreement for Assignment of Ownership Interest and Industrial Complex signed with Sandretto Industrie S.r.l. During the fourth quarter of 2008, the Company paid up € 3,450,000 (equivalent to R$ 9.659) of Romi Italia's capital, and now directly holds 92% of this subsidiary's capital which, before the abovementioned contribution, was fully held by the wholly-owned subsidiary Romi Europa.

The summarized table below shows the main captions of the consolidated operational subsidiaries' financial statements as of December 31, 2008 and 2007: The financial statements of the subsidiaries Interocean, Romi Europa, Favel and J.A.C. are not presented because of the immateriality of the balances.

	Romi Itália	Rominor		Romi Machine Tools	
	31/12/2008 (i)	31/12/2008	31/12/2008	31/12/2008	31/12/2008
Assets					
Current assets	57,348	34,044	22,895	19,606	18,185
Noncurrent assets	20,317	6,461	6,624	522	368
Total assets	77,665	40,505	29,519	20,128	18,553
Liabilities					
Current liabilities	28,111	3,922	2,523	19,788	17,142
Noncurrent liabilities	45,512	-	-	158	162
Shareholders' equity	4,042	36,583	26,996	182	1,249
Total liabilities and shareholders' equity	77,665	40,505	29,519	20,128	18,553
	31/12/2008 (i)	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Net operating revenue	16,631	15,504	10,156	16,051	16,781
Gross profit	7,100	15,504	10,156	2,144	2,785
Income (loss) from operations	(4.727)	15,316	9,453	(1,150)	(414)
Income (loss) before taxes	(4.727)	15,316	9,453	(1,150)	(414)
Net income (loss)	(5.034)	12,783	8,020	(1,150)	(414)

(i) The balance sheet and the statement of income, as of the acquisition date on July 24, 2008 up to December 31, 2008, are presented consolidated.

Intercompany balances and transactions have been eliminated in consolidation using the following main procedures:

a) Elimination of intercompany balances;

b) Elimination of intercompany inventory profits, when material;

c) Elimination of the Company's investments with the subsidiaries' capital, reserves and retained earnings balances, and reclassification of negative goodwill of the subsidiary Rominor to liabilities;

d) Elimination of intercompany transactions;

e) Recording of minority interest in a separate caption in the consolidated financial statements.

4. ACQUISITIONS OF SUBSIDIARIES

In 2008, the Company acquired ownership interest in J.A.C. Indústria Metalúrgica Ltda. (“JAC”) and in the “Industrial Complex” of “Sandretto Industrie S.l.r” (“Sandretto Itália”), as shown below:

	JAC (details in item 4.1 below)			Sandretto Itália (details in item 4.2 below)		
	Accounting cost	Adjustment to market value	Market value	Accounting cost	Adjustment to market value	Market value
Assets						
Cash and cash equivalents	89	-	89	4,111	-	4,111
Trade accounts receivable	730	-	730	8,234	-	8,234
Inventories	625	-	625	17,971	-	17,971
Recoverable taxes	122	-	122	3,112	-	3,112
Other receivables	39	-	39	2,147	-	2,147
Total current	1,605	-	1,605	35,575	-	35,575
Property and equipment	911	2,235	3,146	12,705	-	12,705
Intangible assets	-	2,843	2,843	549	-	549
Other receivables	64	-	64	-	-	-
Total noncurrent	975	5,078	6,053	13,254	-	13,254
Liabilities						
Financing	(765)	-	(765)	(2,782)	-	(2,782)
Trade accounts payable	(1,014)	-	(1,014)	(4,020)	-	(4,020)
Taxes and contributions payable	(486)	-	(486)		-	
Other payables	(1,065)	-	(1,065)	(2,943)	-	(2,943)
Total current	(3,330)	-	(3,330)	(9,745)	-	(9,745)
Noncurrent liabilities	(293)	-	(293)	(239)	-	(239)
Net assets acquired	(1,043)	5,078	4,035	38,845	-	38,845
Goodwill/(negative goodwill)	-	-	1,496	-	-	(19,316)
Acquisition amount	-	-	5,531	-	-	19,529
Net cash disbursed for acquisition						
Acquired cash and cash equivalents balance	-	-	(89)	-	-	(4,111)
Net cash disbursed for acquisition	-	-	3,413	-	-	9,463
Total	-	-	3,324	-	-	5,352

4.1. Acquisition of JAC

On January 25, 2008, the Company acquired, for R$ 5,531, all shares in J.A.C. JAC is a traditional manufacturer of plastic blowers, with headquarters and operations in the city of Americana, in São Paulo State . Its acquisition is in line with the Company’s strategy of expanding its product range and its plastic processing machinery manufacturing and sales activities which, until then, were focused on the injection molding sector.

The transaction was approved by the Company’s Board of Directors at the meeting held on January 25, 2008, and its approval by the Shareholders' Meeting was waived according to Article 256 of Law 6404/76.

As of December 31, 2008, R$ 2,162 of the acquisition price, maturing on April 2013, had not yet been settled and is recorded in noncurrent liabilities under the caption “Other payables”. This amount is adjusted based on the extended consumer price index (IPCA) plus interest of 0.3% per month

This subsidiary’s net revenue and net income recorded in the consolidated statement of income from the acquisition date to December 31, 2008 is R$ 16,631 and R$ 7,739, respectively.

4.2. Acquisition of the Industrial Complex and Ownership Interest of Sandretto Industrie S.r.l.

On July 24, 2008, through the Agreement for Assignment of Ownership Interest and Industrial Complex ("agreement"), the Company's subsidiary Romi Itália acquired for the amount of € 7,900,000.00 (equivalent to R$ 19,529 on the agreement date), an "Industrial Complex" from "Sandretto Industrie S.l.r" ("Sandretto Itália"), a company with a single partner, in Extraordinary Administration, whose head office is located in Grugliasco, in the city of Turim, Italy. The subsidiary is primarily engaged in engineering activities, manufacture and sale of plastic machines. The amount paid corresponds to (amounts translated to Brazilian reais at the exchange rate in effect on the agreement date):

a) € 2,480,500.00 (equivalent to R$ 6,131) related to a 100% ownership interest on the following subsidiaries:

   i. € 1,323,000.00 (equivalent to R$ 3,270) for the British subsidiary "Sandretto UK Limited";

   ii. €266,500.00 (equivalent to R$659) for the French subsidiary "Sandretto Industrie SAS";

   iii. € 846,500.00 (equivalent to R$ 2,092) for the Spanish subsidiary "Italprensas Sandretto S.A." and 50% in the capital of Sandretto Centro S.A. and Sandretto Norte S.A., both located in Spain; and

   iv. € 44,500.00 (equivalent to R$ 110) for the Dutch subsidiary "Metalmeccanica Plast B.V.".

b) €5,419,500.00 (equivalent to R$ 13,397), related to the industrial complex of the subsidiary Sandretto Italia, divided as follows:

   i. € 2,447,500.00 (equivalent to R$ 6,050) for real properties;

   ii. € 2,440,000.00 (equivalent to R$ 5,933) for inventories; and

   iii. € 572,000.00 (equivalent to R$ 1,414) for all tangible and intangible assets.

The form of payment of the acquisition amount is as follows:

a) € 1,000,000.00 (equivalent to R$ 2,472), paid on July 14, 2008;

b) € 2,400,000.00 (equivalent to R$ 7,000), paid on November 14, 2008; and

c) € 4,500,000.00 (equivalent to R$ 14,472), as of December 31, 2008, to be paid in 4 semiannual installments of € 1,125,000.00 (equivalent to R$ 3,618), the first of which to mature on January 17, 2009; The amounts were recorded in consolidated under other payables, R$ 7,236 in current and the same amount in noncurrent liabilities. This balance is adjusted at the rate of 3% p.a., as determined in the agreement.

The Company, pursuant to the acquisition agreement, commits to, for at least two years as of the agreement date, to maintain the business activities in the units of Grugliasco and Pont Canavese, both located in Turin, Italy, and, for the same period, maintain an occupational level not lower than 250 employees ("guarantees"). If these guarantees are not complied with, the Company commits to pay a fine in the amount of € 1,375,000.00 (equivalent to R$ 4,441 as of December 31, 2008).

The acquisition of ownership interest in Sandretto Itália generated gain of € 7,822 thousand (equivalent to R$ 19,316 translated at the exchange rate on the acquisition date), recorded under "Other operating income, net" as the amount paid is lower than the preliminary estimate of the fair value of the subsidiaries' assets acquired and liabilities assumed, as follows.

The Company has not yet concluded the fair value of assets and liabilities assumed ("fair value"), and, as allowed by IFRS 3, the Company has up to one year from the acquisition date to record the final adjustments to determine the fair value. Accordingly, the amounts presented above may differ from the final amounts. As of December 31, 2008, based on the Company's preliminary evaluation, the fair value is estimated as being, substantially, the respective book value. The Company estimates that it will conclude the fair value analysis by the end of the 2nd quarter ending June 30, 2009.

As mentioned above, the Company acquired the Industrial Complex, comprised of tangible and intangible assets and ownership interest in the subsidiaries of Sandretto Itália, which, at the time of acquisition, was in Extraordinary Administration (intervention of the Italian government) and, accordingly, the Company's Management believes that it is not possible to present the pro-forma consolidated net income for the year, as if the acquisition was on January 1, 2008, in view of the factors that prevent this pro-forma presentation from being understood as an operation in the normal course of its business as follows:

a) The acquisition of the Industrial Complex of Sandretto Itália, comprised of tangible and intangible assets, does not provide the necessary information for the preparation of a performance report of this company; and

b) As Sandretto Itália and its subsidiaries were under Extraordinary Administration, i.e., its income and expenses did not reflect an operation in its normal course.

   This subsidiary's net revenue and net income recorded in the consolidated statement of income from the acquisition date to December 31, 2008 is R$ 16,631 and R$ 7,739, respectively.

5. RECONCILIATION BETWEEN IFRS AND BRGAAP

The Company filed individual and consolidated financial statements prepared in accordance with the accounting practices adopted in Brazil (BRGAAP) and, therefore, presents below the reconciliation of the main differences between IFRS and BRGAAP which affected shareholders' equity and net income for the year ended December 31, 2008.

SHAREHOLDERS' EQUITY RECONCILIATION - BRGAAP X IFRS AS OF DECEMBER 12, 2008

Shareholders' equity in BRGAAP		679,243
Adjustments under IFRS:		
Reversal of negative goodwill of subsidiary Rominor	(a)	4,199
Recognition in net income for the year of the gain obtained in a foreign subsidiary as a result of the acquisition of subsidiaries	(b)	19,316
Deferred income tax and social contribution on the adjustments above	(a) (b)	(7,947)
Cumulative foreign currency translation adjustments		5,882
Controlling shareholders' interest		700,693
Minority interest		2,536
Shareholders' equity in IFRS		703,229

RECONCILIATION OF NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2008

Net income in BRGAAP before minority interest		113,834
Adjustments under IFRS:		
Recognition in net income for the year of the gain obtained in a foreign subsidiary as a result of the acquisition of subsidiaries	(b)	19,316
Deferred income tax and social contribution on the adjustment above	(b)	(6,543)
Net income under IFRS		126,607

a) In accordance with IFRS 3, differently from BRGAAP, the maintenance of the negative goodwill in its subsidiary Rominor in 1992, as a result of investment acquisition value being lower than book value, is not confirmed. Therefore, this amount was adjusted, net of tax effects, to shareholders' equity as of January 1, 2006.

b) Refers to the gain verified in the preliminary computation of fair value excess of acquired assets and liabilities assumed over the amount paid, recorded under "Other operating income, net", as part of the acquisition mentioned in item 4.2..

6. CASH AND CASH EQUIVALENTS AND TITLES HELD FOR TRADING

Cash and cash equivalents include cash, banks and short-term, highly liquid investments with low risk of variation in market value.

		31/12/2008	31/12/2007
Cash		15,635	16,174
Bank certificates of deposit (CDB)		75,891	40,006
Short-term investments backed by debentures		39,242	22,851
Treasury bills (LFT)		2,818	5,879
Investment fund shares - balanced fund		-	102,890
Other		1,638	1,210
Cash and cash equivalents	(a)	135,224	189,010
Bank certificates of deposit (CDB)		46,055	49,991
Short-term investments backed by debentures		7,666	61,521
Total titles held for trading	(b)	53,721	111,512

(a) Short-term investments are conducted with prime financial institutions to minimize credit risk; this policy was adopted by the Company for the management of these financial assets. Profitability of these assets is substantially related to CDI (interbank deposit rate).

(b) Short-term investments recorded as titles held for trading are conducted with prime financial institutions to minimize credit risk; this policy was adopted by the Company to manage these financial assets. Profitability of these assets is substantially related to CDI (interbank deposit rate), with a grace period of 120 days.

7. TRADE ACCOUNTS RECEIVABLE

	31/12/2008	31/12/2007
Current assets		
Domestic customers	38,168	44,182
Foreign customers	44,075	21,681
Allowance for doubtful accounts	(2,652)	(1,619)
Refinanced drafts and other	79,591	64,244
Noncurrent assets	1,233	889
Domestic customers	2,467	1,247
	3,700	2,136

The Company's maximum exposure to credit risk is the balance of the abovementioned accounts receivable.

The average sales collection period is approximately 60 days.

The credit risk of trade receivables arises from the possibility that the Company does not receive the amounts resulting from sales transactions. To mitigate this risk, the Company adopts the procedure of analyzing in detail the financial position of its customers, establishing a credit limit and constantly monitoring their balances.

An allowance for doubtful accounts is recorded, based on an analysis of trade notes receivable, in an amount considered sufficient by Management to cover potential losses on the realization of receivables, according to criteria defined by Management, as follows: (i) amounts up to R$ 5, past-due for more than 180 days; (ii) amounts from R$ 6 to R$ 30 (without court-ordered collection) past-due for more than 360 days, and (iii) amounts over R$ 30 (with court-ordered collection) past-due for more than 360 days. An allowance is recognized for the full amount of past-due receivables in all these cases.

The Company has R$ 11,983 as of December 31, 2008 (R$ 2,017 in 2007) in sale financing transactions with its customers. In these transactions the Company is jointly liable for the financing repayment. In the event of the customer's default, the Company is liable for the payment and the equipment pledged to the financial institution is transferred to the Company. The balance of trade accounts receivable is presented net of sale financing transactions.

The balance of trade accounts receivable from domestic customers as of December 31, 2008 and 2007 is as follows:

	2008	2007
Current	22,294	35,004
Past-due:		
1 to 30 days	8,097	5,667
31 to 60 days	2,264	1,765
61 to 90 days	411	33
91 to 180 days	571	712
181 to 360 days	3,895	545
Over 360 days	636	456
Total past-due	15,874	9,178
Total trade accounts receivable	38,168	44,182

The balance of trade accounts receivable from foreign customers as of December 31, 2008 and 2007 is as follows:

	2008	2007
Current	36,226	16,012
Past-due:		
1 to 30 days	4,756	3,742
31 to 60 days	424	900
61 to 90 days	664	619
91 to 180 days	1,173	381
181 to 360 days	482	27
Over 360 days	350	-
Total past-due	7,849	5,669
Total trade accounts receivable	44,075	21,681

The changes in the allowance for doubtful accounts are as follows:

Balance as of January 1, 2007	1,397
Receivables accrued in the period	347
Receivables definitively written off	(125)
Balance as of December 31, 2007	1,619
Receivables accrued in the period	1,042
Receivables definitively written off	(9)
Balance as of December 31, 2008	2,652

8. ONLENDING OF FINAME MANUFACTURER FINANCING

	31/12/2008	31/12/2007
Current assets		
FINAME falling due	279,968	200,726
FINAME awaiting release (a)	4,427	10,551
FINAME past due (b)	22,497	11,944
	306,892	223,221
Noncurrent assets		
FINAME awaiting release (a)	26,564	63,304
FINAME falling due	452,807	346,592
	479,371	409,896
Total	786,263	633,117

Onlending of FINAME manufacturer financing arises from sales to customers that will be financed by funds obtained by the Company from the FINAME (National Equipment Financing Authority) (see note 13).

FINAME manufacturer financing refers to financing linked to sale operations, with maturities of up to 60 months, grace period of up to 12 months and interest of 4% to 5.8% per year + TJLP (Brazilian long-term interest rate), and these terms and conditions are established by the BNDES (National Bank for Economic and Social Development), according to the customer's characteristics. After identifying the customer and the sale and defining the customer's eligibility under BNDES Circular 195, of July 28, 2006, the BNDES, through a financial institution, releases the funds, under an agreement in the name of the Company and acceptance by the customer that will receive the financing. The amounts, terms and interest of the financing are fully reflected in the amounts receivable by the Company to be transferred to the financial institution. The Company had retention of title to the financed equipment.

Onlending of FINAME manufacturer financing is as follows:

a) FINAME awaiting release: Refers to FINAME manufacturer financing transactions that have already been qualified and approved by the parties, including preparation of documentation, issuance of the sales invoice, and delivery of the products to the customer. As of the financial statement dates, the financial institution had not deposited the related funds in the Company's checking account because of the usual operating times of the financial institution.

b) FINAME past-due: Refers to receivables not settled by the customers by the due date, considering the financial statement dates. The Company did not recognize an allowance for possible losses on the realization of this balance due to the retention of title to the machinery sold (collateral). The Company believes that in case of customer's default the value of the machinery would be sufficient to cover the total amount due by the customer.

As of December 31, 2008 and 2007, the Company and consolidated balances of "Onlending of FINAME manufacturer financing" are as follows:

	2008	2007
Current	284,394	211,277
Past-due:		
1 to 30 days	5,536	2,846
31 to 60 days	2,941	1,248
61 to 90 days	2,339	1,092
91 to 180 days	4,249	1,940
181 to 360 days	3,815	2,624
Over 360 days	3,617	2,194
Total past-due	22,498	11,944
Total current	306,892	223,221
A vencer:		
2009	-	191,434
2010	121,679	151,163
2011	197,769	62,666
2012	109,575	4,633
2013	41,870	-
After 2013	8,478	-
Total noncurrent	479,371	409,896
Total	786,263	633,117

9. INVENTORIES

	31/12/2008	31/12/2007
Finished products	93,274	50,490
Work in process	92,996	69,115
Raw materials and components	91,336	61,833
Imports in transit	7,738	1,606
	285,344	183,044

Inventory balance is net of the amount of R$ 15,484 (R$ 10,253 as of December 31, 2007) of the provision for the realization of inventories of slow-moving materials and components with remote probability of being realized through sale or use.

The changes in the provision for obsolescence and adjustment to fair value are as follows:

Balance as of January 1, 2007	11,681
Inventories permanently written off	(8,308)
Recognition of provision	6,880
Balance as of December 31, 2007	10,253
Inventories permanently written off	(6,102)
Recognition of provision	11,333
Balance as of December 31, 2008	15,484

10. RECOVERABLE TAXES

	31/12/2008	31/12/2007
Current assets		
IRRF (withholding income tax) on temporary cash investments	1,303	2,012
IPI (federal VAT), PIS and COFINS (taxes on revenue)	4,025	3,915
ICMS (state VAT) on property, plant and equipment	5,545	3,019
PIS and COFINS on property, plant and equipment	4,978	2,172
Others	1,891	419
Total	17,742	11,537
Noncurrent assets		
PIS and COFINS on property, plant and equipment	8,176	2,675
ICMS on property, plant and equipment	6,006	2,716
Taxes on recoverable income of subsidiaries	4,063	-
Total	18,245	5,391

Recoverable taxes arise from business and financial transactions carried out by the Company and its subsidiaries and are realizable in the normal course of operations.

The expected realization of long-term tax credits is as follows:

	2008
2009	-
2010	7,264
2011	4,950
2012	3,593
2013	813
2014	1,625
	18,245

11. PROPERTY, PLANT AND EQUIPMENT

a) Changes in consolidated property, plant and equipment are as follows:

Cost of gross property, plant and equipment	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Balances as of January 1, 2007	23,999	34,387	121,977	6,494	1,771	11,260	22,668	5,380	227,936
Additions	3,205	1,776	19,903	415	313	1,187	6,002	(5,085)	27,716
Sales	(2,347)	(388)	(1,674)	(160)	(132)	(539)	(46)	-	(5,286)
Transfers	-	23,258	2,636	1,012	30	36	(26,972)	-	-
Balances as of December 31, 2007	24,857	59,033	142,842	7,761	1,982	11,944	1,652	295	250,366
Additions	46	2	13,810	484	634	5,686	99,179	3,492	123,333
Acquisition of subsidiaries	3,380	8,258	4,771	515	921	932	900	-	19,677
Sales	(91)	-	(969)	(129)	(443)	(524)	(249)	-	(2,405)
Transfers	-	25,665	1,860	334	-	-	(27,859)	-	-
Exchange rate changes	562	2,579	1,421	194	302	417	-	-	5,475
Balances as of December 31, 2008	28,754	95,537	163,735	9,159	3,396	18,455	73,623	3,787	396,446
Accumulated depreciation:									
Balances as of January 1, 2007	-	22,740	73,544	4,733	1,365	8,260	-	-	110,642
Depreciation	-	1,623	8,596	376	181	1,079	-	-	11,855
Sales	-	(29)	(954)	(158)	(131)	(525)	-	-	(1,797)
Transfers	-	-	-	-	-	-	-	-	-
Balances as of December 31, 2007	-	24,334	81,186	4,951	1,415	8,814	-	-	120,700

Cost of gross property, plant and equipment	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Depreciation	-	2,015	10,763	425	330	1,642	-	-	15,175
Sales	-	(925)	-	(106)	(344)	(474)	-	-	(1,849)
Transfers	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	172	2,298	480	875	684	-	-	4,509
Exchnage rate changes	-	59	707	177	312	316	-	-	1,571
Balances as of December 31, 2008	-	25,655	94,954	5,927	2,588	10,982	-	-	140,106
Property, plant and equipment, net									
Balances as of January 1, 2007	23,999	11,647	48,433	1,761	406	3,000	22,668	5,380	117,294
Balances as of December 31, 2007	24,857	34,699	61,656	2,810	567	3,130	1,652	295	129,666
Balances as of December 31, 2008	28,754	69,882	68,781	3,232	808	7,473	73,623	3,787	256,340

In view of the financing agreements with the BNDES for investment in property, plant and equipment, approximately R$ 60,959 as of December 31, 2008 (R$ 15,974 as of December 31, 2007) of property, plant and equipment items is pledged as collateral. These items are fully represented by machinery and equipment.

In the year ended December 31, 2008, the Company capitalized financial charges in the amount of R$ 2,346 (R$ 215 as of December 31, 2007), appropriated to “Construction in progress”.

b) Depreciation rates

The Company depreciates property, plant and equipment items under the straight-line method using the following depreciation rates:

	Depreciation rate (%)
Buildings	4
Machinery and equipment	10
Furniture and fixtures	10
Information technology	20
Vehicles	20
Yards	10

12. LOANS AND FINANCING

	Current		Noncurrent		Maturity	Amortization	2007 Financial charges	Guarantees
	31/12/2008	31/12/2007	31/12/2008	31/12/2007			31/12/2008	31/12/2007
Working capital - foreign currency								
Import financing - US$	-	14,906	-	-	06/04//2008	Annual	Interest of 0.25% to 0.80% per year + LIBOR + exchange rate change	Promissory note/surety
Export financing - US$	6,197	4,859	5,842	13,285	02/09/2010	Semiannual	0.80% per year + LIBOR + exchange rate change	Promissory note/surety
Working capital - local currency	-	3,648	-	-	08/21/2008	Monthly beginning 09/21/2007	Interest of 2.5% per year + TJLP, paid monthly together with amortization of principal	Rominor's surety in the amount of R$ 3,232
Property, plant and equipment - local currency	10,185	1.557	54.909	27.672	09/15/2014	Monthly beginning 06/15/2008	Interest of 2% per year + TJLP	Financed machinery, with book value of R$ 60,959, and property mortgage UF11/14/15/16
FINAME sundry	4,769	4,489	7,188	8,187	05/12/2013	Monthly	Interest of 1.3% to 12.5% per year + TJLP, paid monthly together with amortization of principal	Financed machinery / Promissory note/surety
Refinanced drafts	2,128	1,356	2.013	987	11/01/2010	Monthly	Libor + 1% spread	Customer collateral
Romi Machine Tools, Ltd. - working capital - US$	56	39	158	162	06/30/2012	Semi-annual	Interest of 6.31% to 6.39% per year + exchange rate change	Promissory note/surety
Romi Itália - working capital - €	4,923	-	258	-	05/17/2012	Monthly	Interest of 1.3% to 12.5% per year + TJLP, paid monthly together with amortization of principal	Financed machinery
JAC - working capital R$	245	-	588	-	06/30/2009	Annual	Interest of 1.65% per year + Libor	Property, plant and equipment
Total	28,503	30,854	70,957	50,293				

As of December 31, 2008, as collateral for the financing the Company pledged machinery and equipment with book value of R$ 60,959 (see Note 11).

The maturities of financing recorded in noncurrent liabilities as of December 31, 2008 are as follows:

	2008
2010	24,541
2011	14,054
2012	13,388
2013	12,407
2014 After	6,567
Total	70,957

13. FINAME MANUFACTURER FINANCING

	31/12/2008	31/12/2007
Current		
FINAME manufacturer financing	270,028	192,884
Noncurrent		
FINAME manufacturer financing	453,323	348,710

FINAME manufacturer financing agreements are collateralized by promissory notes and sureties, and the main guarantor is the subsidiary Rominor. The balances of FINAME manufacturer financing are directly linked to the balances of “Onlending of FINAME manufacturer financing” (see Note 8), considering that financing transactions are directly linked to sales to specific customers. The amounts, charges and periods of the financing are fully transferred to the customers receiving the financing, and monthly receipts arising from the caption “Onlending of FINAME manufacturer financing” are fully used to repay the related financing agreements. Therefore, the Company is the transferor of the funds to the banks intermediating the financing transactions, although it remains as the principal debtor of this financing.

FINAME manufacturer financing obtained and transferred to customers have maturities of up to 60 months, with the option of a grace period of up to 12 months and interest of 4% to 5.8% per year + TJLP (Brazilian long-term interest rate), and these terms and conditions are established by the BNDES, according to the customer’s characteristics. The balances of FINAME manufacturer financing and, consequently, the balances of Onlending of FINAME manufacturer financing (see Note 8) as of December 31, 2008 and 2007 were monetarily adjusted through the financial statement date. The difference of R$ 62,912 as of December 31, 2008 (R$ 91,523 in 2007) between the balance of Onlending of FINAME manufacturer financing and the balance of FINAME manufacturer financing refers to past-due trade notes, renegotiations in progress for past-due accounts and FINAME transactions not yet released by the financial institution. Management believes that there are no collection risks associated with these receivables because they are collateralized by the financed machinery.

The maturities of FINAME manufacturer financing recorded in noncurrent liabilities as of December 31, 2007 are as follows:

	2008
2010	239,980
2011	141,693
2012	57,667
2013	13,983
Total	453,323

14. FINANCIAL INSTRUMENTS

a) Significant accounting policies: The Company and its subsidiaries enter into transactions with financial instruments whose risks are managed by means of financial position strategies and exposure limit controls. All financial instruments are recorded in the accounting books and consist mainly of:

- Cash and cash equivalent and short-term investments: recognized at amortization cost plus income earned through the balance sheet date, which approximate their fair values;

- Trade accounts receivable: commented and presented in notes 7 and 8;

- Loans and financing: commented and presented in notes 12 and 13.

The Company believes that the other financial instruments, such as payables to related parties for the acquisition of subsidiaries, which are recognized in the consolidated financial statements at their carrying amounts, are substantially similar to those that would be obtained if they were traded in the market. However, because there is no active market for these instruments, differences could exist if they were settled in advance.

b) Risk factors that could affect the Company's business:

Price risk: this risk is related to the possibility of price fluctuations of products sold by the Company or raw materials and other inputs used in the production process. Sales revenues and the cost of sales affected by changes in the international prices of its products or raw materials may change. In order to minimize this risk, the Company constantly monitors price fluctuations in the domestic and international markets.

Interest rate risk: this risk arises from the possibility of losses (or gains) due to fluctuations in interest rates applicable to the assets/investments and liabilities of the Company. In order to minimize possible impacts resulting from interest rate fluctuations, the Company has alternated between fixed rates and variable rates, such as *Libor* and the interbank deposit rate (CDI) and periodically renegotiated their contracts to adjust them to the market.

Exchange rate risk: this risk arises from the possibility of fluctuations in exchange rates affecting financial expenses or income and the liability or asset balance of contracts denominated in a foreign currency. In addition to trade receivables arising from exports from Brazil and investments abroad, which form a natural hedge against currency fluctuations, the Company assesses its exchange exposure.

The Company has financial instruments indexed to the US dollar and the euro. Instruments exposed to exchange rate changes are represented by trade notes receivable, import and export financing, trade accounts payable and loan agreements with subsidiaries located in the United States and Europe. The Company's net exposure to the market risk factor and foreign exchange rate at the moment is as follows:

	Carrying amount		Market value	
	2008	2007	2008	2007
Liabilities in foreign currency:				
Financing	(21,576)	(35,594)	(21,576)	(35,594)
Foreign suppliers	(5,731)	(4,123)	(5,731)	(4,123)
Payables (acquisition of subsidiaries)	(14,772)	-	(14,772)	-
Assets in foreign currency:				
Trade accounts receivable	44,075	21,681	44,075	21,681
Other	2,056	1,121	2,056	1,121
Net exposure	4,052	(16,915)	4,052	(16,915)

The fair value of all elements was measured under the discounted cash flow method based on the Central Bank Overnight Rate (Selic), considering the expected offsetting or realization of liabilities and assets and the market rates in effect on the date information was collected.

Credit risk: this risk arises from the possibility of the Company and its subsidiaries not receiving amounts arising from sales or investments at financial institutions. To mitigate this risk, the Company and its subsidiaries adopt the procedure of analyzing in detail the financial position of their customers, establishing a credit limit and constantly monitoring their balances. In addition, for all transactions of Finame Manufacturer a collateral is required from customers.

Short-term investments are made solely in prime financial institutions with low credit risk. Additionally, each financial institution has a maximum investment limit and balance, determined by the Company's management.

Risk related to FINAME manufacturer financing transactions: Liabilities related to FINAME manufacturer financing transactions are backed by the balances of "Onlending of FINAME manufacturer financing". In turn, the equipment related to these receivables is sold with retention of title by the Company to reduce the risk of loss.

Capital management risk: arises from the Company's option to adopt a financing structure for its operations. The Company manages its equity structure, which consists of a ratio between financial debts and equity (shareholders' equity, retained earnings and profit reserves), based on internal policies and benchmarks.

Risks associated with short-term investments: The Company's financial investments are basically those backed by CDBs, linked to the CDI, maintained with prime financial institutions and with high liquidity and market circulation.

Interest rate risk: this risk arises from the possibility that the Company incurs losses because of interest rate fluctuations that increase its interest expenses on loans and financing.

Risk related to FINAME manufacturer financing transactions: Liabilities related to FINAME manufacturer financing transactions are backed by the balances of "Onlending of FINAME manufacturer financing". In turn, the equipment related to these receivables is sold with retention of title by the Company to reduce the risk of loss.

Foreign currency sensitivity analysis:

Exchange rate fluctuations may have positive or adverse effects arising from the increase or decrease in trade accounts payable to suppliers of imported materials, in trade accounts receivable from export customers, and in loans and financing, denominated in foreign currency, in particular the US dollar.

As of December 31, 2008, the balances denominated in foreign currency were subject to exchange rate changes. We estimate that a ten percent appreciation or depreciation in the exchange rate in relation to the local currency would have resulted in an expense or income of R$ 405. As of December 31, 2007, based on the same assumption, a ten percent appreciation or depreciation in the exchange rate in relation to the local currency would have resulted in an income or expense of R$ 1,691.

Interest rate sensitivity analysis:

Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by interest rate variations, such as TJLP and CDI.

As of December 31, 2008, an estimated ten percent increase or decrease in interest rates would increase or decrease financial income by R$ 1,667, (R$ 1,590 as of December 31, 2007). This amount was calculated considering the impact of hypothetical increases or decreases in interest rates on outstanding short-term investments and financing.

As the FINAME manufacturer financing is specially related to sales transactions (Trade accounts receivable - FINAME manufacturer financing) due to us, but whose interest rates, according to the rules of FINAME manufacturer financing, must be transferred to our customers, we understand that there is no financial impact on income arising from fluctuations in this financing interest rate.

c) Financial instruments per category

All asset financial instruments are classified as "available for sale".

All liability financial instruments are classified as "other financial liabilities".

Financial assets	2008	2007
Current:		
Cash and cash equivalents and short-term investments	188,945	300,522
Trade accounts receivable	79,591	64,244
Onlending of FINAME manufacturer financing	306,892	223,221
Noncurrent:		
Trade accounts receivable	3,700	2,136
Onlending of FINAME manufacturer financing	479,371	409,896
Escrow deposits	13,803	7,087

Financial liabilities	2008	2007
Current liabilities:		
Financing	28,503	30,854
FINAME manufacturer financing	270,028	192,884
Trade accounts payable	31,136	25,193
Other payables	15,160	4,640
Noncurrent:		
Financing	70,957	50,923
FINAME manufacturer financing	453,323	348,710
Other payables	9,626	-

15. PAYROLL AND RELATED TAXES

	31/12/2008	31/12/2007
Salaries	4,204	3,295
Accrued vacation and related taxes	8,863	11,325
Payroll taxes	7,762	6,102
Provision for profit sharing (Law 10101/2000)	13,016	15,212
Total	33,845	35,934

Employee profit sharing was recorded in the statements of income for the years ended December 31, 2008 and 2007, under the captions “cost of sales and services”, “selling expenses”, and “general and administrative expenses”, according to the cost center of each employee.

16. TAXES PAYABLE

	31/12/2008	31/12/2007
Current		
COFINS (tax on revenue)	1,600	3,221
PIS (tax on revenue)	349	700
ICMS (state VAT)	1,953	2,814
Income tax and social contribution on net income	2,424	1,208
Other taxes	1,031	70
Total	7,357	8,013
Noncurrent		
Others	3,578	1,896

The balance of taxes payable recorded in noncurrent liabilities as of December 31, 2008 matures as follows:

2010	524
2011	717
2012	952
2013	648
2014	465
2015	272
	3,578

17. RESERVE FOR CONTINGENCIES

The Company's and subsidiaries' management, along with the legal counsel, classified lawsuits according to the risk of an unfavorable outcome, as specified below:

	Classification of lawsuits amounts as of December 31, 2007			Recorded reserve	
	Remote	Possible	Probable	31/12/2008	31/12/2007
Tax	344	3,848	14,153	14,153	7,683
Civil	1,938	724	202	202	168
Labor	2,590	1,303	1,521	1,521	895
Total	4,872	5,875	15,876	15,876	8,746

Management recognized a reserve for contingencies for lawsuits whose likelihood of an unfavorable outcome was classified as probable by the Company's legal counsel. Changes in the year ended December 31, 2008 are shown below:

	31/12/2007	Additions	Uses/ reversals	Inflation adjustment	31/12/2008
Tax	7,683	6,470	-	-	14,153
Civil	168	117	(83)	-	202
Labor	895	1,228	(698)	96	1,521
	8,746	7,815	(781)	96	15,876

The subsidiaries are not parties to any ongoing lawsuit and have no contingencies that should be considered, according to Management and legal counsel.

As of December 31, 2008, the main lawsuits, which were classified by Management as probable loss based on the opinion of legal counsel and, therefore, were included in the reserve for contingencies, are as follows:

a) Tax lawsuits:

Refer to reserve for PIS and COFINS (taxes on revenue) on ICMS (state VAT) on sales in the amounts of R$ 2,434 (R$ 1,280 as of December 31, 2007) e R$ 11,213 (R$ 5,897 of December 31, 2007) respectively, and INSS (social security contribution) on services provided by cooperatives in the amount of R$ 506 (R$ 506 as of December 31, 2007). The Company is depositing in escrow PIS and COFINS on ICMS on sales. As of December 31, 2008, there was also a reserve for COFINS related to increase in the calculation basis of financial income and other revenues in the amount of R$ 13,803 (R$ 7,087 as of December 31, 2008).

b) Civil lawsuits

Refer to contractual review claims filed in courts by customers.

c) Labor lawsuits

The Company recognized a reserve for contingencies for labor lawsuits in which it is the defendant, whose main causes of action are as follows: a) overtime due to reduction in lunch break; b) 40% fine on FGTS (severance pay fund) prior to retirement; c) 40% fine on FGTS on the elimination of inflation effects of the Verão and Collor economic plans; and d) indemnities for occupational accidents and joint liability of outsourced companies.

Civil and labor lawsuits assessed as possible loss involve matters similar to those above. The Company's management believes that the outcome of ongoing lawsuits will not result in disbursements higher than those recognized in the reserve.

18. SHAREHOLDERS' EQUITY

Capital

Subscribed and paid-up capital as of December 31, 2008 and 2007, 29, adjusted for inflation in accordance with IAS 29, is represented by 78,557,547 registered common shares, without par value, all with the same rights and advantages.

Issuance of shares

During the period, the Company raised funds through a public stock offering, the cost of which, comprised of commissions to financial institutions, legal and audit fees, publications, and other related expenses, totaled R$ 12,963. The main event related to the public offering was the Capital Increase through Public Offering. According to the minutes of the Board of Directors' meeting of April 11 and 25, 2007, the Company's capital was increased by R$ 180,000 and R$ 62,936, respectively, from R$ 260,000 to R$ 502,936, through the issuance of 16,195,719 new common shares for public subscription, paid-up on April 17 and 25, 2007, respectively, at the price of R$ 15.00 per share. As a result of these capital increases, the Company's capital as of December 31, 2007 is represented by 78,557,547 registered common shares without par value.

Dividends

The Company's bylaws provide for the payment of a mandatory minimum dividend of 25% of net income adjusted as set forth by Corporate Law. Management's proposal for distribution of dividends and recognition of profit reserve submitted to the Annual Shareholders' Meeting is as follows:

	2008	2007
Net income	125,726	124,219
(-) Recognition of legal reserve	(5,648)	(5,448)
Income available for distribution	120,078	118,771
Dividends paid	-	(31,158)
Interest on capital	(40,336)	(42,814)
Recognition of profit reserve	79,742	44,799
Dividends paid	-	31,158
Interest on capital, net of withholding income tax	35,451	37,623
	35,451	68,781
% of income distributed	30%	58%

Capital reserve

Consists of tax incentives reserves related to development projects.

Interest on capital.

The Company opted to pay interest on capital in the amount of R$ 40,336 (R$ 42,814 in 2007), with withholding income tax of R$ 4,885 (R$ 5,191 in 2007). Interest on capital is included in dividends for each reporting year.

The Company approved the payment of interest on capital in 2008, as follows:

		Amount - R$			
Earnings	Event date	Net of IRRF	Gross	Gross amount per share - R$	Payment date
Interest on capital	RCA - 03/18/2008	8,300	9,427	0.12	04/18/2008
Interest on capital	RCA - 06/10/2008	8,748	9,961	0.1268	07/18/2008
Interest on capital	RCA - 09/02/2008	9,062	10,315	0.1313	10/20/2008
Interest on capital	RCA - 12/09/2008	9,341	10,633	0.1393	01/20/2009
Total		35,451	40,336		

Dividends and interest on capital balance payable, amounting to R$ 11,777 as of December 31, 2008, included prior years' dividends and interest on capital which had not been claimed by shareholders.

The Company approved the payment of interest on capital and dividends in 2007, as follows:

		Amount - R$		Gross amount per share - R$		
Earnings	Event date	Net of IRRF	Gross	Preferred Shares	Common Shares	Payment date
Interest on capital	RCA - 05/30/2007	11,408	12,962	-	0.1650	07/18/2007
Interest on capital	RCA - 09/05/2007	12,432	14,140	-	0.1800	10/18/2007
Interest on capital	RCA - 10/30/2007	13,783	15,712	-	0.2000	12/18/2007
Dividends	RCA - 02/07/2007	31,158	31,158	5,0000	4.5454	04/06/2007
Total		68,781	73,972			

Legal reserve

As provided for in article 193 of Law 6404/76, 5% of net income for the year must be used to recognize a legal reserve, which cannot exceed 20% of capital. As of December 31, 2008, the Company recorded R$ 5,648 (R$ 5,448 in 2007).

Profit reserve

The amount of retained earnings plus the profit reserve will be used to cover working capital requirements and enable investments to increase and modernize production capacity, introduce new products and invest in subsidiaries, according to the investment plan approved by Management to be submitted to the Annual Shareholders' Meeting.

Share buyback plan

The Board of Directors, in a meeting held on October 21, 2008, approved the common share buyback plan (the "Plan"), for shares to be held in treasury and subsequently cancelled or sold, without capital reduction, pursuant to its By-laws, CVM Instructions 10/80 and 268/97, and other prevailing laws.

With this plan, the Company's purpose is to maximize shareholders' value by investing part of its funds available in the total amount of the profit and capital reserves.

According to the Plan, share buyback will be carried out between October 22, 2008 and April 17, 2009. As of December 31, 2008, the Company had purchased 2,286,900 shares at the average price of R$ 6.81 per share, totaling R$ 15,566.

Cumulative foreign currency translation adjustments

The Company recognizes under this caption the cumulative effect from the translation of financial statements of its subsidiaries that maintain accounting records in a currency different from the parent's currency. These effects are recognized after the IFRS implementation date.

The cumulative effect will be reversed to income as a gain or loss in the event of sale or write-off of the investment.

19. EARNINGS PER SHARE

a) Changes in the number of shares

Shares issued	Common	Preferred	Total
Shares as of 12/31/2005	3,452,589	3,092,882	6,545,471
Shares as of 12/31/2006	3,452,589	3,092,882	6,545,471
Stock split as of 02/15/2007	34,525,890	30,928,820	65,454,710
Conversion of preferred shares into common shares as of 02/15/2007	27,835,938	(30,928,820)	(3,092,882)
Issue of shares through public offering	16,195,719	-	16,195,719
Shares as of 12/31/2007	78,557,547	-	78,557,547
Shares as of 31/12/2008	78,557,547	-	78,557,547

b) Earnings per share

In compliance with IAS 33, Earnings per Share, the following tables reconcile the net income with the amounts used to calculate the basic and diluted earnings per share.

	2008	2007
Net income	125,726	124,219
Weighted average of shares issued (in thousands)	78,301	73,765
Basic and diluted earnings per share	1.606	1.6840

20. INCOME AND SOCIAL CONTRIBUTION TAXES

Income tax is calculated at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$ 240. Social contribution is calculated at the rate of 9% on taxable income.

The table below shows a reconciliation of taxes on income before income tax and social contribution by applying the prevailing tax rates as of December 31, 2008 and 2007.

	31/12/2008	31/12/2007
Income before income tax and social contribution	161,759	150,317
Statutory rate (income tax and social contribution)	34%	34%
Expected income tax and social contribution charges at statutory rate	(54,998)	(51,108)
Reconciliation to the statutory rate:		
Income tax and social contribution on:		
Interest on capital	13,714	14,557
Other additions (deductions), net	7,960	9,094
Income tax and social contribution - current	(33,324)	(27,457)
Income tax and social contribution - deferred	(1,828)	1,914
Income tax and social contribution charges	(35,152)	(25,543)
Provision for income tax and social contribution	(35,152)	(25,543)
Statutory income tax and social contribution rate	22%	17%

a) Deferred income and social contribution taxes

	31/12/2008				31/12/2007	
	Temporary differences	Income tax	Social contribution	Total	Temporary differences	Deferred taxes
Assets						
Adjustments to market value or other:						
Provision for inventory losses	15,684	3,912	1,393	5,305	10,253	3,476
Repossession of machinery	1,621	404	146	550	766	260
Investments	437	109	39	148	451	152
Adjustments to present value: trade accounts receivable and payable	321	80	29	109	649	220
Commissions	780	194	70	264	666	226
Reserve for contingencies	16,174	4,034	228	4,262	8,997	2,405
Allowance for warranty of machines	3,680	918	331	1,249	2,600	881
Performance-based compensation	1,294	323	116	439	-	-
Management profit sharing	4,500	-	405	405	4,400	396
Deferred income tax and social contribution, net	44,491	9,974	2,757	12,731	28,782	8,016
Liabilities						
Write-off of negative goodwill on acquisition of subsidiary	23,515	5,831	2,116	7,947	4,199	1,404

i) The recorded asset is limited to amounts whose utilization is supported by future taxable income projections, approved by Management. Future taxable income projections include several estimates related to the performance of the Brazilian and global economies, selection of exchange rates, sales volume and price, tax rates, among others, which may differ from actual amounts. As the result of income and social contribution taxes depends not only on taxable income, but also on the tax and corporate structure of the Company and its subsidiaries in Brazil and abroad, the expected realization of temporarily nondeductible differences, the existence of non-taxable income, nondeductible expenses, and other variables, there is no direct correlation between the net income of the Company and its subsidiaries and the result of income and social contribution taxes. Accordingly, changes in the realization of temporarily nondeductible differences should not be considered indicative of future profits of the Company and its subsidiaries.

ii) Income and social contribution tax liabilities refer to the write-off of negative goodwill arising from acquisition of a subsidiary as part of the application of the IFRS. Tax payable on gain arising from the write-off of negative goodwill will be deferred until the negative goodwill is realized, which will occur when the investment is sold or impaired.

As of December 31, 2008, the expected realization of deferred income and social contribution taxes, recorded in noncurrent assets, is as follows:

	2008		
	IRPJ	CSLL	Total
2009	2,087	1,155	3,243
2010	5,166	631	5,797
2011	1,462	522	1,983
2012	1,249	445	1,694
2013	10	4	14
	9,974	2,757	12,731

b) Breakdown and changes in deferred income and social contribution taxe:

	Balance as of 31/12/2006	Recognized in income	Balance as of 31/12/2007
Provision for inventory losses	3,957	(481)	3,476
Repossession of machinery	214	46	260
Investments	146	6	152
Adjustments to present value: trade accounts receivable and payable	190	30	220
Reserve for contingencies	331	1,168	1,499
Commissions	148	78	226
Suspended taxes	837	950	1,787
Management profit sharing	279	117	396
Deferred income tax and social contribution, net	6,102	1,914	8,016
Income tax and social contribution liabilities:			
Negative goodwill on acquisition of subsidiaries	(1.404)	-	(1.404)

	Balance as of 31/12/2007	Recognized in income	Balance as of 31/12/2008
Provision for inventory losses	3,476	1,829	5,305
Repossession of machinery	260	290	550
Investments	152	(4)	148
Adjustments to present value: trade accounts receivable and payable	220	(111)	109
Allowance for warranty of machines	881	368	1,249
Performance-based compensation	-	439	439
Commissions	226	38	264
Reserve for contingencies	2,405	1,857	4,262
Management profit sharing	396	9	405
Deferred income tax and social contribution, net	8,016	4,715	12,731
Income tax and social contribution liabilities:			
Negative goodwill on acquisition of subsidiaries	(1,404)	(6,543)	(7,947)
Deferred income tax and social contribution, net		(1,828)	

The Company recorded income tax on its subsidiaries' deferred tax loss carryforwards and temporary differences as of December 31, 2008 in the amount of approximately R$ 8,500 and R$ 4,668, respectively. As Management does not expect to realize these amounts, an allowance for non-realization of the full amount was recorded.

21. PENSION PLAN

The Company has defined contribution pension plans managed by an authorized pension plan entity, effective since October 1, 2000, for all its employees and management, which are referred to as "Plano Gerador de Benefício Livre (PGBL)" and "Fundo Gerador de Benefícios (FGB)".

The nature of the plan allows the Company, at any time and at its sole and exclusive discretion, to suspend or permanently discontinue its contributions to the plan.

The plan is funded by the Company and its participants, according to the type of benefit for which they are eligible.

The Company's contributions in 2008 were R$ 3,651 (R$ 3,166 in 2007).

22. INSURANCE

The insured amounts are determined and contracted on a technical basis and are considered sufficient to cover potential losses arising from permanent assets and inventories. It is the policy of the Company and its subsidiaries to maintain insurance coverage for assets exposed to risks in amounts considered sufficient by Management to cover potential losses, according to the nature of activities and the risk assessment by specialized consultants. As of December 31, 2008, insurance coverage is as follows:

Coverage	Effective period	Coverage amount
Fire, windstorm, and electrical damage:		
Buildings	01/01 to 12/31/09	20,375
Machinery and equipment	01/01 to 12/31/09	76,705
Inventories	01/01 to 12/31/09	22,772

23. SEGMENT REPORTING

In order to manage its business the Company is organized into three business units. These business units are the basis on which the Company reports its primary information by segment according to IAS 14, *Segment Reporting*. The main segments are as follows: machine tools, plastic injectors and rough cast and machined products. Segment reporting on these business units is as follows:

	31/12/2008				
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Gross operating revenue	439,924	128,074	128,126	-	696,124
Taxes on sales	(238,481)	(60,056)	(118,013)	-	(416,550)
Transfers remitted	23,460	-	35,046	(58,506)	-
Transfers received	(28,669)	(19,163)	(10,674)	58,506	-
Gross profit	196,234	48,855	34,485	-	279,574
Operating income (expenses):					
Selling expenses	(42,463)	(15,853)	(7,611)	-	(65,927)
General and administrative expenses	(37,479)	(17,685)	(8,636)	-	(63,800)
Research and development expenses	(23,190)	(5,576)	-	-	(28,766)
Management profit sharing and compensation	(9,087)	(1,696)	(1,918)	-	(12,701)
Tax expenses	(1,855)	(575)	(483)	-	(2,913)
Other income	20,989	-	-	-	20,989

	31/12/2008				
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Income from operations before financial income (expenses)	103,149	7,469	15,838	-	126,456
Financial income	-	-	-	-	36,950
Financial expenses	-	-	-	-	(5,061)
Exchange gains	-	-	-	-	10,752
Exchange losses	-	-	-	-	(7,338)
Total financial income (expenses)	-	-	-	-	35,303
Income before income tax and social contribution	-	-	-	-	161,759
Income and social contribution taxes	-	-	-	-	(35,152)
Net income	-	-	-	-	126,607
Attributed to:					
Management profit sharing	-	-	-	-	125,726
Minority interest	-	-	-	-	881
Inventories	203,404	66,599	15,341	-	285,344
Depreciation	10,560	661	3.,954	-	15,175
Property, plant and equipment, net	210,735	22,652	22,953	-	256,340
Goodwill	-	1,496	-	-	1,496

	31/12/2007				
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Gross operating revenue	416,790	104,204	110,994	-	631,988
Taxes on sales	(224,998)	(43,141)	(91,736)	-	(359,875)
Transfers remitted	22,793	-	30,645	(53,438)	-
Transfers received	(22,284)	(19,482)	(11,672)	53,438	-
Gross profit	192,301	41,581	38,231	-	272,113
Operating income (expenses):					
Selling expenses	(41,600)	(12,104)	(6,082)	-	(59,786)
General and administrative expenses	(31,329)	(6,834)	(7,293)	-	(45,456)
Research and development expenses	(21,525)	(4,815)	-	-	(26,340)
Management profit sharing and compensation	(9,174)	(1,513)	(1,738)	-	(12,425)
Tax expenses	(5,037)	(825)	(880)	-	(6,742)
Other income	1,031	-	-	-	1,031
Income from operations before financial income (expenses)	84,667	15,490	22,238	-	122,395
Financial income	-	-	-	-	30,508
Financial expenses	-	-	-	-	(5,048)
Exchange gains	-	-	-	-	(3,796)
Exchange losses	-	-	-	-	6,258
Total financial income (expenses)	-	-	-	-	27,922
Income before income tax and social contribution	-	-	-	-	150,317
Income tax and social contribution	-	-	-	-	(25,543)
Net income	-	-	-	-	124,774
Attributed to:					
Management profit sharing	-	-	-	-	124,219
Minority interest	-	-	-	-	555
Inventories	151,235	18,052	13,757	-	183,044
Depreciation	8,028	420	3,407	-	11,855
Property, plant and equipment, net	94,561	1,842	33,263	-	129,666

The Company does not carry out sales transactions with a single foreign customer, per geographical area, representing 10% or more of the total sales to all foreign customers.

24. FUTURE COMMITMENTS

On May 1, 2007, the Company signed an agreement for the supply of electric power with the public utility service concessionaire Centrais Elétricas Cachoeira Dourada S.A. (CDSA), of Grupo Endesa, for the period from January 1, 2008 up to December 31, 2012, at the free consumer system. The agreement is readjusted annually by the IGP-M (General Market Price Index) index and distributed over the following periods:

Year of supply	Amount
2009	9,707
2010	10,579
2011	11,574
2012	12,105
Total	43,965

The Company's management estimates that this agreement is consistent with the required electric power consumption for the agreement period.

25. EXPENSES BY NATURE

The Company elected to report the Consolidated Statement of Income by function. As required by the IFRS, we present below the Consolidated Statement of Income detailed by nature:

	2008	2007
Depreciation and amortization	15,175	11,855
Personnel expenses	204,911	167,975
Raw material and consumable supplies	334,136	255,728
Freight	14,753	10,787
Other expenses	21,682	64,279
Total	590,657	510,624

	2008	2007
Classified as:		
Cost of sales	416,550	359,875
Selling expenses	65,927	59,786
General and administrative expenses	63,800	45,456
Research and development expenses	28,766	26,340
Management profit sharing and compensation	12,701	12,425
Tax expenses	2,913	6,742
Total	590,657	510,624

26. FINANCIAL INCOME AND EXPENSE

	2008	2007
Financial income:		
Interest on short-term investments	29,265	22,124
Interest on trade notes receivable	7,685	8,384
	36,950	30,508
Financial expenses:		
Interest on financing	5,061	5,048

27. SUBSEQUENT EVENTS

Share buyback plan

As mentioned in note 18, the Company is buying back shares. From January 1, 2009 to the date this report was issued, 923,800 shares were acquired, in the total amount of R$ 6,612, at the average price of R$ 7.16 per share. The total acquired is 3,210,700 shares, in the amount of R$ 22,178, at the average price of R$ 6.91 per share.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of the Company on February 17, 2009.