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

Indústrias Romi S.A.

Management Report for the year ended December 31, 2010

INDÚSTRIAS ROMI S.A.

MANAGEMENT REPORT - 2010

Dear Sirs:

We submit to the examination of Stockholders, Customers, Suppliers, Market and Society in General, the Directors' Report and Financial Statements of Indústrias Romi SA ("Romi" or "Company") for the fiscal year ended 31 December 2010, together with the Independent Auditors Opinion.

2010 was a year of recovery in economic activity, which enabled the recovery of gross fixed capital formation in the Brazilian economy. These factors, coupled with greater availability of credit from the BNDES to the capital goods sector, contributed to various sectors of economic activity resume their levels of installed capacity utilization. However, this same recovery, made the country receive a strong inflow of foreign currency, causing appreciation of the real (the Brazilian currency) which worsened the competitiveness of our products in relation to foreign competitors in Brazil and abroad.

According to the Brazilian Institute of Geography and Statistics (IBGE), Brazilian industry grew 10.5%, the largest increase observed in the period of one year since 1986. However, this does not necessarily represent optimization of installed capacity, since in 2009 there was a decrease of 7.4% in that index, provoked by the financial international crisis.

The first half of last year had a stronger growth, of 16.2%, mainly due to government initiative, such as stimulus measures and tax incentives, like the Investment Support Program (PSI), financing from BNDES especially focused on acquisition of capital goods, which is Romi's acting market, and the reduction of Industrialized Products Tax (IPI).

In the second half of the year, the productive sector has encountered difficulties especially due to the overvalued exchange rate, which undermines the competitiveness of Brazilian manufacturers both domestically and externally.

The Company sought to direct further efforts to the processes rationalization, resources optimization and thus maximization of the return generated by the business. The constant search for excellence was even more strongly accompanied by the search for innovation in 2010. To ensure competitiveness and quality of its products, Romi was attentive to all the opportunities that came on the market. Our focus remains on the search for better ways of working, more streamlined processes, reducing costs through continuous improvement of productive and administrative processes, while maintaining our competitiveness.

Among the main events of the year are: (i) on May 20, died Mr. Carlos Chiti, co-founder and chairman of the Advisory Board of the Company, (ii) in June 2010 Romi reached 150,000 machines manufactured in its plants and (iii) also in June, was celebrated its 80th year of operation, which highlighted the pioneering spirit and innovation that took part in the Brazilian growth and more recently, started to design a global presence with manufacturing operations in Italy and sales and service subsidiaries in Europe and in the United States.

For 2011, the outlook is optimistic. According to the Focus bulletin, published by the Central Bank of Brazil on January 28, 2011, industrial growth should be of 5.03% with an expansion of 4.6% in the GDP and the dollar at R$ 1.75.

The economy in the euro area, Romi's main foreign market, signs that manufacturing activity is expected to recover the pace of growth in 2011. The Market index of manufacturing rose to 57.3 from 57.1 in January, exceeding the initial estimate of 56.9, indicating that the sector is regaining strength in most of the region. In Germany, the manufacturing index has been growing for five months and Italy had the first manufacturing growth since June 2006.

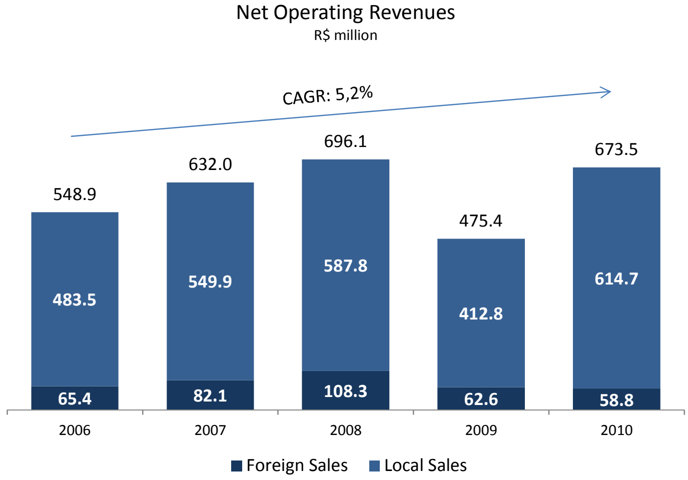
With 81 years of history, marked by pioneering and innovation, Romi starts the year 2011 focusing primarily on its own ability to handle both times of prosperity and adversity through its manufacturing operations in Brazil and Italy, sales and service subsidiaries in Europe and in the United States, and also focusing in the Brazilian and global economic growth. Romi is prepared and sought new markets and products to maximize results with growth recovery.

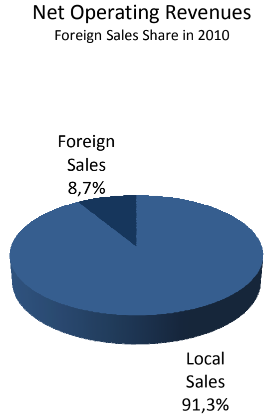
1 - OPERATIONAL PERFORMANCE

Net Operating Revenue

In the twelve months of 2010, the Consolidated Net Operating Revenues grew 41.7% over the same period in 2009, reaching R$ 673.5 million, surpassing both the industrial and GDP growth as the Gross Fixed Capital Formation. This is the result of good overall performance of the Company's operations and the positive performance of industrial activity in Brazil, as well as investment in innovation, considered strategic by Romi. The products launched in the past three years accounted for approximately 65% of net operating revenues in 2010.

In 2010, exports accounted for 8.7% (US$ 33.9 million) of net operating revenues, compared with 13.2% (US$ 32.2 million) achieved in 2009. Europe accounted for 65.9% (62.7% in 2009), the U.S. accounted for 24.2% (27.3% in 2009), Latin America 9.4% (8.7% in 2009) and other countries 0.5% (0.3% in 2009).

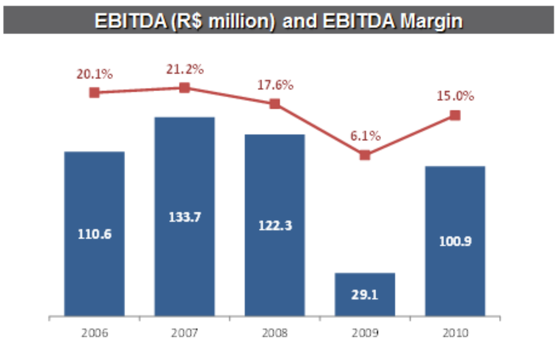


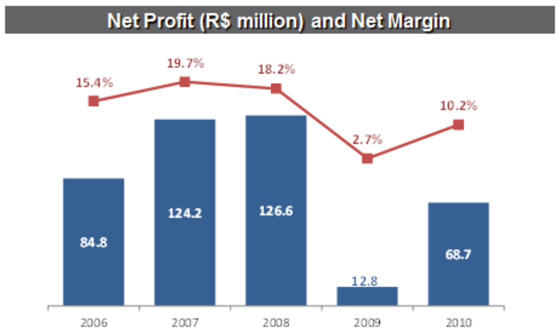


Margins

In 2010, the Company's gross margin increased 500 basis points over 2009, rising from 31.0% to 36.0%. Since the operating margin for 2010, impacted by increased sales and productivity of the Company in relation to 2009, was 940 basis points higher, from 1.9% to 11.4%.

The operating cash generation measured by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in 2010 was R$ 100.9 million, with EBITDA margin of 15.0%. This amount represents an increase of almost 3.5 times the EBITDA achieved in 2009, which was R$ 29.1 million.





Net Profit

Net income reached by Romi in 2010 was R$ 68.7 million, more than 5 times higher than in 2009, positively impacted by the recognition of a tax credit of approximately R$ 5.8 million net of income tax and social contribution 3Q10. Such credits relate to social security taxes for an active tax suit, with a favorable outcome to the Company.

2 - BUSINESS UNITS PERFORMANCE

Company's Operations, products and services are organized into three Business Units. The Machine Tools Business Unit, combining the lines of Conventional Lathes, CNC Lathes (computer numerical control), Machining Centers for Vertical and Horizontal Heavy and Extra-Heavy Lathes, is the largest business unit of the Company, having been responsible for 63.4% of net operating revenues in 2010. The Plastic Machines Business Unit, which corresponded to 26.6% of net operating revenues in that year, manufactures plastic injection molding machines with clamping force from 40 to 4000 tons in Brazil and up to 5,500 tons in Italy, and blowing plastic parts up to 100 liters. The Machined Castings Business Unit is able to produce about 50,000 tons of parts in gray iron, nodular or vermicular, with individual weight of up to 25 tons, contributing with 10.0% of net operating revenues in 2010.

Business Units Performance	Machine Tools	Plastic Machines	Rough and Machined Cast	Total
Net Operating Revenues (R$ thousand)				
2010	**427,104**	**179,413**	**67,012**	**673,529**
Share in the NOR	63.4%	26.6%	10.0%	100.0%
2009	**310,672**	**119,859**	**44,903**	**475,434**
Share in the NOR	65.3%	25.2%	9.4%	100.0%
Change 2010 / 2009	**37.5%**	**49.7%**	**49.2%**	**41.7%**
Units Sold				
2010	**2,326**	**425**	**11,486**	
Share in the NOR	units	units	tons	
2009	**1,454**	**309**	**8,276**	
Share in the NOR	units	unidades	tons	
Change 2010 / 2009	**60,0%**	**37,5%**	**38.8%**	
Gross Margin				
2010	**42.7%**	**32.6%**	**3.0%**	**36.0%**
2009	**38.1%**	**29.3%**	**-13.7%**	**31.0%**
Change 2010 / 2009 basis points	**460**	**330**	**1,670**	**500**
EBIT Margin				
2010	**17.9%**	**3.3%**	**-8.3%**	**11.4%**
2009	**10.6%**	**-9.2%**	**-28.6%**	**1.9%**
Change 2010 / 2009 basis points	**730**	**1,250**	**2,030**	**950**

3 - EARNINGS DISTRIBUTION

As decided by the Board of Directors at the meeting held on December 17, 2010, on January 21, 2011 payment was made of interest on capital attributable to the mandatory minimum dividend for 2010, in the gross amount of approximately R$ 10.4 million, representing R$ 0.14 per share.

4 - INVESTIMENTS

Investments in 2010 totaled R$33.3 million (R$51.8 in 2009), basically in the maintenance and expansion of the industrial complex, expansion of assembling units and information technology.

5 - CAPITAL MARKET

At the end of 2010, the Company's common stock (ROMI3) were quoted at R$ 14.50 and were up by 23.6% over the end of 2009. The Bovespa index in the same period was up by 1.04%.

The Company’s market capitalization at December 31, 2010 was R$ 1,084 million and the average daily trading volume in 2010 was R$ 699 thousand.

6 - SOCIAL RESPONSIBILITY

The Company, having a constant concern with the alignment of all employees with the company's strategy and goals within an ethical environment of constantly seeking professional development and ensuring the welfare and quality of life for employees, provides a range of benefits.

Furthermore, within this same policy, the Company seeks, by itself or through the Romi Foundation, which Romi sponsors, to make social investments to support the community. Since 2003, aside from directing the portion of 1% of income tax to the Fund for the Rights of Children and Teenagers (FDCA), the Company adopted an incentive program with their employees so that they, too, destine the portion to which individuals are entitled. The program has made a commendable result and, in 2010, was designed by the Company’s employees, the amount of 122 thousand reais to the FDCA.

Social Participation Data - Amounts in thousand reais	2009	2010	Change 10/09
Number of Employees on December 31	2,296	2,758	20.1%
Total Payroll including Taxes	152,163	175,322	15.2%
Collected Taxes and Assessments	93,571	131,005	40.0%
Training Investments	1,137	993	-12.7%
Transportation, Meal, Health and Dental Care	9,391	11,105	18.3%
Sports and Recreation for employees	132	1,049	694.7%
Pension Fund	3,339	2,161	-35.3%
Environment	1,622	3,448	112.6%
Profit Sharing Program	1,105	10,134	817.1%
Social Investments	501	1,033	106.2%
Employees’ Donation – FDCA	118	122	3.4%

7 - RECOGNITION

For the second consecutive year Romi integrates the ISE, BM&F Bovespa’s Corporate Sustainability Index, which includes stocks of companies that have a high degree of commitment to sustainability practices and corporate governance. In the portfolio, which will run from January 3 to December 29, 2011, Romi is the only company in the sector of machinery and equipment to reach the certification twice. Currently, ISE consists of 38 companies.

Romi received, once again, PPR - Plastics Magazine Award, sponsored by Editora Definição. The award aims to recognize and encourage excellence, innovation and dynamism of the best companies that worked in the plastics industry in Brazil in 2010. The award was achieved by the company regarding the Top Equipment, Plastic Injection Molding in the category. In the same segment, Romi has won the trophy in 2004, 2005, 2006 and 2007. This proves the quality and efficiency of Romi’s machinery and represents the company's continued customer confidence in quality and excellence of the products and services offered.

Romi Italy, a subsidiary of Indústrias Romi SA, won the recertification of the Quality Management System ISO 9001:2008 for the following positions in its plant in Italy: design, manufacturing and services related to injection molding, and sale of parts replacement. Their cases were audited by TÜV and this certification is valid until 2013. This achievement confirms that the processes within the Romi Italy are structured and maintained to meet customer, government and the company’s requirements, reflecting its commitment to the Integrated Corporate Quality, Environment, Health and Safety.

Carlos Chiti, considered as a co-founder of Romi, received an *in memorian* tribute to Grow Innovation Award on October 19, 2010, in Sao Paulo, in recognition of the contribution made to the Brazilian industry and one of its main features: to consolidate its vision of innovation as a major tool for developing the company and its customers. With the theme Innovation in Tradition, Romi was the first company to receive this recognition in 2005.

8 - ENGAGEMENT OF NON-AUDIT SERVICES FROM EXTERNAL AUDITORS – COMPLIANCE WITH CVM INSTRUCTION 381/03

In the fiscal year ended December 31, 2010, the Company or its subsidiaries did not engage any non-audit services from Deloitte Touche Tohmatsu Auditores Independentes.

9 - ACKNOWLEDGEMENTS

Again, Romi delivers solid results and remains committed to creating value in a sustainable manner, for shareholders, customers, employees and business partners.

Aware of the responsibility of being recognized as a corporate benchmark in the sector of solutions for the manufacturing industry, in the quality and excellence of our products, services, staff and administration, we will continue to work hard to provide the best solutions for all industries the country and to maximize the return generated for our shareholders.

The Board appreciates the support and confidence we have received continuously from its shareholders, employees, customers, suppliers and business partners with whom it relates and is committed to continue working to maintain this support and trust.

Board of Directors

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

Indústrias Romi S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2010 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte Touche Tohmatsu
Av. Dr. José Bonifácio Coutinho
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INDEPENDENT AUDITORS' REPORT

To the Shareholders, Directors and Management of
Indústrias Romi S.A.
Santa Bárbara D'Oeste - SP

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

OPINION ON THE INDIVIDUAL FINANCIAL STATEMENTS

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Indústrias Romi S.A. as of December 31, 2010 and its operating performance and cash flows for the year then ended in accordance with Brazilian accounting practices.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

EMPHASIS OF MATTER

As described in note 2 to the financial statements, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil, which differ from the IFRS applicable to separate financial statement only regarding the statement of investments in subsidiaries, associates and jointly-owned companies under the equity method, which under IFRS would be stated at cost or fair value.

OTHER ISSUES

STATEMENTS OF VALUE ADDED

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2010, whose presentation is required by the Brazilian corporate law for publicly-held companies and considered supplemental information by IFRS. These statements have been subjected to the same auditing procedures described above and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Campinas, February 8, 2011

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Edgar Jabbour
Engagement Partner

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

INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

ASSETS	Note	Company 12/31/10	Company 12/31/09 Adjusted	Consolidated 12/31/10	Consolidated 12/31/09 Adjusted
CURRENT ASSETS					
Cash and cash equivalents	4	60,687	193,247	246,935	225,913
Trade accounts receivable	5	76,091	60,724	87,364	80,004
Onlending of FINAME manufacturer financing	6	350,935	342,155	350,935	338,086
Intercompany receivables	10	19,160	20,621	-	-
Inventories	7	228,223	205,221	263,460	243,651
Recoverable taxes	8	11,698	13,899	14,090	15,937
Other receivables		12,517	9,800	13,924	10,955
Total current assets		759,311	845,667	976,708	914,546
NONCURRENT ASSETS					
Long-term assets:					
Trade accounts receivable	5	14,544	4,468	14,544	4,468
Onlending of FINAME manufacturer financing	6	500,103	477,737	500,103	477,737
Intercompany receivables	10	7,182	-	-	-
Recoverable taxes	8	6,718	10,498	9,943	14,126
Deferred income and social contribution taxes	19.b	19,996	15,747	19,996	15,747
Escrow deposits	16	24,466	17,999	24,466	17,999
Other receivables		18,009	5,903	19,064	6,956
Investments in subsidiaries and goodwill	9	211,538	66,937	-	-
Property, plant and equipment, net	11	271,819	262,672	289,018	281,361
Intangible assets	9	5,333	3,658	7,350	5,675
Total noncurrent assets		1,079,708	865,619	884,484	824,069
TOTAL ASSETS		1,839,019	1,711,286	1,861,192	1,738,615

LIABILITIES AND SHAREHOLDERS’ EQUITY	Note	Company 12/31/10	Company 12/31/09 Adjusted	Consolidated 12/31/10	Consolidated 12/31/09 Adjusted
CURRENT LIABILITIES					
Loans and financing	12	23,370	22,996	24,927	25,538
FINAME manufacturer financing	13	303,579	284,390	303,579	284,390
Trade accounts payable		39,572	26,566	48,323	32,926
Payroll and related taxes	14	33,046	20,192	36,422	22,402
Taxes payable	15	9,983	9,230	11,305	10,259
Advances from customers		7,223	7,145	7,579	7,584
Dividends and interest on capital		9,369	8,801	9,602	9,059
Profit sharing		2,590	1,347	2,590	1,347
Other payables		4,761	4,851	5,842	12,504
Provision for shareholders' deficit - subsidiary	9	2,561	2,182	-	-
Intercompany payables	10	165	188	-	-
Total current liabilities		436,219	387,888	450,169	406,009
NONCURRENT LIABILITIES					
Loans and financing	12	212,451	206,840	212,615	207,123
FINAME manufacturer financing	13	454,304	405,967	454,304	405,967
Taxes payable	15	4,721	3,642	4,721	3,642
Reserve for contingencies	16	26,429	20,323	26,429	20,323
Other payables		3,562	2,550	3,612	2,822
Deferred income and social contribution taxes	19	1,291	1,420	7,325	8,076
Total noncurrent liabilities		702,758	640,742	709,006	647,953
SHAREHOLDERS’ EQUITY					
Capital		489,973	489,973	489,973	489,973
Capital reserve		2,052	2,052	2,052	2,052
Earnings reserve		225,656	195,105	225,656	195,105
Cumulative foreign currency translation adjustments		(17,639)	(4,474)	(17,639)	(4,474)
		700,042	682,656	700,042	682,656
NON-CONTROLLING INTERESTS		-	-	1,975	1,997
TOTAL SHAREHOLDERS’ EQUITY AND NON-CONTROLLING INTERESTS		700,042	682,656	702,017	684,653
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,839,019	1,711,286	1,861,192	1,738,615

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

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

INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010
(In thousands of Brazilian reais - R$ - except earnings per share)

		Company		Consolidated	
	Note	12/31/10	12/31/09 Adjusted	12/31/10	12/31/09 Adjusted
NET OPERATING REVENUE		623,404	427,628	673,529	475,434
COST OF SALES	25	(399,878)	(301,910)	(430,776)	(328,138)
GROSS PROFIT		223,526	125,718	242,753	147,296
OPERATING INCOME (EXPENSES)					
Selling expenses	25	(56,455)	(49,712)	(62,687)	(55,224)
General and administrative expenses	25	(56,422)	(40,245)	(69,168)	(57,508)
Research and development expenses	25	(23,489)	(21,088)	(24,838)	(22,722)
Management profit sharing and compensation	25	(9,676)	(7,753)	(9,809)	(7,849)
Tax expenses	25	(1,533)	(1,452)	(1,829)	(1,763)
Equity in subsidiaries	9	(1,343)	(2,430)	-	-
Other operating income, net	27	1,456	3,828	2,479	6,951
Total		(147,462)	(118,852)	(165,852)	(138,115)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		76,064	6,866	76,901	9,181
FINANCIAL INCOME (EXPENSES)					
Financial income	26	23,712	16,350	26,050	18,206
Financial expenses	26	(16,407)	(6,252)	(16,520)	(6,739)
Exchange loss		(5,301)	(5,745)	(5,283)	(6,112)
		2,004	4,353	4,247	5,355
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		78,068	11,219	81,148	14,536
INCOME TAX AND SOCIAL CONTRIBUTION		(10,139)	663	(12,398)	(1,728)
Current	19.a	(14,517)	(2,224)	(16,776)	(4,615)
Deferred	19.a	4,378	2,887	4,378	2,887
NET INCOME		67,929	11,882	68,750	12,808
Attributable to:					
Controlling interests		67,929	11,882	67,929	11,882
Non-controlling interests		-	-	821	926
		67,929	11,882	68,750	12,808
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE - R$		0.91	0.16		

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

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INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

COMPREHENSIVE STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/10	12/31/09 Adjusted	12/31/10	12/31/09 Adjusted
NET INCOME	67,929	11,882	68,750	12,808
OTHER COMPREHENSIVE LOSS				
Currency translation on foreign investments	(13,165)	(10,123)	(13,165)	(10,123)
NET COMPREHENSIVE INCOME	54,764	1,759	55,585	2,685
NET COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Controlling interests	54,764	1,759	54,764	1,759
Non-controlling interests	-	-	821	926
	54,764	1,759	55,585	2,685

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

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INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

		Attributable to controlling interests									
				Earnings reserve							
	Note	Capital	Capital Reserve	Retained earnings	Legal reserve	Total	Cumulative foreign currency translation adjustments	Profit (loss) for the year	Controlling interests	Non-controlling interests	Total
BALANCE AS OF DECEMBER 31, 2008 - adjusted		489,973	2,052	166,302	36,833	203,135	5,649	-	700,809	2,536	703,345
Net income reported originally		-	-	-	-	-	-	12,101	12,101	926	13,027
Harmonization adjustments to IFRS	2.1	-	-		-	-	-	(219)	(219)	-	(219)
Net income - adjusted		-	-	-	-	-	-	11,882	11,882	926	12,808
Foreign currency translation adjustments		-	-	-	-	-	(10,123)	-	(10,123)	-	(10,123)
Comprehensive income - total		-	-	-	-	-	(10,123)	11,882	1,759	926	2,685
Share buyback	17	-	-	(10,194)	-	(10,194)	-	-	(10,194)	-	(10,194)
Allocations:											
Legal reserve	17	-	-	-	605	605	-	(605)	-	-	-
Interest on capital - Law 9249/95	17	-		(5,924)	-	(5,924)	-	(3,794)	(9,718)	-	(9,718)
Dividends paid (equivalent to R$2.87 per share)		-	-	-	-	-	-	-	-	(1,465)	(1,465)
Retained earnings	17	-	-	7,483	-	7,483	-	(7,483)	-	-	-
BALANCE AS OF DECEMBER 31, 2009 - adjusted		489,973	2,052	157,667	37,438	195,105	(4,474)	-	682,656	1,997	684,653
Net income		-	-	-	-	-	-	67,929	67,929	821	68,750
Foreign currency translation adjustments		-	-	-	-	-	(13,165)	-	(13,165)	-	(13,165)
Comprehensive income - total		-	-	-	-	-	(13,165)	67,929	54,764	821	55,585
Allocations:											
Legal reserve	17	-	-	-	3,396	3,396	-	(3,396)	-	-	-
Interest on capital - Law 9249/95	17	-	-	(11,657)	-	(11,657)	-	(25,721)	(37,378)	-	(37,378)
Dividends paid (equivalent to R$1.99 per share)	17	-	-	-	-	-	-	-	-	(843)	(843)
Retained earnings	17	-	-	38,812	-	38,812	-	(38,812)	-	-	-
BALANCE AS OF DECEMBER 31, 2010		489,973	2,052	184,822	40,834	225,656	(17,639)	-	700,042	1,975	702,017

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

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

INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	12/31/10	12/31/09 Adjusted	12/31/10	12/31/09 Adjusted
Cash flows from operating activities:					
Net income		67,929	11,882	68,750	12,808
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Provision for income and social contribution taxes, current and deferred	19.a	10,139	(663)	12,398	1,728
Financial income (expenses) and exchange gain (loss)		(3,291)	5,939	(3,868)	5,865
Depreciation and amortization	11	23,313	18,895	24,041	19,950
Allowance for doubtful accounts and other receivables		12,299	4,097	12,692	4,436
Proceeds from sale of fixed assets		(1,534)	(4,330)	(1,526)	(4,006)
Equity in subsidiaries and provision for shareholders' deficit , net of dividends received		13,192	24,756	-	-
Provision for inventory losses		(2,609)	4,757	(3,216)	4,957
Reserve for contingencies liabilities		7,005	4,447	7,005	4,447
Increase (decrease) in operating assets:					
Short-term investments in trading securities		-	37,932	-	53,721
Trade accounts receivable		(17,292)	2,713	(14,884)	(1,428)
Intercompany receivables		(6,221)	10,277	-	-
Onlending of FINAME manufacturer financing		18,187	33,902	18,187	33,902
Inventories		(20,393)	28,067	(20,137)	28,765
Recoverable taxes, net		1,732	1,840	1,180	1,560
Escrow deposits		(6,467)	(4,196)	(6,467)	(4,196)
Other receivables		(13,096)	(10,149)	(14,161)	(7,162)
Increase (decrease) in operating liabilities:					
Trade accounts payable		10,355	5,214	13,596	3,539
Intercompany payables		40	(1,540)	-	-
Payroll and related taxes		11,955	(11,853)	13,430	(10,954)
Taxes payable		(2,038)	4,756	(2,728)	1,558
Advances from customers		78	(5,668)	43	(6,350)
Other payables		201	(2,845)	(4,996)	(6,433)
Cash provided by operating activities		103,484	158,230	99,339	136,707
Income tax and social contribution paid		(10,621)	(104)	(12,456)	(129)
Net cash provided by operating activities		92,863	158,126	86,883	136,578
Cash flows from investing activities:					
Purchase of fixed assets		(28,769)	(52,827)	(29,239)	(53,229)
Proceeds from sale of fixed assets		3,463	5,769	3,463	6,167
Increase and (decrease) in intangible assets		(1,311)	567	(1,311)	567
Capital increase in subsidiary	9	(170,579)	(35,263)	-	-
Net cash used in investing activities		(197,196)	(81,754)	(27,087)	(46,495)
Cash flows from financing activities:					
Interest on capital and dividends paid		(32,589)	(12,469)	(33,432)	(13,901)
New loans and financing		26,043	157,267	26,043	157,267
Payments of loans and financing		(20,943)	(19,020)	(21,391)	(21,217)
Interests paid		(14,862)	(8,099)	(15,206)	(8,099)
New loans in FINAME manufacturer	13	363,071	217,232	363,071	217,232
Payment of FINAME manufacturer financing	13	(292,415)	(248,567)	(292,415)	(248,567)
Interests paid - FINAME manufacturer financing		(56,532)	(69,190)	(56,532)	(69,190)
Share buyback	17	-	(10,194)	-	(10,194)
Net cash used in (provided by) financing activities		(28,227)	6,960	(29,862)	3,331
Increase (decrease) in cash and cash equivalents		(132,560)	83,332	29,934	93,414
Exchange variation changes on foreign cash and cash equivalents		-	-	(8,912)	(2,725)
Cash and cash equivalents at beginning of year		193,247	109,915	225,913	135,224
Cash and cash equivalents at end of year		60,687	193,247	246,935	225,913

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

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

INDÚSTRIAS ROMI S.A. AND SUBSIDIARIES

STATEMTNS OF VALUE ADDED FOR THE YEAR ENDED DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		2010	2009 Adjusted	2010	2009 Adjusted
1. Revenues		753,642	529,161	806,269	581,625
Sales of products and services		763,769	522,794	815,644	572,474
Allowance for doubtful accounts and other receivables		(11,583)	(4,097)	(11,854)	(4,436)
Other operating income, net		1,456	10,464	2,479	13,587
2. Inputs purchased from third parties		(342,574)	(231,803)	(370,298)	(257,781)
Materials used		(298,316)	(198,632)	(311,976)	(210,721)
Others costs of products and services		(19,695)	(10,950)	(36,534)	(23,900)
Eletric power, outside service and other expenses		(24,563)	(22,221)	(21,788)	(23,160)
3. Retentions		(23,313)	(18,895)	(24,041)	(19,950)
Depreciation and amortization	11	(23,313)	(18,895)	(24,041)	(19,950)
4. Wealth created by the Company (1+2+3)		387,755	278,463	411,930	303,894
5. Value added received in transfer		17,068	8,175	20,767	12,094
Equity in subsidiaries and dividends from investments	9	(1,343)	(2,430)	-	-
Financial income, including exchange gains		18,411	10,605	20,767	12,094
6. Wealth for distribution (4+5)		404,823	286,638	432,697	315,988
7. Distributions of wealth					
Employees		187,225	166,620	211,231	191,235
- Payroll and related charges		163,346	152,610	187,829	177,739
- Sales commissions		2,342	2,611	1,732	2,001
- Manegement and profit sharing compensation		9,676	7,753	9,809	7,849
- Employee profit sharing		10,134	1,105	10,134	1,105
- Pensions plans		1,727	2,541	1,727	2,541
Taxes		131,004	97,245	134,980	101,609
Federal		110,194	83,225	114,170	87,589
State		19,884	13,351	19,884	13,351
Municipal		926	712	926	712
Tax incentives		-	(43)	-	(43)
Lenders		18,665	10,672	17,736	10,117
Interest		16,407	8,400	16,520	8,887
Rental		2,258	2,272	1,216	1,230
Dividends and interest on capital paid	17	25,721	3,794	26,542	4,720
Retained earnings		42,208	8,307	42,208	8,307
		404,823	286,638	432,697	315,988

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

1. OPERATIONS

Indústrias Romi S.A. (the "Company"), listed on the São Paulo Stock Exchange (BM&FBOVESPA) New Market since March 23, 2007, is engaged in the manufacture and sale of capital goods in general, machine tools, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts in general; analysis of systems and development of data processing programs when related to the production, sale and use of machine tools and plastic injection molding machines; 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 services related to its activities, as well as holding of interests in other commercial or civil companies and in other commercial ventures of any nature, in Brazil and abroad, as partner or shareholder, and the management of own and/or third-party assets. The Company's industrial facilities consist of 11 plants divided into 3 units located in the city of Santa Bárbara d'Oeste, in the State of São Paulo, and 2 in the region of Turim, in Italy. The Company also holds equity interests in subsidiaries in Brazil and abroad, as described in note 3.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Company and its subsidiaries include:

- The Parent's individual financial statements prepared and presented in accordance with accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporate Law and standards set forth by the Brazilian Securities and Exchange Commission (CVM), as amended by Laws 11638/07 and 11941/09;

- The consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil, identified as Consolidated.

In the individual financial statements, investments in subsidiaries, joint ventures and associates are stated under the equity method, as required by the legislation prevailing in Brazil. Therefore, these individual financial statements are not fully compliant with IFRS, which requires that these investments be stated at fair value or acquisition cost.

Since there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the Company's shareholders recorded in the consolidated financial statements prepared under IFRS and the Brazilian accounting practices, the Company elected to present the individual and the consolidated financial statements as a single set in the side-by-side comparison format.

2.1. Changes in Brazilian accounting practices - applicable to the individual financial statements

As permitted by the regulatory body, the Company's management opted for the early adoption of the Pronouncements, Interpretations and Instructions issued by the Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM), effective for annual periods beginning on or after January 1, 2010. Accordingly, these pronouncements were applied as of December 31, 2009.

The following new pronouncement was issued and had impact on the financial statements:

- CPC 43 - First-time adoption of technical pronouncements CPC 15 to 41; revision approved by Resolution 651/10, of December 3, 2010.

The following new statements were issued in 2010 and, although applicable to the Company, did not impact the financial statements when adopted for the first time:

- CPC 01 - Impairment; revision approved by CVM Resolution 639, of October 7, 2010;
- CPC 03 - Statements of cash flows; revision approved by CVM Resolution 641, of October 7, 2010;
- CPC 37 - First-time adoption of IFRS; revision approved by Resolution 647, of October 7, 2010;
- CPC 04R - Intangible assets; revision approved by CVM Resolution 644, of December 2, 2010;
- CPC 05R - Related-party disclosures; revision approved by CVM Resolution 642, of October 7, 2010;
- CPC 08R - Transaction costs and premium on issue of securities; revision approved by CVM Resolution 649, of December 16, 2010;
- CPC 41 - Earnings per share; approved by CVM Resolution 636, of August 6, 2010;

Below are the main effects of the early adoption of CPCs on shareholders' equity and net income, Company and Consolidated:

Shareholders' equity

	Company 2009	Consolidated 2009
Reported shareholders' equity	682,875	682,875
Description of adjustments to new practice:		
Amortization of intangible asset, recorded for IFRS purposes, arising from the acquisition of JAC Indústria Metalúrgica Ltda. ("JAC")	(332)	(332)
Deferred taxes related to the amortization of intangible asset above	113	113
Adjusted shareholders' equity	682,656	682,656

Net income

	Company 2009	Consolidated 2009
Reported net income (before noncontrolling interest)	12,101	13,027
Description of adjustments to new practice:		
Amortization of intangible asset, recorded for IFRS purposes, arising from the acquisition of JAC Indústria Metalúrgica Ltda. ("JAC")	(332)	(332)
Deferred taxes related to the amortization of intangible asset above	113	113
Adjusted net income (before noncontrolling interest)	11,882	12,808
Noncontrolling interest	-	(926)
Adjusted net income	11,882	11,882

Cash Flow

	Company - 2009		
	Reported	Adjustments	Adjusted
Adjustments to reconcile net income to net cash provided by operating activities:			
Net income	12,101	(219)	11,882
Depreciation and amortization	18,563	332	18,895
Current and deferred income and social contribution taxes	(550)	(113)	(663)
Others adjustments to reconcile net income to net cash provided by operating activities	39,666	-	39,666
Operating activities	158,126	-	158,126
Net cash used in investing activities	(81,754)	-	(81,754)
Net cash used in financing activities	6,960	-	6,960

	Consolidated - 2009		
	Reported	Adjustments	Adjusted
Adjustments to reconcile net income to net cash provided by operating activities:			
Net income	13,027	(219)	12,808
Depreciation and amortization	19,618	332	19,950
Current and deferred income and social contribution taxes	1,841	(113)	1,728
Others adjustments to reconcile net income to net cash provided by operating activities	15,699	-	15,699
Operating activities	136,578	-	136,578
Net cash used in investing activities	46,495	-	46,495
Net cash used in financing activities	3,331	-	3,331

2.2. Changes in international accounting standards - applicable to the consolidated financial statements

The CPC has not yet issued the pronouncements and amendments related to the new and revised IFRSs listed below. In view of the CPC and the CVM's commitment to maintain the rules issued adjusted based on IASB's adjustments, these pronouncements and changes are expected to be issued by the CPC and approved by the CVM by the date their adoption becomes mandatory. Following are the new standards, interpretations and revisions not yet issued by CPC:

- IAS 12, Deferred taxes, effective for fiscal years beginning after January 1, 2012.
- IAS 24 Related-party disclosures, effective for fiscal years beginning January 1, 2011;
- IAS 32, Classification of rights, effective for fiscal years beginning February 2010;
- IFRS 1 (amendment). First-time Adoption, effective for fiscal years beginning January 1, 2011;

- IFRS 9, Financial instruments, effective for fiscal years beginning January 1, 2013;

- IFRIC 14 (Amendment) Prepayments of minimum funding requirements, effective for fiscal years beginning on January 1, 2011.

2.3. Basis of preparation

The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration given in exchange for an asset.

These consolidated financial statements are prepared in accordance with IFRS. In preparing individual financial statements, the Company adopted the Brazilian accounting practices introduced by CPCs 15 to 40. The effects of the adoption of IFRS and the new pronouncements issued by CPC are presented in Note 2.1.

The main accounting practices adopted in preparing the financial statements for the years ended December 31, 2010 and 2009 are as follows:

2.4. Translation of foreign currency balances

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 (usually the 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 degree of autonomy. An example of extension is when the foreign operation only sells only goods imported from the Company and remits proceeds to it. An example of an autonomous foreign operation is when the operation accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in the local currency where it operates;

b) Whether transactions with the Company are high or low proportion of the foreign operation’s activities;

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.

The Consolidated Financial Statements are presented in Brazilian reais (R$), which is the Company's functional and reporting currency, and translations are carried out according to the criteria described below:

a) Transactions and balances

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

b) 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 into 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 “foreign currency translation adjustments”.

2.5. Cash and cash equivalents

Comprise cash, banks and short-term investments which can be redeemed within 90 days from the investment date. These short-term investments are highly liquid and are stated at cost, plus income earned through the reporting date. Market risks involving such investments are immaterial.

The fair value of short-term investments is calculated, when applicable, considering market quotations or information that allows such calculation.

2.6. Financial assets

Investments are recognized and de-recognized on a trade date basis 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 directly attributable transaction costs, except for financial assets measured at fair value through profit or loss, which are 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 or a financial liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments of receipts (including all fees paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected financial asset life, or, when appropriate, for a shorter period.

Financial assets at fair 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 when acquired. 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;

- Derivatives 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 its performance is evaluated based on fair value according to the risk management or investment strategy documented by the Company, and when information on the Company is internally provided on the same basis; or;

- It is part of a contract containing one or more embedded derivatives, and permits that the combined contract as a whole (assets or liabilities) be designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, with gains and losses recognized in profit or loss. Net gains or losses recognized in profit or loss include dividends or interest earned by the financial asset. Fair value is determined as described in note 22.

As of December 31, 2010, the Company does not have balances of financial assets held for trading.

Loans and receivables

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

Impairment of financial assets

Financial assets, except those allocated to fair value through profit or loss, are assessed based on impairment indicators at the balance sheet date. Financial assets are considered impaired when there is evidence that, as a result of one or more events occurred after their initial recognition, estimated future cash flows of the investment were impacted.

Objective evidence of impairment may include:

- Significant financial difficulty of the issuer or counterpart;
- Default or delay in the payment of interest or principal; or
- When it is probable that the debtor will enter into bankruptcy or into judicial recovery.

For certain categories of financial assets, such as trade accounts receivable and receivables - Finame Manufacturer financing, the allowance for doubtful accounts is calculated based on the analysis of risks on receivables, which includes the history of losses, individual situation of customers, situation of the economic group to which they belong, guarantees for the debt, and the assessment of legal counsel, and is considered sufficient to cover possible losses on receivables.

For financial assets recorded at amortized cost, the impairment amount corresponds to the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted on the original effective interest rate of the financial asset.

The carrying amount is reduced directly by the impairment loss for all financial assets, except trade accounts receivable, in which case the amount is reduced by the use of an allowance account. When a trade receivable is considered non-recoverable, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against the allowance account. Any changes in the carrying amount of the allowance are recognized in profit or loss.

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

De-recognition of financial assets

The Company de-recognizes 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 Company 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.

2.7. Financial liabilities and equity instruments issued by the Company

Classification as financial liabilities and capital

Debt and equity instruments are classified as financial liabilities or capital 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 subsequently measured at the greater of:

- The amount of the contractual obligation; and
- The amount initially recognized less, when 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 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 instruments.

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 group of financial assets or financial liabilities or both, which managed and its performance is evaluated based on a fair value basis, in accordance with the Company's documented risk management or investment strategy , and that information on this group of assets is provided internally on the same basis; or;
- It is part of a contract containing one or more embedded derivatives, and CPC 14 Financial Instruments: Recognition and Measurement permits that the combined contract as a whole (assets or liabilities) be 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 22.

<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 de-recognizes financial liabilities when, and only when, the Company's obligations are settled, cancelled or they expire.

2.8. 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.

2.9. Property, plant and equipment

Property, plant and equipment are stated at cost 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 future economic benefits associated to these items are probable and the amounts can be reliably measured.

The residual balance of the replaced is written off. Other repairs and maintenance are recognized directly in income for the year 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.

2.10. 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.

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.

2.11. Adjustment to present value

The Company calculates the present value mainly for trade accounts receivable and trade accounts payable. The effects of such calculation are recorded in the income statement, under line item "financial expenses".

Components included in assets and liabilities, arising from long-term transactions, or from short-term transactions when there is a material effect, are adjusted to present value based on the current market-based discount rate as to the time value of money and the risks of liabilities and expectations of assets on their original dates. The discount rate used was approximately 10.5% per annum, which is based on the average rate published by the National Association of Investment Banks “ANBID”.

2.12. Investments and intangible assets

Material investments in subsidiaries and the jointly-owned subsidiary are accounted for under the equity method, based on financial statements at the same base-date of the Company.

Goodwill exceeding fair value or market values of these assets is treated as goodwill based on expected future earnings and is recognized under “Intangible assets”.

For impairment test purposes, goodwill is allocated to each one of the cash generating units which will benefit from the business combination synergies.

.The goodwill impairment test is performed annually, or more frequently, when there is any indication of impairment. If the recoverable value of a cash generating unit is lower than its carrying amount, impairment losses are firstly allocated to write down the carrying amount of any goodwill allocated to CGU and, subsequently, to the other assets of the CGU, prorated to the carrying amount of each of its assets. Impairment losses on goodwill are directly recorded in the statement of income for the year. Impairment losses are not reversed in subsequent periods.

When the related cash generating unit is sold, the amount corresponding to the goodwill is included in the calculation of the gains or losses on the sale.

2.13. Taxation

2.13.1. 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 that were effective on the balance sheet date.

2.13.2. 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.

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.

2.13.3. 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.

2.14. Employee benefits

The Company has several employees benefit plans, including pension, healthcare, dental care and profit sharing plans. The main plans granted to the Company's employees are described in notes 14 and 20.

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.

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.

2.15. 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.

2.16. Interest capital

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 50% 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.

2.17. 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; and
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.

Freight on sales is recorded as selling expenses.

2.18. Provisions

Provisions are recognized 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 only when reimbursement is virtually certain and can be reliably estimated.

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.

2.19. 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 seems 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.

2.20. Statement of Value Added ("SVA")

The purpose of this statement is to present the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information to the consolidated financial statements, since it is not considered nor required by the IFRS.

The statement of value added was prepared based on information obtained in the accounting records that serve as a basis for the preparation of financial statements and in accordance with the provisions in CPC 09 - Statement of Value Added. In its first part, the statement of value added presents the wealth created by the Company, represented by the revenues (gross revenue from sales, including taxes, other revenues and the effects of the allowance for doubtful accounts), the inputs acquired by third parties (cost of sales and purchase of materials, electric power and third-party services, including taxes levied at the time of purchase, the effects of losses, recovery of assets, and depreciation and amortization) and the value added received from third parties (equity in subsidiaries, financial income and other revenues). The second part of the statement of value added presents the distribution of wealth among employees, taxes and contributions, compensation to third parties and shareholders.

3. CONSOLIDATED FINANCIAL STATEMENTS

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 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 Comércio Importadora e Exportadora S.A. ("Interocean")	Brazil	Trading company, not operating in the reporting periods
Romi A.L. S.A. ("Romi A.L.") - formally named Favel S.A.	Uruguay	Sales representation for Latin America
Helen Acquisition Corp. (a)	United States of America	Nonoperational holding engaged in holding equity interests in other entities.
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.
Romi Itália subsidiaries:		
Sandretto UK Ltd.	United Kingdom	Distribution of machinery for plastics and spare parts services
Sandretto Industries S.A.S.	France	
Metalmecanica Plast B.V.	Holland	
Italprensas Sandretto S.A.	Spain	

The summarized table below shows the main captions of the consolidated operational subsidiaries' financial statements as of December 31, 2010 and 2009. The financial statements of the subsidiaries Romi Machine Tools, Interocean, Romi Europa and Romi A.L. are not presented because of the immateriality of the balances.

	Helen Acquisition Corp.	Romi Itália and subsidiaries		Rominor	
	12/31/10	12/31/10	12/31/09	12/31/10	12/31/09
Assets:					
Current	153,792	46,869	50,587	25,602	26,475
Noncurrent	-	14,246	15,885	6,245	6,300
Total assets	153,792	61,115	66,472	31,847	32,775
Liabilities:					
Current	156	20,906	24,764	3,338	3,944
Noncurrent	-	13,409	7,139	-	-
Shareholders' equity	153,636	26,800	34,569	28,509	28,831
Total liabilities and shareholders' equity	153,792	61,115	66,472	31,847	32,775
Net operating revenue	-	35,231	31,424	12,182	13,541
Gross (loss) profit	-	5,420	6,891	12,112	13,469
Income (loss) from operations	550	(11,978)	(14,253)	13,927	15,825
Income (loss) before taxes	550	(11,978)	(14,253)	13,927	15,825
Net income (loss)	387	(12,002)	(14,257)	11,856	13,374

The financial statements of foreign subsidiaries for the years ended December 31, 2010 and 2009, prepared as of the same dates as the Company's financial statements, have been conformed to Brazilian accounting practices, when applicable.

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 investment balances with the balances of capital, reserves and retained earnings (accumulated losses) of subsidiaries.

d) Elimination of intercompany transactions.

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

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Cash	3,565	3,841	9,792	9,219
Bank certificates of deposit "CDB" (a)	41,078	150,990	52,099	161,644
Short-term investments backed by debentures (a)	13,616	38,416	27,771	53,594
Time deposit (b)	2,271	-	157,109	-
Other	157	-	164	1,456
Total cash and cash equivalents	60,687	193,247	246,935	225,913

(a) The investments classified as cash and cash equivalents comprise cash balances, bank deposits and short-term investments, with redemption period of up to 90 days as from the date of investment. The yield of these assets is substantially pegged to the Interbank Deposit Certificate - CDI.

(b) The short-term investments made with foreign prime financial institutions, in US dollars, yield fixed interest ranging from 0,16% to 0,20%, in the company, and 0,40% to 0,83% per year, in the consolidated. These short-term investments are used to hedge capital against foreign currency fluctuations, in case of an acquisition transaction is performed abroad.

The Company's short-term investments reduced significantly in relation to December 31, 2009, as the Company increased the capital of its wholly-owned subsidiary Helen Acquisition Corp by transferring the title to its foreign-currency short-term investments and making remittances in April 2010 amounting to R$ 165,715 (US$ 92 million).

5. TRADE ACCOUNTS RECEIVABLES

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Current:				
Domestic customers	73,403	57,465	74,641	57,722
Foreign customers	4,295	7,576	14,601	22,869
Allowance for doubtful accounts	(1,607)	(248)	(1,878)	(587)
Total	76,091	64,793	87,364	80,004
Noncurrent:				
Domestic customers	13,588	3,448	13,588	3,448
Foreign customers	956	1,020	956	1,020
Total	14,544	4,468	14,544	4,468

The Company's maximum exposure to credit risk is the balance of trade notes receivable previously mentioned.

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$ 5,289 as of December 31, 2010 (R$ 9,751 as of December 31, 2009) 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 individual and consolidated balances of trade accounts receivable from domestic customers as of December 31, 2010 and 2009 are as follows:

	12/31/10	12/31/09
Current	66,067	48,073
Past due:		
1 to 30 days	2,906	5,415
31 to 60 days	420	732
61 to 90 days	1,889	220
91 to 180 days	452	1,002
181 to 360 days	428	1,137
Over 360 days	1,241	886
	7,336	9,392
Current (Company)	73,403	57,465
Balance of subsidiaries	1,238	257
Total current (consolidated)	74,641	57,722

The balance of trade accounts receivable from foreign customers as of December 31, 2010 and 2009 is as follows:

	12/31/10		12/31/09	
	Company	Consolidated	Company	Consolidated
Current	3,444	10,226	5,748	17,887
Past-due:				
1 to 30 days	627	1,695	668	2,217
31 to 60 days	32	174	992	1,187
61 to 90 days	-	214	18	95
91 to 180 days	27	362	35	421
181 to 360 days	101	131	102	256
Over 360 days	64	1,799	13	806
Total past-due	851	4,375	1,828	4,982
Total trade accounts receivables	4,295	14,601	7,576	22,869

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

	Company and consolidated
Balance as of December 31, 2009 - Company	248
Receivables accrued in the year	1,387
Receivables definitively written off	(28)
Balance as of December 31, 2010 - Company	1,607
Receivables accrued in the year - subsidiaries	271
Balance as of December 31, 2010 - Consolidated	1,878

6. ONLENDING OF FINAME MANUFACTURER FINANCING

	Company e Consolidated	
	12/31/10	12/31/09
Current assets:		
FINAME falling due	317,058	291,063
FINAME awaiting release (a)	5,163	10,835
FINAME past due (b)	36,665	40,257
Allowance for doubtful accounts	(7,951)	(4,069)
Current assets:	350,935	338,086
Noncurrent assets:		
FINAME falling due	469,127	412,728
FINAME awaiting release (a)	30,976	65,009
	500,103	477,737
Total	858,989	819,892

Receivables - Onlending of FINAME manufacturer financing - Derive from sales financed by funds obtained from BNDES (see note 13).

FINAME Manufacturer financing refers to funds specifically linked to sales transactions, with terms of up to 60 months, option of up to 12 months grace period and the following interest: (a) between 4,0% and 5,8% per annum, plus long-term interest rate (TJLP); (b) 4,5% per annum, prefixed, according Circular 79, of July 10, 2009, for transactions carried out between July 27, 2010 and Jun 30, 2009; and (c) 5.5% per annum, prefixed, according Circular 27, of May 27, 2010, for transactions carried out between July 1, 2010 and March 31, 2011. The financing terms established by the BNDES are based on the customer's characteristics. Funds are released by the BNDES by identifying the customer and the sale, and the fulfillment, by the customer, of the terms of Circular 195, of July 28, 2006, issued by the BNDES, through a financial agent, with the formalization of a financing agreement in the name of the Company and consent of the customer to be financed. The terms related to amounts, periods and charges of the transaction are fully reflected in the amounts to be received by the Company from the bank mediating the agreement to which the Company is the debtor. The Company has title to the financed equipment until the final settlement of the obligation by the customer.

Receivables - Onlending of FINAME manufacturer financing - are represented by:

(a) FINAME awaiting release: refers to FINAME Manufacturer financing transactions already fulfilling the specified terms and approved by the involved parties, including the preparation of documentation, issuance of sales invoice, and delivery of equipment to customer. The credit of the related funds to the Company's account by the agent bank was pending on the date of the financial statements, in view of the normal operating terms of the agent bank;

(b) FINAME past-due: refers to amounts receivable not settled by the customer on the due date, considering the dates of the financial statements. The Company did not record a provision for possible loss on this balance, because it has title to the machines sold (guarantee) and, therefore, believes that in the event of an execution of this guarantee, the amount would be sufficient to cover the total amount due by the customer. For those cases of impaired asset value-to-debt ratio and situations in which the asset has not been located, an impairment loss is recognized directly in income (loss) for the year.

As of December 31, 2010 and 2009, the balances as of "Onlending of Finame Manufacturer financing" are as follows:

	Company and Consolidated	
	12/31/10	12/31/09
Current	322,221	301,898
Past-due:		
1 to 30 days	5,734	5,122
31 to 60 days	3,742	3,335
61 to 90 days	3,397	2,772
91 to 180 days	6,250	7,634
181 to 360 days	8,021	14,452
Over 360 days	9,521	6,942
	36,665	40,257
Total current	358,886	342,155

Expected realization of noncurrent receivables as of December 31, 2010, Company and consolidated, is as follows:

	Company and Consolidated
2012	250,765
2013	173,551
2014	73,241
2015 and thereafter	2,546
Total - noncurrent	500,103

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

	Company and Consolidated
Balance as of December 31, 2009	4,069
Receivables accrued in the year	3,882
Receivables definitively written off	-
Balance as of December 31, 2010	7,951

7. INVENTORIES

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Finished products	61,036	72,933	80,209	93,114
Work in process	90,155	74,995	94,771	79,444
Raw materials and components	72,745	55,742	84,078	69,542
Import in transit	4,287	1,551	4,402	1,551
Total	228,223	205,221	263,460	243,651

Inventory balance is, Company and consolidated, net of the amount of R$ 17,633 and R$ 23,766, respectively (R$ 20,242 and R$ 26,982 as of December 31, 2009, respectively) of the provision for losses on inventories of slow-moving materials and components unlikely to be realized through sale or use.

Changes in the provision for inventory losses and adjustment to net realization value, Company and Consolidated, are shown bellows:

	Company and Consolidated
Company	
Balance as of December 31, 2009	20,242
Inventories permanently written off	(12,529)
Allowance recognized	9,920
Balance as of December 31, 2010	17,633
Subsidiaries	
Balance as of December 31, 2009	6,740
Inventories permanently written off	(899)
Allowance recognized	(292)
Balance as of December 31, 2010	6,133
Consolidated	
Balance as of December 31, 2010	23,766

8. RECOVERABLE TAXES

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Current assets:				
IRRF (withholding income tax) on short-term investments	186	702	511	991
IPI (federal VAT), PIS and COFINS (taxes on revenue)	4,199	3,599	4,199	3,599
ICMS (state VAT) on property, plant and equipment	3,975	4,032	3,975	4,032
PIS and COFINS on property, plant and equipment	3,222	5,450	3,222	5,450
Other	116	116	2,183	1,865
Total	11,698	13,899	14,090	15,937
Noncurrent assets:				
PIS and COFINS on property, plant and equipment	3,799	6,009	3,799	4,489
ICMS on property, plant and equipment	2,919	4,489	2,919	6,009
Taxes on recoverable income of subsidiaries	-	-	3,225	3,628
Total	6,718	10,498	9,943	14,126

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.

Expected realization of noncurrent receivables as of December 31, 2010, Company and consolidated, is as follows:

	Company	Consolidated
2012	5,099	5,422
2013	1,158	1,803
2014	461	1,106
2015	-	645
2016	-	968
Total	6,718	9,943

9. INVESTMENTS AND INTANGIBLE ASSETS

	12/31/2010							
	Romi Itália	Romi Europa	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Helen Acquisition Corp. (d)	Total
Investments:								
Number of shares held	(a)	(a)	6,191,156	3,000	78	13,028	100	-
Ownership interest	99.999%	100%	93.0711%	100%	100%	100%	100%	-
Shareholders' equity (provision for deficit) of subsidiary	26,800	1,104	28,509	(2,561)	17	1,430	153,636	-
Opening balance of investment	33,946	2,496	26,834	(2,182)	20	1,624	-	62,738
Exchange rate changes of foreign investments	(3,062)	(692)	-	135	-	(58)	(9,488)	(13,165)
Capital increase (b)	7,842	-	-	-	-	-	162,737	170,579
Proposed and paid dividends (c)	-	-	(11,335)	-	-	-	-	(11,335)
Equity in subsidiaries	(12,002)	(624)	11,035	-	(3)	(136)	387	(1,343)
Provision for shareholders' deficit of subsidiary	-	-	-	(514)	-	-	-	(514)
Gain (loss) on ownership interest change	76	(76)	-	-	-	-	-	-
Book value - closing balance	26,800	1,104	26,534	(2,561)	17	1,430	153,636	206,960
Investment in subsidiaries	26,800	1,104	26,534	-	17	1,430	153,636	209,521
Goodwill - JAC Indústria Metalúrgica Ltda. ("JAC")	-	-	-	-	-	-	-	2,017
Investments - company	-	-	-	-	-	-	-	211,538
Provision for shareholders' deficit of subsidiary	-	-	-	(2,561)	-	-	-	(2,561)
Intangible assets:								
Goodwill - JAC Indústria Metalúrgica Ltda. ("JAC")	-	-	-	-	-	-	-	1,309
Industrial property - Digmotor	-	-	-	-	-	-	-	1,041
Industrial property - Lazzati	-	-	-	-	-	-	-	2,702
Industrial property - PFG S.r.l.	-	-	-	-	-	-	-	281
Intangible assets - Company	-	-	-	-	-	-	-	5,333
Goodwill - JAC Indústria Metalúrgica Ltda. ("JAC")	-	-	-	-	-	-	-	2,017
Intangible assets - consolidated	-	-	-	-	-	-	-	7,350

	12/31/09						
	Romi Itália	Romi Europa	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Total
Investments:							
Number of shares held	(a)	(a)	6,191,156	3,000	78	13,028	-
Ownership interest	98.2%	100%	93.0711%	100%	100%	100%	-
Shareholders' equity (provision for deficit) of subsidiary	34,569	2,496	28,831	(2,182)	20	1,624	-
Opening balance of investment	20,988	4,737	34,049	182	22	2,376	62,354
Exchange rate changes of foreign investments	(8,495)	(1,375)	-	301	-	(554)	(10,123)
Capital increase (b)	35,263	-	-	-	-	-	35,263
Proposed and paid dividends (c)	-	-	(19,661)	-	-	-	(19,661)
Equity in subsidiaries	(13,736)	(940)	12,446	-	(2)	(198)	(2,430)
Provision for shareholders' deficit of subsidiary	-	-	-	(2,665)	-	-	(2,665)
Gain (loss) on ownership interest change	(74)	74	-	-	-	-	-
Book value - closing balance	33,946	2,496	26,834	(2,182)	20	1,624	-
Investment in subsidiaries	33,946	2,496	26,834	-	20	1,624	64,920
Goodwill - JAC Indústria Metalúrgica Ltda. ("JAC")	-	-	-	-	-	-	2,017
Investments - Company	-	-	-	-	-	-	66,937
Provision for shareholder's deficit of subsidiary	-	-	-	(2,182)	-	-	(2,182)
Intangible assets:							
Goodwill - JAC Indústria Metalúrgica Ltda. ("JAC")	-	-	-	-	-	-	1,963
Industrial property - Digmotor	-	-	-	-	-	-	1,695
Intangible assets - Company	-	-	-	-	-	-	3,658
Goodwill - JAC Indústria Metalúrgica Ltda. ("JAC")	-	-	-	-	-	-	2,017
Intangible assets - consolidated	-	-	-	-	-	-	5,675

(a) Pursuant to the Company's articles of incorporation, capital is not divided into quotas or shares.

(b) On December 8, 2009, through Minutes of Board of Directors' Meeting 24/09, the Board of Directors approved the capitalization of the Company's loan with its subsidiary Romi Itália, in the amount of € 4,640 (equivalent to R$ 11,591 on the capitalization date). In 2009 there were other capital increases, through the remittance of cash which, added to the amount of capital increase arising from the loan, totaled R$ 35,263. During 2010 there were several capital increases in Romi Italy, through remittance of cash, which totaled € 3,621 (equivalent to R$ 7,842 at the capitalization dates).

(c) Dividends distributed by the subsidiary Rominor, pursuant to the Annual Shareholders' Meeting of March 24, 2009, in the amount of R$ 17,782, of which R$ 16,549 according to the Company's ownership interest related to retained earnings from prior years. The amount of R$ 3,343, of which R$ 3,112 according to the Company's ownership interest, refers to mandatory minimum dividends proposed on the income for the year ended December 31, 2009. In 2010, dividends distributed according to the Annual Shareholders' Meeting of 15 March 2010, amounting to R$ 9,362, of which R$ 8,713 refer to Company's interest, referring to accumulated earnings from previous years. The amount of R$ 2,815, of which R$ 2,622 refer to the Company's interest, refers to the mandatory minimum dividend proposed on the income for the year ended December 31, 2010.

(d) Refers to the capital increase in Helen Acquisition Corp. occurred on April 6, 7 and 8, 2010, according to the minutes of the Board of Directors of Helen Acquisition Corp., equivalent to US$ 92 million.

10. RELATED-PARTY TRANSACTIONS

The balances and transactions with related parties as of December 31, 2010 and 2009 are as follows:

	Company – balances of current and noncurrent (assets) and current (liabilities)									
	Due from related parties		Loans receivables		Total receivable		Due to related parties		Total payable	
	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09
Romi Europa	25	191	576	-	601	191	51	14	51	14
Rominor	2,621	3,112	-	-	2,621	3,112	91	94	91	94
Romi Itália	5,542	5,533	7,182	-	12,724	5,533	-	-	-	-
Romi Machine Tools	4,272	2,395	6,118	9,390	10,390	11,785	-	53	-	53
Interocean	6	-	-	-	6	-	-	-	-	-
Romi A.L.	-	-	-	-	-	-	23	27	23	27
Total	12,466	11,231	13,876	9,390	26,342	20,621	165	188	165	188

	Company - transactions					
	Sales		Operating expenses		Financial expenses	
	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09
Romi Europa	194	191	468	946	-	-
Rominor	-	-	1,004	1,042	-	-
Romi Machine Tools	7,923	2,414	-	-	106	278
Romi Itália	691	840	-	-	125	327
Romi A.L.	-	-	169	399	-	-
Total	8,808	3,445	1,641	2,387	231	605

Loans receivable have predetermined maturities, are payable in the current and long term and bear semiannual LIBOR plus interest of 1% per annum and exchange variation. Loan agreements between the Company and subsidiaries are intended basically for working capital of these subsidiaries.

The subsidiary Rominor is the guarantor of part of the FINAME manufacturer financing transactions carried out by the Company and the financing is collateralized by promissory notes and sureties (see Note 13). The Company has property lease agreements with subsidiary Rominor S.A. These agreements include properties used to house the sales branches located across the country.

The Company has no transactions with related parties of any kind other than those specified above. The decisions relating to transactions between the Company and its subsidiaries are made by Management.

11. PROPERTY PLANT AND EQUIPMENT

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

	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Constructions in progress	Advances	Total
Cost of property, plant and equipment									
Balance as of January 1, 2009	19,610	79,511	157,425	8,023	1,937	16,639	72,722	3,787	359,654
Additions	1	-	10,156	80	129	2,492	41,792	(398)	54,252
Sales	(247)	(460)	(6,854)	(170)	(154)	(456)	(1,611)	-	(9,952)
Transfers	737	80,527	28,823	9	136	79	(110,186)	-	125
Balance as of December 31, 2009	20,101	159,578	189,550	7,942	2,048	18,754	2,717	3,389	404,079
Additions	-	-	15,952	213	407	2,463	16,300	(2,552)	32,783
Sales	(515)	(1,311)	(2,875)	(330)	(54)	(1,326)	(56)	-	(6,467)
Transfers		4,495	5,472	3	15	979	(10,964)	-	-
Balance as of December 31, 2010	19,586	162,762	208,099	7,828	2,416	20,870	7,997	837	430,395
Accumulated depreciation									
Balance as of January 1, 2009	-	22,333	91,134	4,944	1,352	9,583	-	-	129,346
Depreciation	-	4,278	11,317	451	302	2,215	-	-	18,563
Sales	-	(15)	(5,907)	(160)	(154)	(391)	-	-	(6,627)
Transfers	-	2	100	-	23	-	-	-	125
Balance as of December 31, 2009	-	26,598	96,644	5,235	1,523	11,407	-	-	141,407
Depreciation	-	7,102	11,473	445	274	2,413	-	-	21,707
Sales	-	(548)	(2,296)	(324)	(51)	(1,319)	-	-	(4,538)
Transfers	-	-	92	3	(83)	(12)	-	-	-
Balance as of December 31, 2010	-	33,152	105,913	5,359	1,663	12,489	-	-	158,576
Property, plant and equipment, net									
Balance as of January 1, 2009	19,610	57,178	66,291	3,079	585	7,056	72,722	3,787	230,308
Balance as of December 31, 2009	20,101	132,980	92,906	2,707	525	7,347	2,717	3,389	262,672
Balance as of December 31, 2010	19,586	129,610	102,186	2,469	753	8,381	7,997	837	271,819

b) Summary of changes in property, plant and equipment Consolidated:

	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Constructions in progress	Advances	Total
Cost of property, plant and equipment									
Balance as of January 1, 2009	27,255	94,917	163,307	9,159	3,327	18,429	72,983	3,787	393,164
Additions	1	85	10,684	104	19	2,629	41,531	(398)	54,655
Sales	(402)	(251)	(7,483)	(452)	(468)	(447)	(1,611)	-	(11,114)
Transfers	737	80,527	28,823	9	136	79	(110,186)	-	125
Foreign exchange changes	(536)	(2,535)	(1,358)	(194)	(285)	(431)	-	-	(5,339)
Balance as of December 31, 2009	27,055	172,743	193,973	8,626	2,729	20,259	2,717	3,389	431,491
Additions	-	-	16,344	225	430	2,506	16,300	(2,552)	33,253
Sales	(515)	(1,311)	(2,885)	(330)	(120)	(1,365)	(55)	-	(6,581)
Transfers	-	4,493	5,948	4	(460)	980	(10,965)	-	-
Foreign exchange changes	(207)	(1,068)	(1,254)	(136)	410	(404)	-	-	(2,659)
Balance as of December 31, 2010	26,333	174,857	212,126	8,389	2,989	21,976	7,997	837	455,504
Accumulated depreciation									
Balance as of January 1, 2009	-	25,798	93,764	5,927	2,588	10,982	-	-	139,059
Depreciation	-	4,748	12,222	274	21	2,353	-	-	19,618
Sales	-	(34)	(6,148)	(156)	(342)	(386)	-	-	(7,066)
Transfers	-	2	100	-	23	-	-	-	125
Foreign exchange changes	-	(160)	(723)	(179)	(206)	(338)	-	-	(1,606)
Balance as of December 31, 2009	-	30,354	99,215	5,866	2,084	12,611	-	-	150,130
Depreciation	-	7,356	11,788	464	321	2,506	-	-	22,435
Sales	-	(548)	(2,305)	(324)	(113)	(1,354)	-	-	(4,644)
Transfers	-	-	93	3	(84)	(12)	-	-	-
Foreign exchange changes	-	(288)	(583)	(131)	(58)	(375)	-	-	(1,435)
Balance as of December 31, 2010	-	36,874	108,208	5,878	2,150	13,376	-	-	166,486
Property, plant and equipment, net									
Balance as of January 1, 2009	27,255	69,119	69,543	3,232	739	7,447	72,983	3,787	254,105
Balance as of December 31, 2009	27,055	142,389	94,758	2,760	645	7,648	2,717	3,389	281,361
Balance as of December 31, 2010	26,333	137,983	103,918	2,511	839	8,600	7,997	837	289,018

In view of the financing agreements with the BNDES for investment in property, plant and equipment, approximately R$ 58,404 (R$ 51,226 as of December 31, 2009) of property, plant and equipment items is pledged as collateral. These items are fully represented by machinery and equipment.

In 2010, the Company capitalized financial charges in the amount of R$ 56 (R$ 2,148 as of December 31, 2009), recorded under the caption construction in progress.

c) Depreciation rates

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

	Depreciation rates - %
Buildings	4
Machinery and equipment	10 a 15
Furniture and fixtures	10
Information technology	20
Vehicles	20
Yards	10

12. LOANS AND FINANCING

	Current		Noncurrent			Amortization	2010	
	12/31/10	12/31/09	12/31/10	12/31/09	Maturity	of principal	Financial charges	Guarantees
Export financing - US$	-	1,192	-	-	02/11/2010	Semiannual	LIBOR + 0,8% p.a. + Exchange variations	Promissory note/ surety
Exporting financing - R$	355	320	75,703	58,260	08/15/2012 e 12/15/2012	Single installment	4,5% p.a.	Promissory note
Property, plant and equipment - local currency	17,413	12,983	125,176	136,581	11/15/2017	Monthly	TJLP + Interest of 1,3% to 2% p.a.	Financed machinery and mortgage on properties and land
FINAME sundry - local currency	4,395	5,672	10,917	11,033	01/15/2020	Monthly	TJLP of 12,5% p.a. + Interest of 1,3% p.a., paid monthly with the amortization of principal	Financed machinery / surety / promissory note
Refinanced drafts - local currency	1,207	2,829	655	966	15/06/2012	Monthly	LIBOR + 1% of "spread"	Customer pledge agreement
Company	23,370	22,996	212,451	206,840				
Romi Machine Tools - working capital - US$	48	46	21	72	06/30/2012	Semiannual	Interest of 6,31% to 6,39% p.a. + Exchange variations	Promissory note / surety
Romi Itália (Sandretto UK Ltd.) - working capital Sterling pound	1,509	2,496	143	211	11/30/2012	Semiannual	LIBOR + Interest of 1,65% p.a.	Financed machinery
Consolidated	24,927	25,538	212,615	207,123				

The Company pledged as collateral for the financing, as of December 31, 2010, machinery and equipment as mentioned in note 11.

The maturities of the financing recorded in noncurrent liabilities as of December 31, 2010 are as follows:

	Company	Consolidated
2012	109,839	110,003
2013	32,560	32,560
2014	24,667	24,667
2015	17,721	17,721
2016 and thereafter	27,664	27,664
Total	212,451	212,615

On April 13, 2009, the Company entered into a financing agreement with the BNDES, totaling R$ 25,500, recorded under line item “Property, plant and equipment - local currency”. The financing will be paid in 60 monthly and consecutive installments, the first of which payable in May 2011. Interest on such financing is 1.36% over TJLP, paid quarterly, between July, 2009 and May, 2011 and monthly thereafter. The Company is required to comply with the financial ratios described below, which will be calculated annually based on the financial statements audited by independent auditors. Otherwise, it shall offer guarantees equivalent to 130% of the balance owed to the BNDES. The ratios to be complied with are: (a) capitalization ratio, in which the division of the consolidated shareholder’s equity by the consolidated total assets be equal to or higher than 0.35; and (b) profit sharing ratio, in which the division of the dividends, summed up to interest on capital, by the consolidated net income should be equal to or lower than 0.40. The Company was complaint with such financial ratios.

On November 12, 2009, the Company entered into a financing agreement with the BNDES, totaling R$ 82,549, recorded under the line item “Property, plant and equipment - local currency”. The financing will be paid in 72 monthly and consecutive installments, the first of which payable in December 2011. Interest on such financing is 1.36% per annum over TJLP, paid quarterly, between February, 2010 and December, 2011 and monthly thereafter. The financing is guarantee by mortgage on the Company properties, and equipment installed therein. The Company is required to comply with the following financial ratios: (a) capitalization ratio, in which the division of the consolidated shareholder’s equity by the consolidated total assets should be equal to or lower than 0.35; and (b) profit sharing ratio, in which the division of the dividends, summed up interest on capital, by the consolidated net income should be equal to or lower than 0.40.The Company was compliant which such financial ratios.

On July 16, 2009, the Company signed a financing agreement linked to the Investment Support Program - PSI, referring to export contracts. The total credit is R$ 58,260, fully released to the Company in October 2009 and recorded as "export financing". The settlement will occur in a single payment due on August 15, 2012. The Company undertakes to export until the settlement date of the contract, the equivalent of $ 30 million. The interest of this contract are fixed rate financing at a rate of 4.5% per year and is payable quarterly, with the first payment`s due date on November 16, 2009. The guaranteed loan is made by a promissory note signed by the Company. In the event of failure to export within the stipulated time contractual penalty will be required amounting to 10% on the defaulted amount. The Company expects to meet export requirements set out in the financing contract.

In March 2010 the Company signed a financing agreement linked to the Investment Support Program - PSI, referring to the export contract. The total credit value is R$ 17,743. The settlement will occur in a single payment due on December 15, 2012. The Company undertakes to export until the settlement date of the contract, the equivalent of $ 10 million. The contracted interest of this funding are fixed rate of 4.5% per year and is payable quarterly with the first payment`s due date on March 15, 2010. The guaranteed loan is made by a promissory note signed by the Company. In the event of failure to export within the stipulated time contractual penalty will be required amounting to 10% on the defaulted amount. The Company expects to meet export requirements set out in the financing contract.

13. FINANCING - FINAME MANUFACTURER

	Company and Consolidated	
	12/31/10	12/31/09
Current	303,579	284,390
Noncurrent	454,304	405,967

The agreements related to FINAME Manufacturer financing are guaranteed by promissory notes and surety, and the main guarantor is the subsidiary Rominor. The balances are directly related to the balances of the line item “Amounts receivable - onlending of FINAME Manufacturer financing” (see Note 6), considering that the financing are directly linked to sales to specific customers. Contractual terms related to amounts, charges and periods financed under the program are fully passed on to the financed customers, and monthly receipts from the line item “Amounts receivable - onlending of FINAME Manufacturer financing” are fully used for amortization of the related financing agreements. The Company, therefore, acts an agent bank for the financing, but remains as the main debtor of this transaction.

The FINAME Manufacturer financing obtained and passed on to customers have terms of up to 60 months, with option of up to 12 months grace period and the following interest: (a) between 4,0% and 5,8% per annum, plus long-term interest rate (TJLP); (b) 4,5% per annum, prefixed, according Circular nº 79, of July 10, 2009, for transactions carried out between July 27, 2010 and Jun 30, 2009; and (c) 5,5% per annum, prefixed, according Circular nº 27, of May 27, 2010, for transactions carried out between July 1, 2010 and March 31, 2011. Such financing terms are established by the BNDES, based on the customer's characteristics. The balances of the line item “FINAME Manufacturer financing” and, consequently, of line items “Amounts receivable - FINAME Manufacturer financing” as of December 31, 2010 and 2009, were monetarily restated through the financial statement closing date. The difference of R$ 101,106 as of December 31, 2010 (R$ 129,535 as of December 31, 2009) between these balances refers to past-due trade notes, renegotiations in progress, and FINAME transactions not yet released by the agent bank. Management understands that there are no risks of realization of these receivables, since the amounts are collateralized by the machinery sold.

The maturities of FINAME manufacturer financing recorded in noncurrent liabilities as of December 31, 2010 are as follows:

	Company and Consolidated
2012	231,624
2013	160,115
2014	61,680
2015	885
Total	454,304

14. PAYROLL AND RELATED TAXES

	12/31/10	12/31/09
Salaries	4,725	3,604
Accrued vacation and related charges	11,619	9,287
Payroll taxes	7,386	6,196
Provision for profit sharing (Law 10101/2000)	9,316	1,105
Total - Company	33,046	20,192
Salaries payable, payroll taxes and provision of subsidiaries	3,376	2,210
Total - Consolidated	36,422	22,402

Employee profit sharing was recorded in the statements of income for the years ended December 31, 2010 and 2009, under the captions “cost of sales and services”, “selling expenses”, and “general and administrative expenses”, according to the cost center of each employee.

15. TAXE PAYABLES

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Current:				
COFINS (tax on revenue)	3,043	3,197	3,077	3,234
PIS (tax on revenue)	661	694	668	702
ICMS (state VAT)	3,279	3,483	3,279	3,483
Income tax and social contribution on net income	2,501	1,364	3,147	1,799
Other taxes	499	492	1,134	1,041
Total	9,983	9,230	11,305	10,259
Noncurrent:				
Other	4,721	3,642	4,721	3,642

The balance taxes payable recorded in noncurrent liabilities as of December 31, 2010 matures as follows:

	Company and Consolidated
2012	1,608
2013	1,234
2014	840
2015	956
2016 and thereafter	83
Total	4,721

16. 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, 2010			Company and Consolidated Provision registered	
	Remote	Possible	Probable	12/31/10	12/31/09
Tax	401	4,110	26,409	26,409	18,573
Civil	1,526	1,480	379	379	312
Labor	8,554	1,486	1,386	1,386	2,284
Total	10,481	7,076	28,174	28,174	21,169
Current	-	-	-	1,745	846
Noncurrent	-	-	-	26,429	20,323

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, 2010 are shown below:

	Company and Consolidated				
	12/31/09	Addition	Uses/ Reversals	Inflation adjustment	12/31/10
Tax	18,573	7,664	-	172	26,409
Civil	312	146	(114)	35	379
Labor	2,284	723	(1,829)	208	1,386
	21,169	8,533	(1,943)	415	28,174

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, 2010, the main lawsuits, which were assessed 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 (tax on revenue) on ICMS (state VAT) on sales in the amount of R$ 4,401 (R$ 3,223 as of December 31, 2009) and R$ 20,273 (R$ 14,844 as of December 31, 2009), respectively, and INSS (social security contribution) on services provided by cooperatives in the amount of R$ 1,710 (R$ 506 as of December 31, 2009) and R$ 25 relating to income tax withholding by the government body, offset in the statement of income tax, but rejected by the tax authority. The Company is depositing in escrow PIS and COFINS on ICMS on Sales; as of December 31, 2010 this deposit totaled, R$ 26,466 (R$ 17,999 as of December 31, 2009).

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 the 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 this reserve.

17. SHAREHOLDER'S EQUITY

Capital

Subscribed and paid up capital as of December 31, 2010 and 2009 is represented by 74.757.547 common shares all without par value and with the same rights and advantages.

Legal reserve

The legal reserve balance, as provided for in article 193 of law 6404/76, refers to the amount set up, equivalent to 5% of net income for the period, limited to 20% of the capital. As of December 31, 2010 the Company recorded R$ 3,396 (R$ 605 as of December 31, 2009).

Interest on capital

In 2010 the Company elected to pay interest on capital, totaling de R$ 37,378 (R$ 9,718 as of December 31, 2009) with withholding of income tax in the amount of R$ 4,224 (R$ 1,109 as of December 31, 2009). Interest is included in dividends for each of the reported years.

The Company approved the payment of interest on capital in 2010 as follows:

	Amount			
Event - date	Net of withholding income tax	Gross	Amount per share - R$ gross	Payment date
BDM - 03/16/2010	7,956	8,971	0.12	04/20/2010
BDM - 06/08/2010	7,956	8,971	0.12	07/20/2010
BDM - 09/14/2010	7,952	8,971	0.12	10/18/2010
BDM - 12/07/2010	9,292	10,466	0.14	01/21/2011
Total	33,154	37,379	0.50	

The Company approved the payment of interest on capital in 2009 as follows:

	Amount			
Event - date	Net of withholding income tax	Gross	Amount per share - R$ Gross	Payment date
BDM - 12/08/2009	8,609	9,718	0.13	01/19/2010

Dividends

The Company's bylaws provide for the distribution of mandatory minimum dividend equivalent to 25% of the adjusted net income under Corporate Law. Management's proposal to the Annual Shareholder's Meeting, for distribution of dividends and recognition of profit reserve, is as follows:

	2010	2009
Adjusted net income	67,929	11,882
(-) Recognition of legal reserve	(3,396)	(605)
Income subject to distribution	64,533	11,277
Interest on capital related to net income	(25,721)	(3,794)
Recognition of profit reserve	38,812	7,483
Interest on capital related to net income for the current year	25,721	3,794
Interest on capital related to profit reserve from prior years	11,657	5,924
	37,378	9,718
Interest on capital, net of withholding income tax	33,155	8,609

This proposal will be ratified at the Annual Shareholders' Meeting on March 15, 2011.

Earnings per share

a) Changes in the numbers of shares

Shares issued	Common	Total
Shares as of December 31, 2008	78,557,547	78,557,547
Shares as of December 31, 2009 and 2010	74,757,547	74,757,547

b) Earnings per share

In compliance with CPC 41, approved by CVM 636, on August 6, 2010. The following table reconciles the net income to the amounts used to calculate the basic and diluted earnings per share:

	12/31/10	12/31/09
Net income attributable to controlling interests	67,929	11,882
Weighted average of shares issued (in thousands)	74,758	74,671
Basic and diluted earnings (loss) per share	0.909	0.159

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.

As the budget number of shares was reached, on March 4, 2009 the Board of Directors approved the termination of the Program. During its effectiveness, the Company bought back 3,800,000 common shares, for a total amount of R$ 25,760 (R$ 10,194 during the year of 2009), at the average price per share of R$ 6.77. The Extraordinary Shareholders' Meeting held on April 7, 2009 approved the cancellation of the share above. After the cancellation, the total number of shares is 74,757,547.

Foreign currency cumulative translation adjustments

The Company recognized under this line item the cumulative effect of the translation of the financial statements of its subsidiaries that maintain their accounting records in a functional currency different from the functional currency of the parent. These effects started being recognized after the IFRS implementation date. In the statement of changes in shareholders' equity, balance sheet and statement of comprehensive income, this amount is allocated to "Other comprehensive income".

This cumulative effect is reversed to the income statement as gain or loss in the event of disposal or write-off of the investment.

18. MANAGEMENT COMPENSATION

Management compensation for the years ended December 31, 2010 and 2009 is as follows:

	12/31/10	12/31/09
Fees and charges	6,645	6,402
Profit sharing	2,513	447
Private pension plan	434	798
Healthcare plan	84	106
Company	9,676	7,753
Fees and charges of subsidiaries	133	96
Consolidated	9,809	7,849

The amount shown above is in conformity with the limits established by the Board of Directors. The amount proposed for profit sharing is subject to approval at the Annual Shareholders' Meeting (ASM) to be held on March 16, 2011.

19. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax is calculated at the rate of 15%, plus of 10% surtax on annual taxable income exceeding R$ 240. Social contribution is calculated at the rate of 9% on taxable income, except for subsidiary Rominor, which adopted the deemed income regime during the reporting periods.

The table below shows the reconciliation of tax charges between effective and statutory rates:

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Income before income tax and social contribution	78,068	11,219	81,148	14,536
Statutory rate (income tax and social contribution)	34%	34%	34%	34%
Expected income tax and social contribution expenses at statutory rate	(26,543)	(3,814)	(27,590)	(4,942)
Reconciliation to statutory rate:				
Equity in subsidiaries	(631)	(1,732)	-	-
Interest on capital	12,709	3,304	12,709	3,304
Profit sharing	(855)	(152)	(855)	(152)
Other (additions) deductions, net (*)	5,181	3,057	3,338	62
Income tax and social contribution expenses - current and deferred	(10,139)	663	(12,398)	(1,728)

(*) This amount refers basically to the difference in the calculation of income tax and social contribution between the actual taxable and deemed income regimes, as subsidiary Rominor paid income tax under the deemed income regime during the reporting periods; the benefit relating to technological innovation used by the Company, and the non-recognition of deferred income tax on the tax losses of foreign subsidiaries.

a) Income tax and social contribution credits and expenses

	12/31/10		12/31/09	
	Company	Consolidated	Company	Consolidated
Current (item “a”)	(14,517)	(16,776)	(2,224)	(4,615)
Deferred (item “c”)	4,378	4,378	2,887	2,887
Total	(10,139)	(12,398)	663	(1,728)

b) Deferred income tax and social contribution

	12/31/10				12/31/09			
	Temporary Differences	Income Tax	Social Contribution	Total	Temporary Differences	Income Tax	Social Contribution	Total
Assets (i):								
Provision for inventory losses	17,634	4,402	1,587	5,989	20,242	5,051	1,822	6,873
Repossession of machinery	11,110	2,773	1,000	3,773	4,053	1,011	365	1,376
Investments	602	150	54	204	555	139	50	189
Adjustments to present value: trade accounts receivable and payable	2,364	590	213	803	544	136	49	185
Reserve for contingent liabilities and other	28,174	7,034	315	7,349	21,169	5,282	279	5,561
Reserve for contingencies	144	36	13	49	117	29	11	40
Management profit sharing	2,590	-	233	233	1,347	-	121	121
Other temporary differences	4,698	1,173	423	1,596	4,132	1,031	371	1,402
Deferred income tax and social contribution	67,316	16,158	3,838	19,996	52,159	12,679	3,068	15,747
Liabilities (ii):								
Goodwill arising on the acquisition of JAC:								
Write-off of negative goodwill on acquisition of subsidiary	4,199	1,050	354	1,404	4,199	1,050	354	1,404
Other temporary differences	-	-	-	-	381	95	34	129
Deferred income tax and social contribution - Company	4,199	1,050	354	1,404	4,580	1,145	388	1,533
Write-off of negative goodwill on acquisition of subsidiary	17,416	1,567	4,354	5,921	19,316	4,781	1,762	6,543
Deferred income tax and social contribution - Consolidated	21,615	2,617	4,708	7,325	23,896	5,926	2,150	8,076

(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 tax and social contribution 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 tax and social contribution. 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 when the negative goodwill is realized, which will occur when the investment is sold or impaired.

As of December 31, 2010, the expected realization of deferred income tax and social contribution, recorded in noncurrent assets, Company and consolidated is as follows:

	Company e Consolidated		
	31/12/2010		
	Income tax	Social contribution	Total
2012	5,117	2,079	7,196
2013	2,783	1,003	3,786
2014	1,418	511	1,929
2015	6,840	245	7,085
Total	16,158	3,838	19,996

c) Breakdown and changes in deferred income tax and social contribution

	Balance at 12/31/09	Impact on net Income (loss)	Balance at 12/31/10
Provision for inventory losses	6,873	(884)	5,989
Repossession of machinery	1,376	2,397	3,773
Investments	189	15	204
Adjustments to present value: trade accounts receivable and payable	185	618	803
Other temporary differences	1,273	323	1,596
Commissions	40	9	49
Reserve for contingencies	5,561	1,788	7,349
Management profit sharing	121	112	233
Deferred income tax and social contribution assets	15,618	4,378	19,996

20. 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).

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 amount of contributions made by the Company in the year ended December 31, 2010 was R$ 2,161 (R$ 3,339 in the year ended December 31, 2009). The amount incurred on private pension plan was recorded in the statements for the years ended December 31, 2010 and 2009 under line items "Cost of sales and services", "Selling expenses", and "General and administrative expenses", in view of the reference cost center of each employee.

21. INSURANCE (UNAUDITED)

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, 2010, with effective period to December, 2011, insurance coverage is as follows:

Coverage	Coverage amount
Fire, windstorm, and electrical damage:	
Buildings	126,635
Machinery and equipment	231,553
Inventories	227,447

22. FINANCIAL INSTRUMENTS AND OPERATIONAL RISKS

a) General considerations

The Company enters into transactions with financial instruments whose risks are managed by means of financial position strategies and risk exposure limits. All financial instruments are recorded in the accounting books and consist mainly of:

- Cash and cash equivalents and held-for-trading securities: 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 5 and 6; and;

- 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 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 pegged to the US dollar and euro. Instruments exposed to foreign currency risks are represented by trade receivables, direct investments, import and export financing, trade payables and loan agreements with subsidiaries located in the United States of America and Europe.

Credit risk: this risk arises from the possibility of the Company’s 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 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.

Liquidity risk: the Company’s debt and cash management policy considers the use of credit facilities, backed or not by export receivables, to maintain adequate liquidity levels in the short, medium and long terms. The maturity of the noncurrent portion of the borrowings is presented in notes 12 and. 13.

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.

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, 2010 and 2009, the balances denominated in foreign currency were subject to exchange rate changes. The effects of appreciation or depreciation in the exchange rate are as follows:

	Gain or loss	
	2010	2009
Net assets in foreign currency converted into Brazilian reais	11,847	11,615
Appreciation or depreciation - 10%	1,185	1,162
Appreciation or depreciation - 25%	2,962	2,904
Appreciation or depreciation - 50%	5,924	5,808

Additionally, the Company has assets classified as cash and cash equivalents (see note 4), which, although having their impacts directly recorded in "Effect of translation to foreign currency ", in shareholders' equity, are subject to exchange rate changes. The effects of an appreciation or depreciation are as follows:

	Shareholders' equity
	2010
Cash and cash equivalents in foreign currency converted into Brazilian reais	154,838
Appreciation or depreciation - 10%	15,484
Appreciation or depreciation - 25%	38,710
Appreciation or depreciation - 50%	77,419

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, 2010 and 2009, three scenarios for increase or decrease in the interest rate were estimated. The effects of decrease or increase in financial expenses or income are as follows:

Increase or decrease in the	2010		2009	
Interest rate	Increase	Decrease	Increase	Decrease
10%	785	(785)	530	(530)
25%	4,205	(4,205)	3,566	(3,566)
50%	9,905	(9,905)	8,626	(8,626)

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 by category

The main financial assets and financial liabilities, Company and consolidated, are shown below:

Financial assets	Book value 12/31/10	Book value 12/31/09	Fair value 12/31/10	Fair value 12/31/09
Loans and receivables:				
Cash and cash equivalents	246,935	225,913	246,935	225,913
Trade notes receivable - current	79,413	75,935	79,413	75,935
Onlending of FINAME manufacturer financing - current	358,886	342,155	358,886	342,155
Trade notes receivable - noncurrent	14,544	4,468	14,544	4,468
Onlending of FINAME manufacturer financing - noncurrent	500,103	477,737	500,103	477,737
Escrow deposits	24,466	17,999	24,466	17,999
Financial liabilities to amortized cost:				
Financing - current	24,927	25,538	24,927	25,538
Finame manufacturer financing - current	303,579	284,390	303,579	284,390
Finame manufacturer - noncurrent	454,304	405,967	454,304	405,967
Trade accounts payable - current	48,323	32,926	48,323	32,926
Other payables - current	5,842	12,504	5,842	12,504
Finame manufacturer financing - noncurrent	212,615	207,123	212,615	207,123
Other payables - noncurrent	3,725	2,935	3,725	2,935

The measurement method used for calculating the fair value of financial assets and liabilities was the discounted cash flow with the ANBID benchmark index, considering the expected settlement or realization of assets and liabilities and the market rates prevailing at the information cut-off dates.

23. SEGMENT REPORTING - COMPANY AND CONSOLIDATED

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. The main segments are as follows: machine tools, plastic injectors and cast and machined products. Segment reporting on these business units is as follows:

	12/31/10				
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Operating revenue, net	427,104	179,413	67,012	-	673,529
Cost of sales	(239,349)	(95,277)	(96,150)	-	(430,776)
Transfer made	19,166	-	39,453	(58,619)	-
Transfer received	(24,682)	(25,643)	(8,294)	58,619	-
Gross profit (loss)	182,239	58,493	2,021	-	242,753
Operating (expenses) income:					
Selling expenses	(40,448)	(19,904)	(2,335)	-	(62,687)
General and administrative expenses	(42,371)	(22,457)	(4,340)	-	(69,168)
Research and development expenses	(16,980)	(7,858)	-	-	(24,838)
Management profit sharing and compensation	(6,781)	(2,249)	(779)	-	(9,809)
Tax expenses	(1,079)	(627)	(123)	-	(1,829)
Others income (expenses)	1,989	490	-	-	2,479
Income (loss) before financial income (expenses)	76,569	5,888	(5,556)	-	76,901
Inventories	179,679	66,757	17,024	-	263,460
Depreciation and amortization	14,066	3,132	6,843	-	24,041
Property, plant and equipment, net	165,262	11,765	111,991	-	289,018
Intangible assets	2,702	2,631	-	-	5,333
Goodwill	-	2,017	-	-	2,017

	Europe	North America	Latin America	Africa and Asia	Total
Net operating revenue by geographical region	38,391	14,144	619,647	1,347	673,529

	12/31/09				
	Machine tools	Plastic Injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Operating revenue, net	310,672	119,859	44,903	-	475,434
Cost of sales	(192,365)	(72,691)	(63,082)	-	(328,138)
Transfer remitted	12,506	-	17,558	(30,064)	-
Transfer received	(12,435)	(12,086)	(5,543)	30,064	-
Gross profit (loss)	118,378	35,082	(6,164)	-	147,296
Operating income (expenses):					
Selling expenses	(35,430)	(16,899)	(2,895)	-	(55,224)
General and administrative expenses	(33,122)	(21,201)	(3,185)	-	(57,508)
Research and development expenses	(16,927)	(5,795)	-	-	(22,722)
Management profit sharing and compensation	(5,535)	(1,848)	(466)	-	(7,849)
Tax expenses	(1,119)	(532)	(112)	-	(1,763)
Others income (expenses)	6,784	167	-	-	6,951
(Loss) income before financial income (expenses)	33,029	(11,026)	(12,822)	-	9,181
Inventories	160,715	67,469	15,467	-	243,651
Depreciation and amortization	13,636	2,002	3,980	-	19,618
Property, plant and equipment, net	160,204	12,915	108,242	-	281,361
Intangible assets	-	3,658	-	-	3,658
Goodwill	-	2,017	-	-	2,017

	Europe	North America	Latin America	Africa and Asia	Total
Net operating revenue by geographical region	39,461	17,116	418,382	475	475,434

24. FUTURE COMMITMENTS

On May 1, 2007, the Company entered into an electricity supply agreement with the electric power utility Centrais Elétricas Cachoeira Dourada S.A. - CDSA, which belongs to the Endesa Group, for the period from January 1, 2008 to December 31, 2013, under the free consumer regime. The agreement is adjusted annually based on the general market price index (IGP-M) and the amounts are distributed into the following years:

Year of supply	Amount
2011	9,531
2012	13,244
2013	13,244
Total	36,019

The Company's management's opinion is that this agreement is compatible with the electric power consumption requirements for the contracted period.

25. EXPENSE BY NATURE

As required by CPC 26 and IAS 1, below is the detailed disclosure of expenses by nature:

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Depreciation and amortization	23,313	18,895	24,041	19,950
Personnel expenses	177,836	166,620	202,319	191,235
Raw material and consumable supplies	284,408	198,632	297,739	210,721
Freight	10,653	7,952	11,901	8,893
Other expenses	51,243	30,061	63,107	42,405
Total	547,453	422,160	599,107	473,204

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Classified as:				
Cost of sales	399,878	301,910	430,776	328,138
Selling expenses	56,455	49,712	62,687	55,224
General and administrative expenses	56,422	40,245	69,168	57,508
Research and development expenses	23,489	21,088	24,838	22,722
Management profit sharing compensation	9,676	7,753	9,809	7,849
Tax expenses	1,533	1,452	1,829	1,763
Total	547,453	422,160	599,107	473,204

26. FINANCIAL INCOME AND EXPENSE

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Financial income:				
Interest on short-term investments	5,239	8,358	7,808	10,819
Interest on trade notes receivables	9,691	7,992	9,460	7,387
Interest on recoverable taxes (a)	8,782	-	8,782	-
Total	23,712	16,350	26,050	18,206
Financial expenses:				
Interest on financing	(15,518)	(6,252)	(15,631)	(6,739)
Others	(889)	-	(889)	-
	(16,407)	(6,252)	(16,520)	(6,739)

a) Refers to a lawsuit that sought the refund of social security contributions collected on payments to individuals and management from October 1989 to July 1994. After the final and unappeasable decision and abdication of judicial enforcement of the court decision, in March 2010 the Company applied for credit with the Federal Service Revenue, which was authorized in June 2010. These amounts were fully offset against social security contributions generated in 2010.

27. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Gain on sale of assets (*)	1,970	6,493	2,479	6,951
Provision for shareholder's deficit of subsidiary	(514)	(2,665)	-	-
Total	1,456	3,828	2,479	6,951

(*) In 2009, refers basically to the sale of property, plant and equipment, technology, intellectual and industrial property over high-precision tools of the business unit named Romicron. Please refer to the material fact disclosed on May 7, 2009 for further information.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's Board of Directors approved the financial statements on February 8, 2011.