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

Indústrias Romi S.A.

Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Indústrias Romi S.A.
Santa Bárbara d'Oeste - SP

1. We have audited the consolidated balance sheets of Indústrias Romi S.A. and subsidiaries ("Company") as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, prepared in conformity with international financial reporting standards issued by the International Accounting Standards Board - IASB and under the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements.

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

3. In our opinion, the consolidated financial statements referred to in paragraph 1 present fairly, in all material respects, the consolidated financial position of Indústrias Romi S.A. as of December 31, 2009 and 2008, and the consolidated results of its operations, the consolidated changes in its shareholders' equity, and its consolidated cash flows for the years then ended, in conformity with international financial reporting standards issued by the International Accounting Standards Board - IASB.

4. The Brazilian accounting practices differ, in certain respects, from the international financial reporting standards issued by the International Accounting Standards Board - IASB. The information related to the nature and the effect of these differences is presented in Note 4 to the consolidated financial statements.

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

Campinas, February 9, 2010

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Walbert Antonio dos Santos
Engagement Partner

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INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND DECEMBER 31, 2008
(In thousands of Brazilian reais - R$)

ASSETS	Note	2009	2008
CURRENT ASSETS			
Cash and cash equivalents	5	225,913	135,224
Temporary cash investments:			
Trading securities	5	-	53,721
Trade accounts receivable	6	75,935	79,591
Onlending of FINAME manufacturer financing	7	342,155	306,892
Inventories	8	243,651	285,344
Recoverable taxes	9	15,937	17,742
Other receivables		10,955	7,247
Total current assets		914,546	885,761
NONCURRENT ASSETS			
Long-term assets:			
Trade accounts receivable	6	4,468	3,700
Onlending of FINAME manufacturer financing	7	477,737	479,371
Recoverable taxes	9	14,126	18,245
Deferred income and social contribution taxes	20	16,166	12,731
Escrow deposits	16	17,999	13,803
Other receivables		6,956	6,634
Property, plant and equipment, net	10	281,361	256,340
Intangible assets		4,206	2,843
Goodwill		2,017	1,496
Total noncurrent assets		825,036	795,163
TOTAL ASSETS		1,739,582	1,680,924

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2009	2008
CURRENT LIABILITIES			
Loans and financing	11	25,538	28,503
FINAME manufacturer financing	12	284,390	270,028
Trade accounts payable		32,926	31,136
Payroll and related charges	14	22,402	33,845
Taxes payable	15	10,259	7,357
Advances from customers		7,584	14,082
Dividends and interest on capital		9,059	11,777
Profit sharing		1,347	4,500
Other payables		12,620	15,160
Total current liabilities		406,125	416,388
NONCURRENT LIABILITIES			
Loans and financing	11	207,123	70,957
FINAME manufacturer financing	12	405,967	453,323
Deferred income and social contribution taxes	20	8,930	7,947
Taxes payable	15	3,642	3,578
Reserve for contingencies	16	20,323	15,876
Other payables		2,935	9,626
Total noncurrent liabilities		648,920	561,307
SHAREHOLDERS' EQUITY			
Capital		505,764	505,764
Capital reserve		2,209	2,209
Profit reserve		179,041	187,071
Accumulated other comprehensive income		(4,474)	5,649
Interest attributed to owners of the parent		682,540	700,693
NONCONTROLLING INTERESTS		1,997	2,536
TOTAL SHAREHOLDERS' EQUITY		684,537	703,229
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,739,582	1,680,924

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

INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

INCOME STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	12/31/09	12/31/08
NET OPERATING REVENUE		475,434	696,124
COST OF SALES AND SERVICES	25	(328,138)	(416,550)
GROSS PROFIT		147,296	279,574
OPERATING INCOME (EXPENSES)			
Selling expenses	25	(55,224)	(65,927)
General and administrative expenses	25	(57,508)	(61,592)
Research and development expenses	25	(22,722)	(28,766)
Management profit sharing and compensation	19 and 25	(7,849)	(14,909)
Tax expenses	25	(1,763)	(2,913)
Other operating income, net	26	6,951	20,989
Total		(138,115)	(153,118)
INCOME FROM OPERATIONS BEFORE FINANCIAL RESULTS		9,181	126,456
FINANCIAL RESULTS			
Financial income	27	18,206	36,950
Financial expenses	27	(6,739)	(5,061)
Exchange variations, net		(6,112)	3,414
		5,355	35,303
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		14,536	161,759
INCOME AND SOCIAL CONTRIBUTION TAXES	20		
Current		(4,728)	(33,324)
Deferred		3,000	(1,828)
		(1,728)	(35,152)
NET INCOME		12,808	126,607
Attributed to:			
Owners of the parent		11,882	125,726
Noncontrolling interests		926	881
		12,808	126,607
BASIC AND DILUTED EARNINGS PER SHARE	18	0.159	1.606

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

INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$, except earnings per share)

	12/31/09	12/31/08
NET INCOME	12,808	126,607
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	(10,123)	6,617
COMPREHENSIVE INCOME FOR THE YEAR	2,685	133,224
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO		
Owners of the parent	1,759	132,343
Non controlling interests	926	881
	2,685	133,224

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

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INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$)

		Attributed to shareholders' interest									
				Earnings reserve							
	Note	Capital	Capital reserve	Profit reserve	Legal reserve	Total	Accumulated other comprehensive income	Retained earnings	Interest attributed to owners of the parent	Noncontrolling interests	Total
BALANCES AS OF DECEMBER 31, 2007		505,764	2,209	86,062	31,185	117,247	(968)	-	624,252	1,871	626,123
Net income		-	-	-	-	-	-	125,726	125,726	881	126,607
Foreign currency translation adjustments		-	-	-	-	-	6,617	-	6,617	-	6,617
Repurchase of shares		-	-	(15,566)	-	(15,566)	-	-	(15,566)	-	(15,566)
Allocations:											
Legal reserve	17	-	-	-	5,648	5,648	-	(5,648)	-	-	-
Retained earnings	17	-	-	79,742	-	79,742	-	(79,742)	-	(216)	(216)
Interest on capital - Law No. 9249/95	17	-	-	-	-	-	-	(40,336)	(40,336)	-	(40,336)
BALANCES AS OF DECEMBER 31, 2008		505,764	2,209	150,238	36,833	187,071	5,649	-	700,693	2,536	703,229
Net income		-	-	-	-	-	-	11,882	11,882	926	12,808
Foreign currency translation adjustments		-	-	-	-	-	(10,123)	-	(10,123)	-	(10,123)
Repurchase of shares	17	-	-	(10,194)	-	(10,194)	-	-	(10,194)	-	(10,194)
Allocations:											
Legal reserve	17	-	-	-	605	605	-	(605)	-	-	-
Interest on capital - Law No. 9249/95	17	-	-	(5,924)	-	(5,924)	-	(3,794)	(9,718)	-	(9,718)
Retained earnings	17	-	-	7,483	-	7,483	-	(7,483)	-	-	-
Dividends paid	17	-	-	-	-	-	-	-	-	(1,465)	(1,465)
BALANCES AS OF DECEMBER 31, 2009		505,764	2,209	141,603	37,438	179,041	(4,474)	-	682,540	1,997	684,537

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

INDÚSTRIAS ROMI S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$)

	Note	2009	2008
Cash flows from operating activities:			
Net income		12,808	126,607
Adjustments to reconcile net income to net cash provided by operating activities:			
Current and deferred income and social contribution taxes	20	1,728	35,152
Depreciation and amortization		19,950	15,175
Allowance for doubtful accounts and other receivables		4,436	1,897
Gain on sale of property, plant and equipment		(4,006)	(485)
Financial expenses and exchange variations		5,865	6,462
Provision for inventory losses		4,957	(3,990)
Reserve for contingencies, net		4,447	7,130
Gain on acquisition of subsidiaries		-	(19,316)
Increase (decrease) in assets:			
Trading securities		53,721	57,791
Trade accounts receivable		(1,428)	3,896
Onlending of FINAME manufacturer financing		33,902	(90,149)
Inventories		28,765	(72,948)
Recoverable taxes, net		1,560	(14,685)
Escrow deposits		(4,196)	(6,716)
Other receivables		(7,162)	(4,206)
Increase (decrease) in liabilities:			
Trade accounts payable		3,539	(5,355)
Payroll and related charges		(10,954)	(3,171)
Taxes payable		1,558	(8,984)
Advances from customers		(6,350)	4,249
Other payables		(6,433)	215
Cash provided by operating activities		136,707	28,569
Income and social contribution taxes paid		(129)	(24,797)
Net cash provided by (used in) operating activities		136,578	3,772
Cash flows from investing activities:			
Purchase of property, plant and equipment		(53,229)	(123,333)
Sale of property, plant and equipment		6,167	1,041
Increase in intangible assets		567	-
Capital increase in subsidiary		-	(970)
Acquisition of investment in subsidiary, net of cash balance of investments acquired		-	(8,676)
Net cash used in investing activities		(46,495)	(131,938)
Cash flows from financing activities:			
Interest on capital and dividends paid		(13,901)	(30,834)
New loans and financing		157,267	45,659
Payments of loans and financing		(21,217)	(38,134)
Interests paid		(8,099)	(6,953)
Increase in FINAME manufacturer financing		217,232	398,905
Payment of FINAME manufacturer financing		(248,567)	(218,054)
Interests paid - FINAME manufacturer financing		(69,190)	(62,091)
Repurchase of shares	17	(10,194)	(15,566)
Net cash provided by financing activities		3,331	72,932
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		93,414	(55,234)
Cash and cash equivalents - beginning of year		135,224	189,010
Exchange variation on cash balance of foreign subsidiaries		(2,725)	1,448
Cash and cash equivalents - end of year		225,913	135,224

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

1. OPERATIONS

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

2. SUMMARY OS SIGNIFICANT ACCOUNTING PRACTICES

2.1. Basis of presentation

Consolidated financial statements of the Company have been prepared in accordance with the International Accounting Standards Board - IASB.

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

2.2. Translation of foreign currency

a) Functional and reporting currency

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

The currency:

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

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

iii. That mainly influences labor, material and other costs of providing goods or services (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 with a significant degree of autonomy. An example of the former is when the foreign operation only sells only goods imported from the Company and remits proceeds to it. An example of the latter is when the operation accumulates cash and other monetary items, incurs expenses, generates income and arranges borrowings, all substantially in its local currency;

b) Whether transactions with the Company are high or low proportion of the 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 Reais (R$), which is the Company's functional and presentation currency, and are translated on the basis of the criteria described below:

a) Transactions and balances

The transactions in foreign currency are converted to the functional currency using the exchange rate in effect on the transaction date. Except for the foreing currency translation adjustments on subsidiaries, which have been recorded against shareholder's equity, the gains and losses resulting from the difference between the conversion of assets and liabilities in foreign currency at the date of the Consolidated Financial Statements and the conversion of the transaction amounts are recognized in the statement of income.

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 to the reporting currency as follows:

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

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

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

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

2.3. Financial assets

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

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

<u>Effective interest method</u>

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

<u>Financial assets at fair recognised value through profit or loss</u>

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

- Acquired principally for the purpose of selling it in the near term;

- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- A derivative that it is not a designated and effective hedging instrument”.

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

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

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

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

Financial assets at fair value through profit or loss are measured at fair value, together with gains and losses recognised in profit or loss. Net gain or loss recognised in profit or loss includes any dividends or interest obtained on the financial asset. Fair value is determined as described in note 13.

As of December 31, 2009, the Company does not have any balances of financial assets held for trading.

Loans and receivables

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

Impairment of financial assets

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

An objective evidence of impairment may be:

- Significant financial difficulty of the issuer or obligor;

- Default or delinquency in interest or principal payments; or

- When it is probable that the borrower will enter bankruptcy.

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

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

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

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

Derecognition of financial assets

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

2.4. Financial liabilities and equity instruments issued by the Company

Classification as debt or equity instruments

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

Equity instruments

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

Financial guarantee contracts

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

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

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

Financial liabilities

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

Financial liabilities at fair value recognized through profit or loss

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

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

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

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

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

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

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

Financial liabilities at fair value through profit or loss are measured at fair value, together with gains and losses recognized in profit or loss. Net gains or losses recognized in profit or loss comprise any interest paid on financial liabilities. Fair value is determined as described in note 13.

Other financial liabilities

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

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

2.5. Inventories

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

2.6. Property, plant and equipment

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

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

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

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

The residual value of property, plant and equipment is written off immediately at their recoverable value when the residual balance exceeds the recoverable value (Note 2.9.).

2.7. Intangible assets

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

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

Goodwill witn an undefined useful life is not amortized, but impairment losses are tested at least on an annual basis (see note 2.12. below).

2.8. 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 6.76% per annum, which is based on the average rate published by the National Association of Investment Banks (“ANBID”).

2.9. Provision for recovery of long-lived assets

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

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

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

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

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

2.10. Investments

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

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

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

2.11. Business Combination

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

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

Goodwill and other intangible assets with undefined useful lives are not amortized, but the recoverable value loss is tested at least once a year (see nota 2.12. below).

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

2.12. Goodwill

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

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

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

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

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

2.13. 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 which 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. These assets and liabilities are not recognized if the temporary difference results from goodwill or from the initial recognition (provided that it is not a business combination) of other assets and liabilities in a transactions which affect both taxable and accounting income.

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

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

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

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

2.13.3. 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, or when they arise from the initial recognition of a business combination. In case of business combinations, the tax effect is recorded through the calculation of goodwill or the determination of an excess in the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree over the business combination cost.

2.14. Employee benefits

The Company has several employee benefit plans, including pension, healthcare, dental care and profit sharing plans. The main plans granted to the Company's employees are described in notes 14 and 21.

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

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

2.15. 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. Distribution of dividends and interest on capital

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

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

2.17. 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;

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

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

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

Warranties

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

2.19. 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 deems reasonable and relevant. Even if these estimates and assumptions are revised by the Company in the normal course of business, the portrayal of its financial condition and results often requires the use of judgments as regards the effects of matters inherently uncertain on the carrying amount of its assets and liabilities. Actual results may differ from estimates based on different variables, assumptions or conditions. In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, comments have been included that relate to each critical accounting policy described below:

a) Deferred income tax

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

b) Useful lives of long-lived assets

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

2.20. Changes in accounting practices and disclosures

(a) Adoption of new and amended IFRSs and IFRIC interpretations

The following new pronouncements, amendments or interpretations, mandatory for the first time for the year or period beginning on January 1, 2009, were adopted by the Company.

- IAS 1 (as revised) "Presentation of Financial Statementss" - The revised standard prohibits the presentation of profit and loss items (changes in equity not attributed to the company's owners) in the statement of changes in equity; these items should be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income).

The Company elected to present a statement of comprehensive income. The consolidated financial statements for the year are prepared in conformity with the revised disclosure requirements. The comparative information was reviewed to comply with the new disclosure requirements.

- IFRS 7 "Financial Instruments: Disclosures (amendment)" - The amendement introduces the disclosure of the fair value in distinct levels, according to the hierarchy of the sources used to determine the fair value, and enhances the disclosures about the liquidity risk. The adoption of the amendment to IFRS 7 did not have impact on the Company's financial instrument disclosures for the year ended December 31, 2009.

- IFRS 8 "Operating Segments" - The company must disclose information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The operating segments presented are consistent with the financial information and with the reports that are evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The adoption of the IFRS 8 did not result in changes in the operating segments reported in the past, in accordance with IAS 14.

The following new pronouncements, amendments or interpretations, not significant, or although not significant, for the Company at this moment, are mandatory for the first time for annual periods beginning on January 1, 2009:

- Annual improvements to IFRS (May 2008);

- IFRS 1 (amendment), "First-time Adoption of International Financial Reporting Standards - Cost of investment on first-time adoption";

- IAS 32 (amendment), "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation;

- IFRS 2 (amendment), "Share-Based Payment: Vesting and non-vesting conditions";

- IAS 19 (amendment), "Employee Benefits: Curtailments and settlements";

- IAS 23 (as revised), "Borrowing Costs";

- IAS 27 (amendment), "Consolidated and Separate Financial Statements: Removal of cost method definition";

- IAS 39 (amendment), "Financial Instruments: Recognition and Measurement" and IFRIC 9 (amendment), "Reassessment of Embedded Derivatives";

- IFRIC 13, "Customer Loyalty Programmes";

- IFRIC 15, "Agreements for the Construction of Real Estate";

- IFRIC 16, "'Hedges of a Net Investment in a Foreign Operation".

(b) New and amended IFRS and IFRIC interpretations effective for annual periods beginning on or after January 1, 2010.

The following new pronouncements, amendments or interpretations were issued, but are not effective for annual periods beginning on January 1, 2009 and were not early adopted by the Company:

- Annual improvements to IFRS (April 2009);
- IAS 24, "Related Party Disclosures", effective for annual periods beginning on January 1, 2011;
- IAS 32 (amendment), "Classification of Rights Issues", effective for annual periods beginning on February 1, 2010. This standard is currently not applicable to the Company;
- IFRS 1 (2008), "First-time Adoption of International Financial Reporting Standards (restructuring of November 2008). This standard is currently not applicable to the Company;
- IFRS 1 (amendment). 'First-time Adoption', effective for annual periods beginning on January 1, 2011. This standard is currently not applicable to the Company;
- IFRS 2 (amendment), "Share-Based Payment: Group and treasury share transactions". Effective for annual periods beginning on or after July 1, 2009. This standard is currently not applicable to the Company;
- IFRS 3 (as revised), "Business Combinations" and IAS 27 (amendment), "Consolidated and Separate Financial Statements" and consequential amendments to IFRS 7, "Financial Instruments: Disclosures", IAS 21, "The Effects of Changes in Foreign Exhange Rates", IAS 28, "Investments in Associates", and IAS 31, "Interests in Joint Ventures", IAS 34, "Interim Financial Reporting" and IAS 39, "Financial Instruments: Recognition and Measurement", effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after July 1, 2009. The Company will apply the IFRS 3 (as revised) prospectively for business combinations for which the acquisition date is on or after January 1, 2010;
- IFRS 9, "Financial Liabilities", effective for annual periods beginning on January 1, 2013;
- IFRIC 14 (amendment) "Prepayment of a Minimum Funding Requirement" effective for annual periods beginning on January 1, 2011;
- IFRIC 17, "Distributions of Non-Cash Assets to Owners". Effective for annual periods beginning on or after July 1, 2009. This interpretation is currently not applicable to the Company;
- IFRIC 18, "Transfers of Assets from Customers". Effective for annual periods beginning on or after July 1, 2009. This interpretation is currently not applicable to the Company.
- IFRIC 19, "Extinguishing Financial Liabilities", effective for annual periods beginning on July 1, 2010.

In 2009, the Company decided to make a reclassification in the statement of cash flows, to better reflect interest receivable and payable arising from FINAME Manufacturer financing (see notes 7 and 12), which prior to 2009 were presented on a net basis, within "cash flows from financing activities", and started being presented in a separate line item "Interest paid - Finame Manufacturer financing", within "cash flows from financing activities," respectively. Also, interest paid which was presented within "cash flows from operating activities", related to the other loans and financing obtained by the Company, started being presented within "cash flows from financing activities". Accordingly, the changes presented below were reflected in the financial statements as of December 31, 2008:

	Consolidated		
Reported	Reported	Reclassification	Reclassified
Net cash used in operating activities	(66,178)	69,950	3,772
Net cash used in investing activities	(131,938)	-	(131,938)
Net cash provided by financing activities	142,882	(69,950)	72,932
Decrease in cash and cash equivalents	(55,234)	-	(55,234)

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 condensed 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 Com. Importadora e Exportadora S.A. (“Interocean”)	Brazil	Trading company, not operating in the periods presented
Romi A.L. S.A. (“Romi A.L.”) (formerly Favel S.A.)	Uruguay	Sales representation for Latin America
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") (b)	Italy	Development of projects, production and sales, distribution, import and export of machinery and equipment for the processing of plastic raw materials
Subsidiaries of Romi Itália (*) (b):		
Sandretto UK Ltd.	United Kingdom	Distribution of machinery for plastics and spare parts services
Sandretto Industries S.A.S.	France	
Metalmecanica Plast B.V.	The Netherlands	
Italprensas Sandretto S.A.	Spain	

(*) Romi Italia, through its subsidiary at that time, Romi Europa, acquired on July 24, 2008, from Sandretto Industrie S.r.l. ("Sandretto Italia"), interests in such subsidiaries and the business complex comprising a set of assets and rights and two production units in the region of Turim, Italy.

The acquisition of interests from Sandretto Industrie generated a gain of € 7,822,000 (equivalent to R$ 19,316 translated at the exchange rate on the acquisition date) because the amount paid was lower than the fair value estimate of the assets acquired and liabilities assumed of the subsidiaries.

As of December 31, 2009, the Company has recorded under line item “Other payables”, in current liabilities, the remaining balance of € 2,250,000 (equivalent to R$ 5,638), related to the purchase price, which will be paid in two semiannual installments of € 1,125,000 (equivalent to R$ 2,819), with maturity of the next installment in January 2010. This balance is restated by the rate of 3% per annum, as established in the agreement.

The amounts related to net revenue and loss for the year of this subsidiary considered in the consolidated income statement as of December 31, 2009 correspond to R$ 31,424 and R$ 14,257, respectively.

The balances of the balance sheets as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 are summarized below. The financial information of the subsidiaries Interocean, Romi Europa, Romi Machine Tools and Romi A.L. are not presented, because of the immateriality of the balances:

	Romi Italia		Rominor	
	12/31/09	12/31/08 (*)	12/31/09	12/31/08
Assets:				
Current assets	50,587	57,348	26,475	34,044
Noncurrent assets	15,885	20,317	6,300	6,461
Total assets	66,472	77,665	32,775	40,505
Liabilities:				
Current liabilities	24,764	28,111	3,944	3,922
Noncurrent liabilities	7,139	26,741	-	-
Shareholders’ equity	34,569	22,813	28,831	36,583
Total liabilities and shareholders’ equity	66,472	77,665	32,775	40,505
	12/31/09	12/31/08 (*)	12/31/09	12/31/08
Net operating revenue	31,424	16,631	13,541	15,504
Gross profit	6,891	7,100	13,469	15,504
Income (loss) from operations	(14,253)	8,046	15,825	15,316
Income (loss) before taxes	(14,253)	8,046	15,825	15,316
Net income (loss)	(14,257)	7,739	13,374	12,783

(*) Amounts related to the period from July 24, 2008 (acquisition date) to December 31, 2008.

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

a) Elimination of intercompany balances;

b) Elimination of intercompany inventory profits, when material;

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

d) Elimination of intercompany transactions;

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

4. RECONCILIATION BETWEEN IFRS AND BRGAAP

The Company filed the individual and consolidated financial statements, prepared in conformity with Brazilian accounting practices (BRGAAP). In 2009, the Company opted for the early adoption of the pronouncements issued by the Accounting Pronouncements Committee, the CPCs, for convergence with the IFRS, which resulted in adjustments to shareholders' equity and net income for 2008. For the year ended December 31, 2008, there are no differences between adjusted shareholders' equity and adjusted net income under BRGAAP and shareholders' equity and net income under IFRS.

Below is the reconciliation between the main differences between IFRS and BRGAAP which affected shareholders' equity and net income for the year ended December 31, 2009:

Reconciliation of shareholders' equity - BRGAAP "versus" IFRS

	12/31/09
Shareholders' equity under BRGAAP	682,875
Adjustments under IFRS:	
Amortization of intangible asset, recorded for IFRS purposes, arising from the acquisition of JAC Indústria Metalúrgica Ltda. ("JAC")	(332)
Deferred taxes related to the amortization of intangible asset above	113
Other differences	(116)
Controlling interest	682,540
Noncontrolling interest	1,997
Shareholders' equity under IFRS	684,537

Reconciliation of net income - BRGAAP "versus" IFRS

	12/31/09
Net income under BRGAAP	13,027
Adjustments under IFRS:	
Amortization of intangible asset, recorded for IFRS purposes, arising from the acquisition of JAC Indústria Metalúrgica Ltda. ("JAC")	(332)
Deferred taxes related to the amortization of intangible asset above	113
Net income under IFRS	12,808

5. CASH AND CASH EQUIVALENTS AND SECURITIES HELD FOR TRADING

Cash and cash equivalents include cash, banks and short-term, highly liquid investments with original maturities of 90 days or less and low risk of variation in market value.

	12/31/09	12/31/08
Cash	9,219	15,635
Bank certificates of deposits (CDB)	161,644	75,891
Short-term investments backed by debentures	53,594	39,242
Treasury bills (LFT)	-	2,818
Other	1,456	1,638
Cash and cash equivalents (a)	225,913	135,224
Bank certificates of deposits (CDB)	-	46,055
Short-term investments backed by debentures	-	7,666
Total securities held for trading (b)	-	53,721

(a) Short-term investments classified as cash and cash equivalents are conducted with prime financial institutions to minimize the credit risk, policy adopted by the Company for the management of these financial assets. These assets have yield linked to Interbank Certificates of Deposit (CDI). They comprise cash, demand deposits and short-term investments which can be redeemed within 90 days from the investment date.

(b) Short-term investments recorded as securities held for trading are conducted with prime financial institutions to minimize the credit risk; policy adopted by the Company to manage these financial assets. These assets have yield linked to the CDI and can be reedemed after 90 days from the investment date.

6. TRADE ACCOUNTS RECEIVABLE

	12/31/09	12/31/08
Current assets:		
Domestic customers	57,722	38,168
Foreign customers	22,869	44,075
Allowance for doubtful accounts	(4,656)	(2,652)
Total	75,935	79,591
Noncurrent assets:		
Domestic customers	3,448	1,233
Foreign customers	1,020	2,467
Total	4,468	3,700

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

An allowance for doubtful accounts is recorded, based on an analysis of trade accounts 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$ 9,751 as of December 31, 2009 (R$ 11,983 as of December 31, 2008) in sale financing transactions with its customers. In these transactions the Company is jointly liable for the financing repayment. In the event of the customer's default, the Company is liable for the payment and the equipment pledged to the financial institution is transferred to the Company. The balance of trade accounts receivable is presented net of sale financing transactions.

The balance of trade accounts receivable from domestic customers as of December 31, 2009 and 2008 is as follows:

	12/31/09	12/31/08
Current	48,330	22,294
Past-due:		
1 to 30 days	5,415	8,097
31 to 60 days	732	2,264
61 to 90 days	220	411
91 to 180 days	1,002	571
181 to 360 days	1,137	3,895
Over 360 days	886	636
Total past-due	9,392	15,874
Total trade accounts receivables	57,722	38,168

The balance of trade accounts receivable from foreign customers as of December 31, 2009 and 2008 is as follows:

	12/31/09	12/31/08
Current	17,887	36,226
Past-due:		
1 to 30 days	2,217	4,756
31 to 60 days	1,187	424
61 to 90 days	95	664
91 to 180 days	421	1,173
181 to 360 days	256	482
Over 360 days	806	350
Total past-due	4,982	7,849
Total trade accounts receivable	22,869	44,075

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

Balance as of December 31, 2008	2,652
Receivables accrued in the year	2,152
Receivables definitively written off	(148)
Balance as of December 31, 2009	4,656

7. ONLENDING OF FINAME MANUFACTURER FINANCING

		12/31/09	12/31/08
Current assets:			
FINAME falling due		291,063	279,968
FINAME awaiting release	(a)	10,835	4,427
FINAME past-due	(b)	40,257	22,497
		342,155	306,892
Noncurrent assets:			
FINAME awaiting release	(a)	65,009	26,564
FINAME falling due		412,728	452,807
		477,737	479,371
Total		819,892	786,263

Onlending of Finame Manufacturer financing refers to sales to customers financed by funds from the National Bank for Economic and Social Development (BNDES) through a credit line named Finame Manufacturer financing (see Note 12).

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% and 5.8% per annum, plus long-term interest rate (TJLP); and (b) 4.5% per annum, prefixed according to Circular 79, of July 10, 2009, for transactions carried out between July 27, 2009 and June 30, 2010. 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 settlment of the obligation by the customer.

Amounts receivable - 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.

As of December 31, 2009 and December 31, 2008, the individual and consolidated balances of “Onlending of FINAME manufacturer financing” are as follows:

	12/31/09	12/31/08
Current	301,898	284,395
Past-due:		
1 to 30 days	5,122	5,536
31 to 60 days	3,335	2,941
61 to 90 days	2,772	2,339
91 to 180 days	7,634	4,249
181 to 360 days	14,452	3,815
Over 360 days	6,942	3,617
	40,257	22,497
Total current	342,155	306,892
2010	-	121,679
2011	240,889	197,769
2012	150,529	109,575
2013	77,327	41,870
2014 thereafter	8,992	8,478
Total noncurrent	477,737	479,371
Total	819,892	786,263

8. INVENTORIES

	12/31/09	12/31/08
Finished products	93,114	93,274
Work in process	79,444	92,996
Raw materials and components	69,542	91,336
Imports in transit	1,551	7,738
Total	243,651	285,344

Inventory balance is net of the amount of R$ 20,441 (R$ 15,484 as of December 31, 2008) of the provision for the realization of inventories of slow-moving materials and components with remote probability of being realized through sale or use.

Changes in the allowance for inventory losses and the adjustment to net realizable value, Company and consolidated, are as follows:

Balance as of December 31, 2008	15,484
Inventories permanently written off	(2,908)
Allowance recognized	8,985
Reversal	(1,120)
Balance as of December 31, 2009	20,441

9. RECOVERABLE TAXES

	12/31/09	12/31/08
Current assets:		
IRRF (withholding income tax) on temporary cash investments	991	1,303
IPI (federal VAT), PIS and COFINS (taxes on revenue)	3,599	4,025
ICMS (state VAT) on property, plant and equipment items	4,032	5,545
PIS and COFINS on property, plant and equipment items	5,450	4,978
Other	1,865	1,891
Total	15,937	17,742
Noncurrent assets:		
PIS and COFINS on property, plant and equipment items	4,489	8,176
ICMS on property, plant and equipment items	6,009	6,006
Taxes on recoverable income of subsidiaries	3,628	4,063
Total	14,126	18,245

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, 2009, Company and consolidated, is as follows:

2011	6,612
2012	4,700
2013	1,001
2014	605
2015	1,208
Total	14,126

10. PROPERTY, PLANT AND EQUIPMENT

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

Cost of gross property,plant and equipament	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Balance as of January 1, 2008	24,857	59,033	142,842	7,761	1,982	11,944	1,652	295	250,366
Additions	46	2	13,810	484	634	5,686	99,179	3,492	123,333
Acquisition of subsidiaries	3,380	8,258	4,771	515	921	932	900	-	19,677
Sales	(91)	-	(969)	(129)	(443)	(524)	(249)	-	(2,405)
Transfers	-	25,665	1,860	334	-	-	(27,859)	-	-
Exchange rate changes	562	2,579	1,421	194	302	417	-	-	5,475
Balances as of December 31, 2008	28,754	95,537	163,735	9,159	3,396	18,455	73,623	3,787	396,446
Additions	1	85	10,209	104	494	2,629	39,296	(398)	52,420
Sales	(402)	(251)	(7,483)	(452)	(468)	(447)	(1,611)	-	(11,114)
Transfers	737	80,527	28,823	9	136	79	(110,186)	-	125
Exchange rate changes	(536)	(2,535)	(1,358)	(194)	(285)	(431)	-	-	(5,339)
Balances as of December 31, 2009	28,554	173,363	193,926	8,626	3,273	20,285	1,122	3,389	432,538
Accumulated depreciation									
Balance as of January 1, 2008	-	24,334	81,186	4,951	1,415	8,814	-	-	120,700
Depreciation	-	2,015	10,763	425	330	1,642	-	-	15,175
Sales	-	(925)	-	(106)	(344)	(474)	-	-	(1,849)
Acquisition of subsidiaries	-	172	2,298	480	875	684	-	-	4,509
Transfers	-	59	707	177	312	316	-	-	1,571
Balances as of December 31, 2009	-	25,655	94,954	5,927	2,588	10,982	-	-	140,106
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
Exchange rate changes	-	(160)	(723)	(179)	(206)	(338)	-	-	(1,606)
Balances as of December 31, 2009	-	30,211	100,405	5,866	2,084	12,611	-	-	151,177
Property, plant and equipment, net									
Balance as of January 1, 2008	24,857	34,699	61,656	2,810	567	3,130	1,652	295	129,666
Balance as of December 31, 2008	28,754	69,882	68,781	3,232	808	7,473	73,623	3,787	256,340
Balance as of December 31, 2009	28,554	143,152	93,521	2,760	1,189	7,674	1,122	3,389	281,361

In view of the financing agreements with the BNDES for investment in property, plant and equipment, approximately R$ 80,710 as of December 31, 2009 (R$ 60,959 as of December 31, 2008) of property, plant and equipment items is pledged as collateral. These items are fully represented by machinery and equipment.

In the year ended December 31, 2009, the Company capitalized financial charges in the amount of R$ 2,148 (R$ 2,346 as of December 31, 2008), appropriated to "Construction in progress".

b) Depreciation rates

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

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

11. FINANCING

	Current		Noncurrente			Amortization	2009	
	12/31/09	12/31/08	12/31/09	12/31/08	Maturity	of principal	Financial charges	Guaranteess
Working capital - foreing currency:								
Export financing - US$	1,192	6,197	-	5,842	02/11//2010	Semiannual	0.8% p.a.+ LIBOR + exchange variation	Promissory note /surety
Export financing - R$	320	-	58,260	-	08/15/2012	Single installment	4.5% p.a.	Promissory note
Property, plant and equipment- local currency	12,983	10,185	136,581	54,909	11/15/2017	Monthly	Interest of 1.36 to 2% p.a. + TJLP	Financed machines and mortgage on properties and land
FINAME sundry - local currency	5,672	4,769	11,033	7,189	02/17/2014	Monthly	Interest of 1.3% p.a. + TJLP to 12.5% p.a., paid monthly with amortization of principal	Financed machinery/surety /promissory note
Refinanced drafts - local currency	2,829	2,128	966	2,013	06/15/2012	Monthly	LIBOR + 1% of spread	Customer pledge agreement
Romi Machine Tools - working capital - US$	46	56	72	158	06/30/2012	Semiannaul	Interest of 6.31% to 6.39% p.a. + exhange variation	Promissory note/surety
JAC - Finame R$	-	245	-	588	05/17/2012	Monthly	Interest of 1.3% to 12.5% p.a. + TJLP,paid monthly together with amortization of principal	Financed machinery
Romi Italia (Sandretto UK Ltd.) - working capital - Sterling pound	2,496	4,923	211	258	11/30/2012	Monthly	Interest of 1.65% p.a. + LIBOR	Property, plant and equipment
Total	25,538	28,503	207,123	70,957				

The Company pledged as collateral for the financing, as of December 31, 2009, machinery and equipment in the amount of R$ 80,710 (R$ 60,959 as of December 31, 2008), as mentioned in note 10.

The maturities of the financing recorded in noncurrent liabilities as of December 31, 2009 are as follows:

2011	21,427
2012	91,202
2013	31,341
2014	23,366
2015 and thereafter	39,787
Total	207,123

On April 13, 2009, the Company entered into a financing agreement with the BNDES, totaling R$ 25,500, of which approximately R$ 18,780 had been released up to December 31, 2009, 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. The Company has 18 months from the agreement signing date to request the remaining amount. Interest on such financing is 1.36% over TJLP. 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 shareholders' equity by the consolidated total assets should 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. As of December 31, 2009, the Company was compliant with such financial ratios.

On November 12, 2009, the Company entered into a financing agreement with the BNDES, totaling R$ 82,549, of which R$ 75,000 had been released up to December 31, 2009, recorded under line item “Property, plant and equipment - local currency”. The Company has 18 months from the agreement signing date to request the remaining amount. 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. The financing is guaranteed by mortgage on the Company's 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 shareholders' 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 to interest on capital, by the consolidated net income should be equal to or lower than 0.40. As of December 31, 2009, the Company was compliant with such financial ratios.

On July 16, 2009, the Company entered into a financing agreement with the BNDES, under the BNDES Investment Support Program (BNDES PSI), related to an export contract. The total amount of the financing is R$ 58,260, fully released to the Company in October 2009, recorded under line item "Export financing - R$”. The financing will be paid in a single installment on October 15, 2012. The Company commits itself to exporting, until the agreement settlement date, the equivalent to US$ 30,000,000. Interest on such financing is prefixed at 4.5% per annum. The financing is collateralized by a promissory note signed by the Company.

12. FINANCING - FINAME MANUFACTURER

	12/31/09	12/31/08
Current:		
FINAME Manufacturer	284,390	270,028
Noncurrent:		
FINAME Manufacturer	405,967	453,323

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 7), 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 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% and 5.8% per annum, plus TJLP; and (b) 4.5% per annum prefixed according to Circular 79, of July 10, 2009, for transactions carried out between July 27, 2009 and June 30, 2010. 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” (Note 7) as of December 31, 2009 and 2008, were monetarily restated through the financial statement closing date. The difference of R$ 129,535 as of December 31, 2009 (R$ 62,912 as of December 31, 2008) 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 Manufaturer financing recorded in noncurrent liabilities as of December 31, 2009 are as follows:

2011	237,486
2012	123,156
2013	40,925
2014	4,383
2015	17
Total	405,967

13. FINANCIAL INSTRUMENTS

c) General considerations

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

- Cash and cash equivalents and short-term investments: recognized at amortized cost plus income earned through the balance sheet date, which approximate their fair values, presented in note 5;

- Trade accounts receivable: commented and presented in notes 6 and 7;
- Loans and financing: commented and presented in notes 11 and 12.

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

d) Risk factors that could affect the Company's business

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

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

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

The Company has financial instruments indexed to the US dollar and the euro. Instruments exposed to exchange rate changes are represented by trade notes receivable, import and export financing, trade accounts payable and loan agreements with subsidiaries located in the United States and Europe.

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

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

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

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

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

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, 2009, the balances denominated in foreign currency were subject to exchange rate changes. We estimate that a ten percent appreciation or depreciation in the exchange rate in relation to the local currency would have resulted in an expense or income of R$ 817. As of December 31, 2008, based on the same assumption, a ten percent appreciation or depreciation in the exchange rate in relation to the local currency would have resulted in an income or expense of R$ 405.

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, 2009, an estimated ten percent increase or decrease in interest rates would increase or decrease financial income by R$ 530, (R$ 1,667 as of December 31, 2008). This amount was calculated considering the impact of hypothetical increases or decreases in interest rates on outstanding short-term investments and financing.

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

e) Financial instruments per category

The mainly financial assets and liabilities are show bellow:

Financial assets	12/31/09	12/31/08
Fair value:		
Trading securities	-	53,721
Loans and receivables:		
Cash and cash equivalents and short-term investments	225,913	135,224
Trade accounts receivables	75,935	79,591
Onlending of FINAME manufacturer financing	342,155	306,892
Trade accounts receivable - noncurrent	4,468	3,700
Onlending FINAME manufacturer financing - noncurrent	477,737	479,371
Escrow deposits	17,999	13,803

Financial liabilities	12/31/09	12/31/08
Other liabilities:		
Financing	25,538	28,503
FINAME manufacturer financing	284,390	270,028
Trade accounts payable	32,926	31,136
Other payables	12,620	15,160
Financing - noncurrent	207,123	70,957
FINAME manufacturer financing - noncurrent	405,967	453,323
Other payables - noncurrent	2,935	9,626

14. PAYROLL AND RELATED CHARGES

	12/31/09	12/31/08
Salaries	3,786	4,204
Accrued vacation, 13th salary and related charges	10,586	8,863
Payroll charges	6,925	7,762
Provision for profit sharing	1,105	13,016
Total	22,402	33,845

Employee profit sharing was recorded in the statements of income for period ended December 31, 2009 and 2008, under the captions “cost of sales and services”, “selling expenses”, and “general and administrative expenses”, according to the cost center of each employee.

15. TAXES PAYABLE

	12/31/09	12/31/08
Current:		
COFINS (tax on revenue)	3,234	1,600
PIS (tax on revenue)	702	349
ICMS (state VAT)	3,483	1,953
Income and social contribution taxes on net income	1,799	2,424
Other taxes	1,041	1,031
Total	10,259	7,357
Non current:		
Others	3,642	3,578

The balance of taxes payable recorded in noncurrent liabilities as of December 31, 2009 matures as follows:

2011	1,241
2012	952
2013	648
2014	737
2015 and thereafter	64
Total	3,642

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:

	Classifications of lawsuits - amounts as of December 31, 2009			Recognized reserve	
	Remote	Possible	Probable	12/31/09	12/31/08
Tax	382	3,781	18,573	18,573	14,153
Civil	1,655	1,604	312	312	285
Labor	4,778	571	2,284	2,284	1,736
Total	6,815	5,956	21,169	21,169	16,174
Current balance	-	-	-	846	298
Noncurrent balance	-	-	-	20,323	15,876

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

	12/31/08	Additions	Uses /reversals	Inflation adjustments	12/31/09
Tax	14,153	4,420	-	-	18,573
Civil	285	-	(8)	35	312
Labor	1,736	995	(1,211)	764	2,284
Total	16,174	5,415	(1,219)	799	21,169

In subsidiaries there are no ongoing litigations or contingency risks to be considered, according to assessment made by Management and its legal counsel.

As of December 31, 2009, the main lawsuits, which were classified by Management as probable loss based on the opinion of legal counsel and, therefore, were included in the reserve for contingencies, are as follows:

a) Tax lawsuits

Refer to reserve for PIS and COFINS (taxes on revenue) on ICMS (state VAT) on sales in the amounts of R$ 3,223 (R$ 2,434 as of December 31, 2008) and R$ 14,844 (R$ 11,213 as of December 31, 2008), respectively, and INSS (social security contribution) on services provided by cooperatives in the amount of R$ 506 (R$ 506 as of December 31, 2008). The Company is depositing in escrow PIS and COFINS on ICMS on sales, the amount recorded is R$ 17,999 (R$ 13,803 as of December 31, 2008).

b) Civil lawsuits

Refer to contractual review claims filed in courts by customers.

c) Labor lawsuits

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

Tax, 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 classified as probable losses will not result in disbursements higher than those recognized in the reserve. The amounts involved do not qualify as legal obligations.

17. SHAREHOLDERS' EQUITY

Capital

Subscribed and paid-up capital as of December 31, 2009 and 2008, monetarily restated as prescribed by IAS 29, is represented by 74,757,547 and 78,557,547 registered common shares, respectively, all without par value and with the same rights and advantages. The change in the number of shares comprising the Company's capital, in 2009, refers to acquision of Company shares.

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, 2009, the Company recorded R$ 605 (R$ 5,648 in 2008).

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 or, if necessary, to absorb the loss for the year.

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 budgeted 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 cancelation of the share above. After the cancelation, the total number of shares is 74,757,547.

Interest on capital

The Company elected to pay interest on capital, totaling R$ 9,718 (R$ 40,336 in 2008), with withholding of income tax in the amount of R$ 1,109 (R$ 4,885 in 2008). Interest is included in dividends for each of the reported years.

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

		Amount - R$ 000			
Proceeds	Event - Date	Net of withholding income tax	Gross	Amount per Share - R$ Gross	Payment Date
Interest on capital	Board of Directors' Meeting (BDM) - 12/08/2009	8,609	9,718	0.13	01/19/2010
Total		8,609	9,718		

For the amount of dividends and interest on capital accrued as of December 31, 2009, in addition to the amount declared on December 8, 2009 (R$ 8,609, net of tax effects), there is a balance of R$ 192 (R$ 2,211 in 2008) related to dividends declared in prior years and not claimed by shareholders.

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

		Amount - R$ 000			
Proceeds	Event - Date	Net of withholding income tax	Gross	Amount per Share - R$ Gross	Payment Date
Interest on capital	BDM - 03/18/2008	8,300	9,427	0.12	04/18/2008
Interest on capital	BDM - 06/10/2008	8,748	9,961	0.1268	07/18/2008
Interest on capital	BDM - 09/02/2008	9,062	10,315	0.1313	10/20/2008
Interest on capital	BDM - 12/09/2008	9,341	10,633	0.1393	01/20/2009
Total		35,451	40,336		

Dividends

The 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 Shareholders’ Meeting, for distribution of dividends and recognition of profit reserve, is as follows:

	2009	2008
Net income attributed to owners of the parent	11,882	125,726
(-) Recognition of legal reserve	(605)	(5,648)
Income subject to distribution	11,277	120,078
Interest on capital related to net income	(3,794)	(40,336)
Recognition of profit reserve	7,483	79,742
Interest on capital related to net income for the current year	3,794	40,336
Interest on capital related to profit reserve from prior years	5,924	-
	9,718	40,336
Interest on capital, net of withholding income tax	8.609	35,451
Interest on capital per share (in Reais)	0.13	0.51

Based on the dividend policy, the Company proposed to distribute 33% of the income for the year subject to distribution and the remaining amount of the profit reserve, as interest on capital. This proposal will be ratified in the Annual Shareholders’ Meeting on March 16, 2010.

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 only in the event of disposal or write-off of the investment.

18. EARNINGS PER SHARE

a) Changes in the number of shares

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

Earnings per share

In compliance with IAS No. 33, *Earnings per Share*, the following tables reconcile the net income with the amounts used to calculate the basic and diluted earnings per share:

	12/31/09	12/31/08
Net income	11,882	125,726
Weighted average of shares issued (in thousands)	74,671	78,301
Basic and diluted earnings per share	0.159	1.606

19. MANAGEMENT COMPENSATION

Management compensation for the years ended December 31, 2009 and 2008 are as follows:

	12/31/09	12/31/08
Fees and charges	6,498	8,342
Profit sharing	447	4,423
Private pension plan	798	2,032
Healthcare plan	106	112
	7,849	14,909

The amounts shown above are in conformity with the limits established by the Board of Directors. The amounts proposed for profit sharing is subject to approval at the Annual Shareholders' Meeting (ASM) to be held on March 16, 2010.

20. INCOME AND SOCIAL CONTRIBUTION TAXES

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

The table below shows a reconciliation of taxes on income before income tax and social contribution by applying the prevailing tax rates as of December 31, 2009 and 2008:

	12/31/09	12/31/08
Income before income and social contribution taxes	14,536	161,759
Statutory rate (income and social contribution taxes)	34%	34%
Expected income and social contribution tax charges at statutory rate	(4,942)	(54,998)
Reconciliation to the effective rate:		
Interest on capital	3,304	13,714
Other (additions) deductions, net *	(90)	6,132
Income and social contribution tax charges	(1,728)	(35,152)

* This amount refers basically to the difference in the calculation of income and social contribution taxes between the actual taxable income and presumed income methods, due to the fact that the subsidiary Rominor is a taxpayer under the presumed income regime during the reported periods and due to the non-recongition of deferred income tax on the tax losses of foreign subsidiaries.

a) Deferred income and social contribution taxes

	12/31/09				12/31/08			
	Temporary differences	Income tax	Social contribution tax	Total	Temporary differences	Income tax	Social contribution tax	Total
Assets								
Adjustments to market value or other:								
Provision for inventory losses	20,441	5,051	1,822	6,873	15,684	3,912	1,393	5,305
Repossession of machinery	3,854	1,011	365	1,376	1,621	404	146	550
Investments	555	139	50	189	437	109	39	148
Adjustments to present value: trade accounts receivable and payable	544	136	49	185	321	80	29	109
Commissions	117	29	11	40	780	194	70	264
Reserve for contingencies	21,169	5,282	279	5,561	16,174	4,034	228	4,262
Other temporary differences	4,132	1,031	371	1,402	4,974	1,241	447	1,688
Management profit sharing	1,347	-	121	121	4,500	-	405	405
Goodwill arising on the acquisition of JAC	1,232	308	111	419	-	-	-	-
Deferred income and social contribution taxes, net	53,391	12,987	3,179	16,166	44,491	9,974	2,757	12,731
Liabilities								
Write off of negative goodwill on acquisition of subsidiary	23,515	5,831	2,116	7,947	23,515	5,831	2,116	7,947
Goodwill arising on the acquisition of JAC	2,892	723	260	983	-	-	-	-
Total	26,407	6,554	2,376	8,930	23,515	5,831	2,116	7,947

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

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

As of December 31, 2009, the expected realization of deferred income and social contribution taxes, recorded in noncurrent assets, is as follow:

	Income Taxes	Social Contribution	Total
2011	4,787	1,724	6,511
2012	1,848	667	2,515
2013	6,424	690	7,114
2014	19	7	26
2015	-	-	-
Total	13,078	3,088	16,166

b) Breakdown of and changes in deferred income and social contribution taxes

	Balance at 12/31/2008	Impact on net income (loss)	Impact on goodwill	Balance at 12/31/2009
Provision for inventory losses	5,305	1,568	-	6,873
Repossession of machinery	550	826	-	1,376
Investments	148	41	-	189
Adjustments to present value: trade accounts receivable and payable	109	76	-	185
Other temporary differences	1,688	(286)	-	1,402
Commissions	264	(224)	-	40
Reserve for contingencies	4,262	1,299	-	5,561
Management profit sharing	405	(284)	-	121
Income tax and social contribution on goodwill	-	(16)	419	419
Deferred income tax and social contribution assets	12,731	3,000	419	16,166
Gain on acquisition of subsidiaries	(7,947)	-	-	(7,947)
Income tax and social contribution on goodwill	-	-	(983)	(983)
Income tax and social contribution liabilities	(7,947)	-	(983)	(8,930)

21. PENSION PLAN

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

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

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

The amount of contributions made by the Company in the year ended December 31, 2009 was R$ 2,541 (R$ 3,051 in the year ended December 31, 2008). The amount incurred on private pension plan was recorded in the statements for the years ended December 31, 2009 and 2008 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.

22. 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, 2009, insurance coverage is as follows:

Coverage	Effective period	Coverage amount
Fire, windstorm, and electrical damage:		
Buildings	01/01/10 to 12/31/10	124,043
Machinery and equipment	01/01/10 to 12/31/10	216,865
Inventories	01/01/10 to 12/31/10	233,739

23. SEGMENT REPORTING

The Company adopted IFRS 8, Operating Segments, effective starting January 1, 2009. IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The definition of operating segment to comply with IFRS 8 does not differ from the one used in IAS 14. The main segments are machine tools, plastic injectors and cast and machined products. Segment reporting for the quarters and the nine-month periods ended December 31, 2009 and 2008 are as follows:

	12/31/09				
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Operating revenue	310,672	119,859	44,903	-	475,434
Cost of sales	(192,365)	(72,691)	(63,082)	-	(328,138)
Transfers remitted	12,506	-	17,558	(30,064)	-
Transfers 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	(33,454)	(20,869)	(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)
Other income	6,784	167	-	-	6,951
(Loss) income from operations before financial income (expenses)	32,697	(10,694)	(12,822)	-	9,181
Financial income					18,206
Financial expenses					(6,739)
Foreign exchange loss, net					(6,112)
Total financial income					5,355
Income before income and social contribution taxes					14,536
Income and social contribution taxes					(1,728)
Net income					12,808
Attributed to:					
Owners of the parent					11,882
Noncontrolling interests					926
Inventories	160,715	67,469	15,467	-	243,651
Depreciation	14,212	1,758	3,980	-	19,950
Property, plant and equipment, net	158,270	14,849	108,242	-	281,361
Intangible assets		4,206	-	-	4,206
Goodwill	-	2,017	-	-	2,017

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

	12/31/08				
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments and other	Consolidated
Operating revenue	439,924	128,074	128,126	-	696,124
Cost of sales	(238,481)	(60,056)	(118,013)	-	(416,550)
Transfers remitted	23,460	-	35,046	(58,506)	-
Transfers received	(28,669)	(19,163)	(10,674)	58,506	-
Gross profit	196,234	48,855	34,485	-	279,574
Operating income (expenses):					
Selling expenses	(42,463)	(15,853)	(7,611)	-	(65,927)
General and administrative expenses	(35,271)	(17,685)	(8,636)	-	(61,592)
Research and development expenses	(23,190)	(5,576)	-	-	(28,766)
Management profit sharing and compensation	(11,295)	(1,696)	(1,918)	-	(14,909)
Tax expenses	(1,855)	(575)	(483)	-	(2,913)
Other income	880	20,109	-	-	20,989
Income from operations before financial income (expenses)	83,040	27,579	15,837	-	126,456
Financial income					36,950
Financial expenses					(5,061)
Foreign exchange loss, net					3,414
Total financial income					35,303
Income before income and social contribution taxes					161,759
Income and social contribution taxes					(35,152)
Net income					126,607
Attributed to:					
Owners of the parent					125,726
Noncontrolling interests					881
Inventories	203,404	66,599	15,341	-	285,344
Depreciation	10,560	661	3,954	-	15,175
Property, plant and equipment, net	210,735	22,652	22,953	-	256,340
Intangible assets	-	2,843	-	-	2,843
Goodwill	-	1,496	-	-	1,496

	Europe	North America	Latin America	Africa and Asia	Total
Net operating revenue per geographical region	46,641	45,248	602,843	1,392	696,124

24. FUTURE COMMITMENTS

(a) 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
2010	7,760
2011	11,375
2012	11,897
2013	11,897
Total	42,929

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

(b) Under the agreement for acquisiton of Sandretto Industrie S.l.r., the Company commits itself to maintaining, for at least two years from the agreement date, business activitities in the production sites, at the Grugliasco and Pont Canavese units, both in Turim, in Italy, as well as the occupational levels for the same period, in a quantity not less than 250 employees (“gurantees”). In the event of non-fulfillment of these guarantees, the Company is arequired to pay a fine equivalent to € 1,375,000 (equivalent to R$ 3,446 as of December 31, 2009).

25. EXPENSE BY NATURE

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

	12/31/09	12/31/08
Depreciation and amortization	19,950	15,175
Personal expenses	191,235	219,523
Raw material and consumable supplies	210,721	316,529
Freight	8,893	14,753
Other expenses	42,405	24,677
Total	473,204	590,657
Classified as:		
Cost of sales	328,138	416,550
Selling expenses	55,224	65,927
General and administrative expenses	57,508	61,592
Research and development expenses	22,722	28,766
Management profit sharing compensation	7,849	14,909
Tax expenses	1,763	2,913
Total	473,204	590,657

26. OTHER OPERATING INCOME (EXPENSES), NET

	12/31/09	12/31/08
Gain on sale of assets (*)	6,951	1,673
Gain on acquisition of subsidiaries (see note 3)	-	19,316
Total	6,951	20,989

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

27. FINANCIAL INCOME AND EXPENSE

	Period ended	
	12/31/09	12/31/08
Financial Income:		
Interest on short-term investments	10,819	29,265
Interest on trade notes receivables	7,387	7,685
Total	18,206	36,950
Financial Expenses:		
Interest on financing	(6,739)	(5,061)

28. SUBSEQUENT EVENT

On February 4, 2010, the Company announced its intent to acquire 100% of the outstanding shares of Hardinge Inc. (NASDAQ: HDNG) ("Hardinge"), for US$ 8.00 per share, to be paid in cash. For further information, see significant event notice at site www.romi.com.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Company's Board of Directors on February 9, 2010.