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

Financial statements
December 31, 2007 and 2006

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

KPMG

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Management's report 2007

1 - Performance in the year-ended 2007

In 2007, Iochpe-Maxion recorded net income of R$ 72.4 million (earnings per share of R$ 1.3599), an increase of 25.1% in relation to 2006 (net income of R$ 57.8 million and earnings per share of R$1.0866).

Consolidated net operating revenue was R$ 1,289.3 million, an increase of 3.3%, operating income (EBIT) was R$134.6 million, a decrease of 1.1%, while EBITDA was R$ 164.5 million, an increase of 1.1%, always comparing 2007 with the previous year.

Results for 2007 were boosted by the strong growth in the production of vehicles and agricultural machinery in Brazil, and negatively affected by the appreciation of the Brazilian real (which affected the profitability of exports), and by weaker domestic demand for railway freight cars, that presented a substantial improvement already at year-end.

In the fourth quarter of 2007, Iochpe-Maxion recorded net income of R$ 17.0 million (earnings per share of R$ 0.3199), compared with R$1.4 million in the same period of 2006 (earnings per share of R$ 0.0260). Consolidated net operating revenue in the period was R$ 328.5 million, an increase of 23.9%. EBIT was R$ 27.3 million, and EBITDA was R$ 35.2 million, representing an increase of 59.7% and 47.8%, respectively, all figures compared to the same period in the previous year.

2 - Market

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

Segment	2007	2006	Var.	4Q07	4Q06	Var.
Passenger Cars	2,389,409	2,092,003	***14.2%***	633,486	513,037	***23.5%***
Light Commercials	407,912	379,221	***7.6%***	112,064	93,639	***19.7%***
Trucks	136,760	106,001	***29.0%***	36,522	26,606	***37.3%***
Buses	38,741	33,809	***14.6%***	8,706	5,643	***54.3%***
Total Vehicles	**2,972,822**	**2,611,034**	***13.9%***	**790,778**	**638,925**	***23.8%***
Agriculture Machinery	64,954	46,065	***41.0%***	17,160	10,556	***62.6%***

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

Segment	2007	2006	Var.	4Q07	4Q06	Var.
Passenger Cars	586,416	635,851	*-7.8%*	143,879	146,876	*-2.0%*
Light Commercials	144,126	152,782	*-5.7%*	34,824	37,463	*-7.0%*
Trucks	41,190	38,188	*7.9%*	11,490	10,248	*12.1%*
Buses	15,040	15,991	*-5.9%*	4,555	3,520	*29.4%*
Total Vehicles	**786,772**	**842,812**	*-6.6%*	**194,748**	**198,107**	*-1.7%*
Agriculture Machinery	27,065	21,837	*23.9%*	7,564	5,446	*38.9%*

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

Segment	2007	20006	Var.	4Q07	4Q06	Var.
Railway Freight Cars (unit.)	1,249	3,668	*-65.9%*	729	314	*132.4%*
Railway Wheels (unit.)*	48,010	50,830	*-5.5%*	8,760	17,006	*-48.5%*
Castings (tonnes)*	5,673	3,270	*73.5%*	1,500	805	*86.3%*

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

The table below shows Iochpe-Maxion's sales volume for selected products in the periods indicated.

Segment	2007	2006	Var.	4T07	4T06	Var.
Commercial Vehicles Wheels (thous.unit.)	1,753	1,533	*14.4%*	415	375	*10.7%*
Railway Wheels (unit.)*	52,885	47,915	*10.4%*	7,440	15,611	*-52.3%*
Railway Freight Cars (unit.)	1,163	3,007	*-61.3%*	594	251	*136.7%*
Castings (tonnes)*	48,369	66,994	*-27.8%*	9,127	14,675	*-37.8%*

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

3 - Financial and operating performance

Consolidated Income Statement - R$ thousand	2007	2006	Var.	4Q07	4Q06	Var.
Net Operating Revenue	**1,289,282**	**1,247,574**	**3.3%**	**328,459**	**265,088**	**23.9%**
Cost of Goods Sold	(1,053,576)	(1,028,339)	2.5%	(276,866)	(231,273)	19.7%
Gross Profit	235,706	219,235	7.5%	51,594	33,815	52.6%
	18.3%	*17.6%*		*15.7%*	*12.8%*	
Operating Expenses	(101,057)	(82,839)	22.0%	(24,348)	(16,759)	45.3%
Operating Income (EBIT)	134,649	136,396	-1.3%	27,246	17,057	59.7%
EBITDA	**164,527**	**162,688**	**1.1%**	**35,200**	**23,817**	**47.8%**
	12.8%	*13.0%*		*10.7%*	*9.0%*	
Financial Results	(9,606)	(21,393)	-55.1%	719	(5,479)	-113.1%
Earnings Before Taxes	116,415	92,845	25.4%	27,040	6,615	308.8%
Net Income	**72,391**	**57,844**	**25.1%**	**17,030**	**1,386**	**1129.0%**
	5.6%	*4.6%*		*5.2%*	*0.5%*	

3.1 - Net operating revenue

Consolidated net operating revenue stood at R$ 1,289.3 million in 2007, an increase of 3.3% year on year.

The primary factor contributing to this result were the strong growth in Brazilian production of vehicles and agricultural machinery, weaker domestic demand for railway freight cars and the appreciation of the Brazilian real, which reduced the value of the exports.

Consolidated net revenue for 4Q07 was R$ 328.5 million, a 23.9% increase over the same period in the previous year. It is worth mentioning that a recovery in domestic demand for railway freight cars began during this quarter.

Exports totaled US$ 120.2 million in 2007, or R$ 232.8 million, an increase over export sales in the previous year of 1.4% in U.S. dollars and a reduction of 9.4% in Reais.

The main export drivers were, on the one hand, increased sales of industrial castings and frame rails (a chassis component), and on the other, lower sales of railway castings and a decline in sales of commercial vehicle wheels due to strong demand in the domestic market, as well as the appreciation of the Brazilian real, which reduced the value of exports.

Exports for 4Q07 were US$ 25.9 million, or R$ 45.8 million. This represents a decrease of 18.7% and 33.2% respectively, when compared with 4Q06.

The Company's principal consolidated export destinations in 2007, in value, were the United States (49.7%), Latin America (23.1%), Europe (9.4%), Canada and Mexico (4.7%), and Africa and the Mideast (16.2%).

The table below shows net operating revenue per division or subsidiary, by market, in R$ thousand.

Revenue	2007	2006	Var.	4Q07	4Q06	Var.
Wheels and Chassis Division						
Domestic	788,230	610,195	***29.2%***	194,743	135,126	***44.1%***
Export	107,308	120,295	***-10.8%***	25,568	38,316	***-33.3%***
Total	895,538	730,490	***22.6%***	220,311	173,442	***27.0%***
Automotive Componets Division						
Domestic	113,620	89,322	***27.2%***	28,456	25,614	***11.1%***
Export	1,033	955	***8.2%***	274	180	***52.2%***
Total	114,653	90,277	***27.0%***	28,730	25,794	***11.4%***
Amsted-Maxion						
Domestic	309,285	582,480	***-46.9%***	119,026	71,778	***65.8%***
Export	248,898	271,134	***-8.2%***	39,811	59,927	***-33.6%***
Total	558,183	853,614	***-34.6%***	158,837	131,705	***20.6%***
(-) Consolidation Adjust. 50%						
Domestic	(154,643)	(291,240)		(59,513)	(35,889)	
Export	(124,449)	(135,567)		(19,906)	(29,964)	
Total	(279,092)	(426,807)		(79,419)	(65,853)	
Iochpe-Maxion Consol.						
Domestic	1,056,492	990,757	**6.6%**	282,712	196,629	**43.8%**
Export	232,790	256,817	**-9.4%**	45,747	68,460	**-33.2%**
Total	**1,289,282**	**1,247,574**	**3.3%**	**328,459**	**265,088**	**23.9%**

3.2 - Cost of goods sold

Cost of goods sold for 2007 was R$ 1.054 billion, representing 81.7% of net operating revenue and an increase of 2.5% over 2006, when the cost of goods sold represented 82.4% of net operating revenue.

The cost of goods sold for 4Q07 was R$ 276.9 million, equivalent to 84.3% of net operating revenue and an increase of 19.7% over the cost of goods sold in 4Q06, when this cost represented 87.2% of net operating revenue.

3.3 - Gross profit

Gross profit stood at R$ 235.7 million in 2007, with gross margin of 18.3% and increase of 7.5% in gross profit over 2006, when gross profit were R$ 219.2 million, with gross margin of 17.6%.

Gross profit for 4Q07 was R$ 51.6 million, with gross margin of 15.7%. This represents a 52.6% increase over the same period of 2006, when gross profit was R$ 33.9 million with gross margin of 12.8%.

3.4 - Net operating expenses

Net operating expenses reached R$ 101.1 million in 2007, a 22.0% increase over 2006, when operating expenses totaled R$ 82.8 million. Operating expenses represented 7.8% of net operating revenues for 2007, as compared with 6.6% in 2006. The increase in expenses was mainly due to (i) the effect of salary increases granted in 4Q06 and 4Q07 under annual collective bargaining agreements, and (ii) positive impact of R$ 12.8 million in the second quarter of 2006, as a result of the favorable court decision involving the calculation base for COFINS tax at the Parent Company.

In 4Q07, net operating expenses were R$ 24.4 million, an increase of 45.3% over 4Q06. This increase was mainly attributable to (i) the effect of salary increases granted in 4Q07, (ii) an increase in direct sales costs due to higher sales volume, and (iii) non-recurring tax credits recorded by subsidiaries in 4Q06.

3.5) Operating Income (EBIT)

As a result of the factors described above, EBIT for the period was R$ 134.7 million, or 10.4% of net operating revenue, 1.3% lower than the R$ 136.4 million (10.9% of net operating revenue) recorded in the same period a year ago.

4Q07 EBIT was R$ 27.3 million, a 59.7% increase over the same period in the previous year.

3.6 - Gross cash generation (EBITDA)

In 2007, EBITDA was R$ 164.5 million, a increase of 1.1% compared to the previous year. EBITDA as a percentage of net operating revenue decreased from 13.0% in the 2006 to 12.8% in the 2007.

The Gross Profit and Net Operating Expenses items provide a better breakdown of this variation.

4Q07 EBITDA was R$ 35.2 million (10.7% of net operating revenue), representing an increase of 47.8% over EBITDA in 4Q06, when EBITDA represented 9.0% of net operating revenues.

The table below shows the EBITDA reconciliantion in the periods indicated.

EBITDA Reconciliation - R$ thousand	2007	2006	Var.	4Q07	4Q06	Var.
Net Income	72,391	57,844	25.1%	17,029	1,386	1129.0%
Income Taxes	(44,024)	(35,001)	25.8%	(10,010)	(5,229)	91.4%
Non Operating Results	(8,628)	(22,158)	-61.1%	(925)	(4,963)	-81.4%
Financial Results	(9,606)	(21,393)	-55.1%	719	(5,479)	-113.1%
Depreciation / Amortization*	(29,878)	(26,292)	13.6%	(7,955)	(6,761)	17.7%
EBITDA	**164,527**	**162,688**	**1.1%**	**35,200**	**23,817**	**47.8%**

* Not consider the value booked in the inventory.

3.7 - Financial result

In 2007, the company posted a net financial expense of R$ 9.6 million, a 55.1% decrease compared with the net financial expense posted in 2006.

The result was assisted by a R$ 12.1 million gain from the appreciation of the Brazilian real (versus a gain of R$ 5.3 million in 2006), as well as by a lower average cost of capital, and gains from nondeliverable U.S. dollar forward contracts (NDFs).

In the 4Q07, the company posted a net financial revenue of R$ 0.7 million, compared with a net financial expense of R$ 5.5 million in 4Q06.

3.8 - Net income

Net income for 2007 was R$ 72.3 million (earnings per share of R$ 1.3599), 25.1% higher than net income in 2006 (earnings per share of R$ 1.0866). Net income for 4Q07 was R$ 17.0 million (earnings per share of R$ 0.3199), representing a 1,129.0% increase in net income over the same period in 2006 (earnings per share of R$ 0.0260).

4 - Liquidity and indebtedness

Consolidated cash and cash equivalents as of year-end 2007 were R$ 151.5 million and consisted entirely of short-term instruments. Financial investments accounted for nearly 33,1% of total cash and cash equivalents. It is worth mentioning that some amounts received at the end of December 2007 remain in cash, not turning to financial applications due to the scheduled expiration of the CPMF, a federal tax on financial movements, on December 31, 2007.

Consolidated gross bank debt totaled R$ 279.9 million at year-end, up 26.9% year-on-year. Of this total debt, R$ 131.8 million (47.1%) was short-term and R$ 148.0 million (52.9%) was long-term. The main indexers for this debt are: the long-term interest rate - TJLP (79.0%), followed by the U.S. dollar (18.5%) and the IGP-M inflation index (2.5%).

Consolidated net bank debt stood at R$ 128.3 million at year-end, down 3.0% from the close of December 2006. The ratio of consolidated net bank debt to EBITDA for the previous 12 months stood at 0.8x in December 2007, the same ratio recorded in December 2006. Note that this ratio was favored at the end of 2007 by the receipt of R$ 42.5 million in advance payments on the sale of railway freight cars, compared with R$ 3.2 million in advance payments received at year-end 2006.

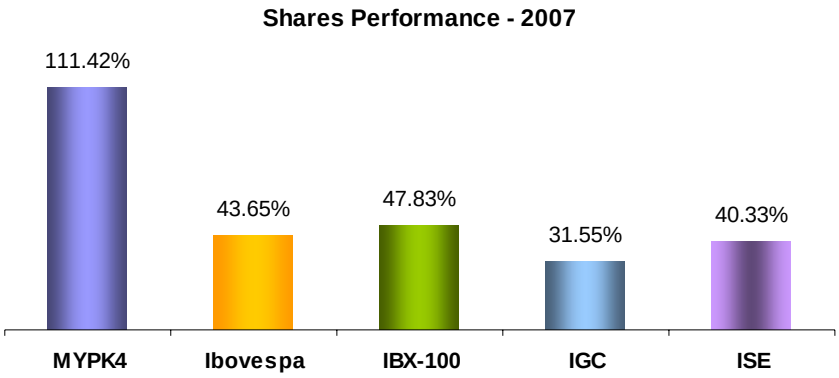
5 - Capital expenditures

Investments in new-product development and plant upgrades during 2007 were R$68.4 million, compared with R$ 67.8 million in 2006. In 4Q07, investments totaled R$ 19.7 million, compared with R$ 22.1 million in the same period of the previous year.

6 - Capital market

6.1 - Share Performance

The price of Iochpe-Maxion's preferred shares (Bovespa:MYPK4) ended 2007 at R$ 37.40, rising 111.4% in the year. Its common shares (Bovespa: MYPK3) were quoted at R$ 43.0 at year-end, having risen 184% in the year. As of year-end 2007, Iochpe-Maxion's market capitalization totaled R$ 2,094.1 million, with a book value per share of R$ 6.34.



In 2007, Iochpe-Maxion's shares registered average daily trading volume of R$ 4.6 million (compared with R$ 3.5 million in 2006) and an average number of trades per day of 90 (compared with 134 in 2006).

6.2 - Corporate Governance

A special shareholders meeting for holders of the Company`s preferred shares held on January 17, 2008 approved the conversion of Iochpe-Maxion's preferred shares into common shares at a conversion rate of 1.2 preferred shares for each common share. An extraordinary general meeting of shareholders held on the same day approved the aforesaid share conversion; it also approved a proposed amendment to the Company's bylaws for the purpose of conforming its provisions to the requirements of the São Paulo Stock Exchange's Novo Mercado, as well as the Company's migration to the Novo Mercado listings and the election of new members to the Company's board of directors. As a result of these shareholder resolutions, once the deadline for the exercise of shareholder's right of withdrawal expires on February 20, 2008, Iochpe-Maxion will take the necessary measures for listing its shares on the Novo Mercado.

7 - Subsidiary and Joint Venture

The Wheels and Chassis Division of Maxion Sistemas Automotivos (which accounted for 69.5% of consolidated net operating revenue in 2007) posted operating revenue growth of 22.6% over the previous year. This increase was driven by strong growth in domestic production of trucks, buses and agricultural machinery, and partially offset by a reduction in exports of wheels for commercial vehicles.

The Automotive Components Division of Maxion Sistemas Automotivos (which accounted for 8.9% of consolidated net operating revenue in 2007) posted growth of 27.0% year-on-year in its net operating revenue, due to stronger domestic passenger car production and the startup of revenue from welded stamped components for Fiat's new Punto model.

Amsted-Maxion Fundição e Equipamentos Ferroviários (which accounted for 21.6% of consolidated net operating revenue in 2007) registered a 34.6% year-on-year decline in its net operating revenue, due to the weaker domestic demand for railway freight cars. It is worth mentioning that the volume of orders during the fourth quarter of 2007, indicated a recovery of this demand, and the order book for railway freight cars already includes the delivery of 1,940 railway freight cars during the first six months of 2008.

8 - Dividends

Iochpe-Maxion's bylaws provides for the distribution of 37% of net income (less any accumulated losses from previous periods). As net income reached R$ 72.4 million in 2007, R$ 26.8 million in dividends should be distributed in 2008 (compared with R$ 22.8 million in the previous year.)

9 - CVM Instruction No. 381

In compliance with Instruction No. 381 of CVM (Brazil's securities commission), we disclose that during fiscal 2007, Iochpe-Maxion and its subsidiaries contracted services unrelated to external auditing (risk-evaluation advice regarding corporate and tax matters, as well as corporate law training) in the aggregate amount of R$ 26.0 thousand, due and payable within one year, and that this amount represents 7.03% of fees related to the auditing of financial statements. Iochpe-Maxion and its subsidiaries, together with their independent auditors, concluded that these services did not affect the independence and objectivity of said auditors, given the defined scope and the nature of the procedures performed. It is the policy of Iochpe-Maxion to comply with regulations that define the restriction on services that independent auditors may provide.

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Independent auditors' report

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

1. We have examined the accompanying balance sheets of Iochpe-Maxion S.A and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2007 and 2006 and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the subsidiary Iochpe Holdings, LLC as of December 31, 2007 and 2006, were audited by other independent auditors, and our opinion, insofar as it relates to the amount of this investment and the net income of this subsidiary, in the amounts of R$ 1,305 thousand (R$ 53,711 thousand in 2006) and R$ 8,047 thousand (R$ 7,214 thousand in 2006), respectively, is based solely on the unqualified reports of the other independent auditors, dated January 29, 2008 and January 18, 2007, respectively.

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

3. In our opinion and on the reports of the other independent auditors related to the subsidiary Iochpe Holdings, LLC, the aforementioned financial statements present fairly, in all material respects, the financial position of Iochpe-Maxion S.A and the consolidated financial position of the Company and its subsidiaries as of December 31, 2007 and 2006, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International, uma cooperativa suíça.

KPMG Auditores Independentes is a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

4. Our examinations were performed with the objective of expressing an opinion on the financial statements referred above, taken as a whole. The statements of cash flows and added value as of December 31, 2007 and 2006 are supplementary information to the aforementioned statements, which are not required by the accounting practices adopted in Brazil and have been presented for possible additional analysis. This supplementary information was subject to the same audit procedures applied to the aforementioned financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements referred above, taken as a whole.

February 7, 2008

KPMG Auditores Independentes
CRC 2SP014428/O-6



Adelino Dias Pinho
Accountant CRC 1SP097869/O-6

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Balance sheets

December 31, 2007 and 2006

(In thousands of Reais)

		Consolidated		Parent Company	
Assets	**Note**	**2007**	**2006**	**2007**	**2006**
Current assets					
Cash and cash equivalents	5	151,519	88,177	644	4,351
Trade accounts receivable	6	142,348	123,308	-	-
Inventories	7	173,181	122,757	-	-
Interest on shareholders' equity and dividends receivable	10	-	-	37,040	19,767
Taxes recoverable	8	21,975	27,750	4,943	4,490
Deferred taxes	9	8,979	10,154	-	-
Prepaid expenses		2,546	2,276	-	-
Other accounts receivable		3,748	5,161	246	753
		504,296	379,583	42,873	29,361
Noncurrent assets					
Long-term assets					
Related parties	10	-	-	5,540	9,248
Trade accounts receivable	6	802	1,079	-	-
Taxes recoverable	8	20,219	7,585	1,263	1,226
Deferred taxes	9	19,902	28,913	-	-
Judicial deposits		1,669	1,959	1,618	1,703
Other accounts receivable		2,388	1,719	1,720	1,720
		44,980	41,255	10,141	13,897
Permanent assets					
Investments	11	359	359	296,645	312,920
Property, plant and equipment	12	309,380	271,211	148	149
Deferred charges	13	345	1,879	-	-
		310,084	273,449	296,793	313,069
		859,360	694,287	349,807	356,327

		Consolidated		Parent Company	
Liabilities, minority interest and shareholders' equity	**Note**	**2007**	**2006**	**2007**	**2006**
Current liabilities					
Financing and loans	14	131,820	125,455	-	-
Accounts payable to suppliers		62,093	46,600	-	-
Taxes and contribution payable		3,114	1,046	108	587
Salaries and vacation payable		40,253	28,913	502	385
Related parties	10	-	-	2,074	55,939
Advances to customers		50,033	13,339	-	-
Proposed and payable dividends	16	26,785	22,891	26,785	22,878
Other accounts payable		21,666	20,189	2,646	2,548
		335,764	258,433	32,115	82,337
Noncurrent liabilities					
Long-term liabilities					
Financing and loans	14	148,045	95,060	-	-
Provision for contingencies	15	57,431	60,427	7,151	8,174
Other accounts payable		7,579	15,205	-	881
		213,055	170,692	7,151	9,055
Minority interest		-	227	-	-
Shareholders' equity					
Capital	16	161,463	161,463	161,463	161,463
Profit reserves	16	149,078	103,472	149,078	103,472
		310,541	264,935	310,541	264,935
		859,360	694,287	349,807	356,327

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of income

Years ended December 31, 2007 and 2006

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

		Consolidated		Parent Company	
	Note	**2007**	**2006**	**2007**	**2006**
Revenues					
Sales of goods and services rendered		1,570,287	1,601,863	-	-
Deductions					
Sales taxes		(250,737)	(228,558)	-	-
Returns and cancellation for the year		(30,268)	(125,731)	-	-
Net revenues		1,289,282	1,247,574	-	-
Cost of goods sold and services rendered		(1,053,576)	(1,028,339)	-	-
Gross profit		235,706	219,235	-	-
(Expenses) other operating income					
Sales		(55,719)	(52,145)	-	-
Administrative and general expenses		(44,866)	(39,762)	(6,640)	(7,952)
Management fees		(2,169)	(1,994)	(2,169)	(1,994)
Financial expenses	17	(44,897)	(28,307)	(10,714)	(5,287)
Financial income	17	35,291	6,914	3,703	3,691
Equity in income of subsidiaries	11	-	-	86,481	54,718
Other operating income, net	18	1,697	11,062	2,261	11,294
		(110,663)	(104,232)	72,922	54,470
Operating income		125,043	115,003	72,922	54,470
Nonoperating result	19	(8,628)	(22,158)	(531)	4,903
Net income before income and social contribution taxes and minority interest		116,415	92,845	72,391	59,373
Income and social contribution taxes					
Current	9	(33,838)	(29,240)	-	(1,593)
Deferred (reversion)	9	(10,186)	(5,761)	-	-
Net income before minority interest		72,391	57,844	72,391	57,780
Minority interest		-	(64)	-	-
Net income for the year		72,391	57,780	72,391	57,780
Net income per share				1.36	1.09
Number of shares at year-end				53,232,304	53,232,304

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of changes in shareholders' equity

Years ended December 31, 2007 and 2006

(In thousands of Reais)

	Note		Profit reserves			
	16	Capital	Legal reserve	Statutory reserve of investments and working capital	Retained earnings	Total
Balances at December 31, 2005		161,463	5,651	62,817	-	229,931
Net income for the year		-	-	-	57,780	57,780
Distributions:						
Legal reserve		-	2,890	-	(2,890)	-
Statutory reserve of investments and working capital		-	-	32,114	(32,114)	-
Proposed dividends (R$ 0.401607176 and R$ 0.441767894 per common bearer share and preferred bearer share, respectively)		-	-	-	(22,776)	(22,776)
Balances at December 31, 2006		161,463	8,541	94,931	-	264,935
Net income for the year		-	-	-	72,391	72,391
Distributions:						
Legal reserve		-	3,619	-	(3,619)	-
Statutory reserve of investments and working capital		-	-	41,987	(41,987)	-
Proposed dividends		-	-	-	(26,785)	(26,785)
Balances at December 31, 2007		161,463	12,160	136,918	-	310,541

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of changes in financial position

Years ended December 31, 2007 and 2006

(In thousands of Reais)

	Note	Consolidated		Parent Company	
		2007	**2006**	**2007**	**2006**
Source of funds					
Operations					
Net income for the year		72,391	57,780	72,391	57,780
Items not affecting working capital					
Depreciation and amortization		31,008	26,292	18	15
Residual cost on disposal of fixed assets		742	483	-	-
Capital gain in investments		-	-	-	(9,673)
Deferred taxes - noncurrent		432	(3,440)	-	
Equity in income of subsidiaries	11	-	-	(86,481)	(54,718)
Provision for contingencies (additions plus updating)	15	7,503	10,407	530	6,007
Reversal of provision for contingencies	18	(1,600)	(8,609)	(1,811)	(8,609)
Interest and monetary and exchange variation assets of noncurrent		(4,729)	(299)	(227)	(605)
Interest and monetary and exchange variation liabilities of noncurrent		(676)	944	1,672	1,048
Minority interest		-	64	-	-
Resources from (applied in) operations		105,071	83,622	(13,908)	(8,755)
From subsidiaries					
Interest on shareholders' equity and dividends received		-	-	5,733	2,146
Interest on shareholders' equity and dividends receivable		-	-	37,040	18,171
Receipt of goodwill		-	-	2,745	698
Transfer of net assets		-	-	-	2,388
Reduction of provision for negative equity	11	-	-	-	3,389
Reduction of subsidiaries - capital		-	-	60,209	-
From third parties					
Increase in noncurrent liabilities					
Financing		179,818	143,055	-	-
Other accounts payable		2,255	4,049	-	881
Decrease in noncurrent assets		13,971	31,018	227	14,074
		301,115	261,744	92,046	32,992
Application of funds					
Noncurrent assets		17,891	8,982	131	2,001
Investments		-	-	225	14,058
Property, plant and equipment	12	68,385	67,751	17	9
Deferred charges		-	117	-	-
Decrease in noncurrent libilities					
Transfer to current liabilities		122,897	142,702	219	73
Others		17,775	3,115	935	59
Proposed dividends	16	26,785	22,776	26,785	22,776
		253,733	245,443	28,312	38,976
Increase (decrease) in working capital		47,382	16,301	63,734	(5,984)
Changes in working capital					
Current assets					
At the end of year		504,296	379,583	42,873	29,361
At beginning of year		379,583	375,161	29,361	39,564
		124,713	4,422	13,512	(10,203)
Current liabilities					
At the end of year		335,764	258,433	32,115	82,337
At beginning of year		258,433	270,312	82,337	86,556
		77,331	(11,879)	(50,222)	(4,219)
		47,382	16,301	63,734	(5,984)

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of cash flows - Indirect method

Years ended December 31, 2007 and 2006

(In thousands of Reais)

		Consolidated		Parent company	
	Note	**2007**	**2006**	**2007**	**2006**
Cash flows from operating activities					
Net income for the year		72,391	57,780	72,391	57,780
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization		31,008	26,292	18	15
Deferred taxes - Current and noncurrent assets		10,186	5,761	-	-
Residual cost on disposal of fixed assets		742	483	-	-
Capital gain in investments		-	-	-	(9,673)
Equity in net income of subsidiaries	11	-	-	(86,481)	(54,718)
Provision for contingencies (additions plus updating)	15	7,503	10,407	530	6,007
Reversal of provision for contingencies	18	(1,600)	(8,609)	(1,811)	(8,609)
Interest on shareholders' equity and dividends from subsidiaries					
Received in the current year		-	-	-	2,146
Receivable		-	-	34,040	18,171
Changes in assets and liabilities					
(Increase) decrease in accounts receivable		(18,763)	31,236	-	-
(Increase) decrease in inventories		(50,424)	19,737	-	-
Increase (decrease) in accounts payable to suppliers		15,493	(19,957)	-	-
(Increase) decrease in other accounts receivable, taxes recoverable and remaining accounts		(6,082)	(3,982)	(4,731)	23,800
Increase (decrease) in other accounts payable, provisions and remaining accounts		35,259	(29,312)	5,457	(8,324)
(Decrease) increase in income and social contribution taxes		(458)	(994)	-	508
Net cash provided by operating activities		95,255	88,842	19,413	27,103
Cash flows from investment activities					
Acquisition of investments		-	-	(225)	(14,058)
Acquisition of property, plant and equipment	12	(68,385)	(67,751)	(17)	(9)
Acquisition of deferred charges	13	-	(117)	-	-
Net cash used in investment activities		(68,385)	(67,868)	(242)	(14,067)
Cash flows from financing activities					
Loans		267,898	275,506	-	-
Loans/debentures payments		(208,548)	(231,880)	-	-
Dividends paid		(22,878)	(28,385)	(22,878)	(23,380)
Net cash provided by (used in) financing activities		36,472	15,241	(22,878)	(28,380)
Increase (decrease) in cash and cash equivalents		63,342	36,215	(3,707)	(15,344)
At beginning of year		88,177	51,962	4,351	19,695
At the end of year		151,519	88,177	644	4,351
Increase (decrease) in cash and cash equivalents		63,342	36,215	(3,707)	(15,344)

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Statements of added value

Years ended December 31, 2007 and 2006

(In thousands of Reais)

	Note	Consolidated		Parent company	
		2007	2006	2007	2006
Income (expenses)					
Sales of goods and services rendered		1,570,287	1,601,863	-	-
Reversal of allowance for doubtful accounts and contingencies		2,113	11,563	1,811	11,294
Nonoperating result	19	(8,628)	(22,158)	(531)	(4,903)
		1,563,772	1,591,268	1,280	16,197
Inputs acquired from third parties (including ICMS and IPI Taxes)					
Raw materials consumed		815,159	890,668	-	-
Cost of goods sold and services rendered		177,696	122,661	-	-
Materials, power, third parties services and others		128,468	133,972	4,079	5,953
		1,121,323	1,147,301	4,079	5,953
Gross added value		442,449	443,967	(2,799)	10,244
Retentions					
Depreciation and amortization		(31,008)	(26,292)	(18)	(15)
Net added value (reduced) produced by (consumed by) the Company and its subsidiaries		411,441	417,675	(2,817)	10,229
Transferred added value					
Equity in net income of subsidiaries	11	-	-	86,481	54,718
Financial income	17	35,291	6,914	3,703	3,691
		35,291	6,914	90,184	58,409
Total added value to be distributed		446,732	424,589	87,367	68,638
Distribution of added value					
Employees					
Payroll and related charges		209,530	200,728	3,047	2,740
Workers' participation		15,127	11,842	121	193
Taxes					
Federal		76,291	99,100	881	2,432
State		24,546	21,331	-	-
Municipal		94	369	8	7
Lenders					
Interest		44,897	28,307	10,714	5,287
Rent		3,856	5,119	205	199
Shareholders'					
Dividends	16	26,785	22,789	26,785	22,776
Restricted retained earnings	16	45,606	32,114	45,606	35,004
		446,732	421,699	87,367	68,638

See the accompanying notes to the financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Notes to the financial statements

Years ended December 31, 2007 and 2006

(In thousands of Reais)

1 Operations

The company is located in São Paulo and its main activity is to invest in companies which manufacture and sell components for road and railway vehicles, industrial castings and spare parts.

Its industrial complex is composed of five factories in Brazil. Three of them are involved in the railway equipment sector and two in the automotive sector and one in construction process in China, which are described briefly, below:

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

Automotive component factories: Maxion Sistemas Automotivos Ltda. ("MSA") operates through two divisions: the wheels and frames division (Cruzeiro - SP) manufactures and commercializes complete frames, crossmembers and heavy wheels; the automotive components division (Contagem - MG) manufactures and commercializes brake levers, pedal sets, jacks and other automotive components.

Maxion Wheels, Co. Ltd - Company headquartered in Nantong, China, whose beginning of productive operations is forecasted for the first quarter of 2008, is dedicated to the production and commercialization of road wheels.

Remon Resende Montadora Ltda.: Company's activities consist on rendered services for fitting and balancing tires, wheels and rims with its head office in Resende-RJ. The subsidiary Maxion Sistemas Automotivos Ltda. is a quotaholder of this Company.

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

Maxion Componentes Estruturais Ltda.: A non-operating company since August 2007.

Maxion Structural Components USA, Inc.: A company with its head office in Miami, USA, the main activity is to manage inventories and commercialize products from wheels and frames division to the North American and Mexican markets.

Iochpe Holdings LLC: A non-operating company headquartered in Delaware, USA, which holds quotaholders interest in Maxion Structural Components USA, Inc.

Newbridge Strategic Partners: A non-operating company headquartered in Cayman, BVI, which is idle since 2003.

The Company's shares are listed on the São Paulo stock exchange, complying with corporate governance level 1, with the codes MYPK3 and MYPK4.

2 Presentation of the financial statements

The individual and consolidated financial statements were prepared in accordance with accounting practices derived from the Brazilian Corporation Law and rules of the Brazilian Securities Exchange Commission, CVM.

With the objective of presenting the information provided to the market better, the Company is presenting the following supplementary information with respect to the parent company and the consolidated financial statements:

a. Statements of cash flows

The statements of cash flows prepared in accordance with NPC 20/99 - Statement of Cash Flows, issued by IBRACON (Brazilian Institute of Independent Auditors).

b. Statements of added value

The statements of added value has objective to aim of which is to show the value of the wealth generated by, the Company and its subsidiaries and distribution among the elements that contributed to its generation were prepared in accordance with CVM/SNC/SEP Circular Notice 01/05 and CFC Resolution 1010/05.

All the information presented has been obtained from the accounting records of the Company and its subsidiaries. Specific information contained in the traditional statement of income has been reclassified, due to the fact that, in the statement of added value it was considered as distribution of the added value generated.

3 Consolidated financial statements

The consolidated financial statements include the financial statements of Iochpe-Maxion S.A. and its subsidiaries, as listed below:

	Direct Ownership - %		Indirect Ownership - %	
	2007	**2006**	**2007**	**2006**
Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.	50.00	50.00	-	-
Maxion Sistemas Automotivos Ltda.	99.99	15.75	-	84.16
Maxion Wheels, Co. Ltd. (1)	-	-	100.00	-
Maxion Structural Components USA, Inc. (2)	-	-	100.00	100.00
Iochpe Holdings, LLC	100.00	100.00	-	-
Maxion Componentes Estruturais Ltda. (3)	99.99	99.99	-	-
Newbridge Strategic Partners (3)	100.00	100.00	-	-

(1) These financial statements were consolidated by the subsidiary Maxion Sistemas Automotivos Ltda.
(2) These financial statements were consolidated by the subsidiary Iochpe Holdings, LLC
(3) Idle Company.

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

Description of main consolidation procedures

a. Elimination of intercompany asset and liability account balances;

b. Elimination of investment in the capital, reserves and retained earnings of the subsidiaries;

c. Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions;

d. Identification of minority interests in the consolidated financial statements.

Iochpe-Maxion S.A. and subsidiaries

Publicly-held Company

Notes to the financial statements

(In thousands of Reais)

In accordance with CVM Instruction No. 247/96, the proportional consolidation of the financial statements of the joint controlled subsidiary Amsted-Maxion Fundição e Equipamentos Ferroviários S.A. is being prepared and presented due to the 50% ownership in this subsidiary.

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

	Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.	
	2007	**2006**
Balance sheets		
Current assets	408,617	286,015
Noncurrent assets	174,337	153,452
Total assets	582,954	439,467
Current liabilities	304,111	185,063
Noncurrent liabilities	226,585	189,845
Shareholders'equity	52,258	64,559
Total liabilities and shareholders' equity	582,954	439,467
Statements of income		
Net revenues	558,183	853,618
Cost of goods sold	(515,310)	(753,980)
Gross profit	42,873	99,638
Operating expenses, net	(64,330)	(83,355)
Nonoperating income, net	-	308
Income and social contribution taxes	7,227	(5,567)
(Loss) net income for the year	(14,230)	11,024

4 Description of significant accounting policies

a. Statement of Income

Income and expenses are recognized on the accrual basis.

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

b. Accounting estimates

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

c. Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the balance sheet date and the foreign exchange differences arising on translation are recognized in the statement of income. For the subsidiaries located abroad, the assets and liabilities were translated into reais at the foreign exchange rate ruling at the balance sheet date.

d. Current and noncurrent assets

- **Interest earning bank deposits**

  Interest earning bank deposits are recorded at cost plus income accrued up to the balance sheet date.

- **Trade accounts receivable**

  Trade accounts receivable are recorded at the amount billed, including the respective taxes.

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

- **Inventories**

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

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

- **Other current and Noncurrent assets**

  Stated at their net realization value.

- **Investments**

  Investments in subsidiaries were valued using the equity method. The financial statements for the subsidiaries located abroad were translated into reais, using the following procedures:

- Assets and liabilities were translated into reais at the foreign exchange rate at the balance sheet date;

- Statement of income was translated into reais at the foreign exchange rate each month.

Other investments were valued at cost, less a provision for devaluation, when applicable.

- **Property, plant and equipment**

  Property, plant and equipment are recorded at the cost of acquisition, formation or construction. Depreciation is calculated using the straight-line method at rates described in Note 12, which take into account the estimated useful lives of the assets.

  Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditures are capitalized only when they increase the future economic benefit of the item of property, plant and equipment. All other expenditures are recognized in the statement of income as an expense as incurred.

- **Deferred charges**

  Deferred charges are recorded at purchase and formation cost, less amortization, which is calculated by the straight-line method at rates that consider the useful life of the assets. The deferred charges accounted for refer to expenditures mainly with development of new products.

e. Current and noncurrent liabilities

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

f. Provisions

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

g. Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution limited to 30% of the taxable income.

The deferred tax assets resulting from carryforward tax losses, negative basis of social contribution and temporary differences were recorded in accordance with CVM Instruction 371 of June 27, 2002, and consider past profitability and expectations of future taxable income, based on a technical viability study.

5 Cash and cash equivalents

	Consolidated		Parent company	
	2007	**2006**	**2007**	**2006**
Current:				
Cash and banks	101,407	14,460	54	297
Interest earning bank deposits	50,112	71,644	590	4,054
Cash in transit	-	2,073	-	-
	151,519	88,177	644	4,351

Interest earning bank deposits refer substantially to Fixed Income Funds, remunerated at rates which vary from 99.9% to 104% of the CDI.

Cash in transit the december 31, 2006, refers to payment orders in the amount of US$ 970 thousand, which are pending foreign exchange trade for conversion into Reais.

6 Trade accounts receivable (consolidated)

	2007	2006
Current:		
Domestic customers	107,745	173,663
Foreign customers	36,306	48,100
Discounted trade receivable	-	(91,571)
Discounted export related to receivables	(367)	(5,184)
Allowance for doubtful accounts	(1,336)	(1,700)
	142,348	123,308
Noncurrent:		
Domestic customers	1,694	7,980
Allowance for doubtful accounts	(892)	(6,901)
	802	1,079

7 Inventories (consolidated)

	2007	2006
Finished goods	53,994	44,636
Work in progress	16,279	6,815
Raw materials	88,996	60,990
Auxiliary and maintenance materials	5,815	3,243
Packaging and storeroom materials	2,180	1,550
Provision for obsolete items and loss of inventories	(1,297)	(2,280)
Advance to suppliers	6,805	7,406
Imports in transit	409	397
	173,181	122,757

8 Tax recoverable

	Consolidated		Parent Company	
	2007	**2006**	**2007**	**2006**
Value added tax on sales and services (ICMS)	16,593	15,235	-	-
Tax for social security financing of social contribution (COFINS)	9,898	10,402	4,889	4,490
Income tax (IRPJ)	8,509	5,784	87	34
Employees' profit participation program (PIS)	2,181	2,343	991	953
Excise tax (IPI)	4,487	1,515	239	239
Others	526	56	-	-
	42,194	35,335	6,206	5,716
Current assets	(21,975)	(27,750)	(4,943)	(4,490)
Noncurrent assets	20,219	7,585	1,263	1,226

9 Income and social contribution taxes

a. Deferred

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

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

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

	Consolidated	
	2007	**2006**
Temporary differences		
Tax contingencies	17,307	14,646
Labor and civil contingencies	2,291	2,773
Allowance for doubtful accounts	758	3,397
Provision for profit sharing	1,559	1,530
Provision for obsolete inventories and loss of inventories	441	300
Provision for warranties	53	252
Others	610	2,853
	23,019	25,751
Tax loss carryforwards	5,231	13,315
Negative basis of social contribution	631	-
	28,881	39,067
Current assets	(8,979)	(10,154)
Noncurrent assets	19,902	28,913

Management understands that tax credits on temporary differences will be realized in accordance with the resolution of the contingencies, which is beyond the control of the Company and its subsidiaries.

The expected recoverability of the tax credits is based on the projections of future taxable income taking into consideration various business and financial assumptions at year-end.

Based on the projections for future taxable income, prepared in accordance with CVM Instructions No. 371, the Company and its subsidiaries expect to offset the tax credits in the year 2008.

The Parent Company has not recorded income and social contribution tax assets since it is a holding company and generates no taxable income and has tax loss carry-forwards in the amount of R$ 211,418 (R$ 204,960 in December 31, 2006), negative basis for social contribution taxes in the amount of R$ 222,015 (R$ 215,343 in December 31, 2006), with no statutory limitation period, and temporary differences in the amount of R$ 9,706 (R$ 10,328 in December 31, 2006). The subsidiary Maxion Componentes Estruturais Ltda. has tax loss carry-forwards in the amount of R$ 26,716 and negative basis for social contribution taxes in the amount of R$ 28,823. The deferred tax assets were not recorded since the Company is non operating currently.

b. Reconciliation with net income - current

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

	Consolidated		Parent company	
	2007	**2006**	**2007**	**2006**
Net income before tax	116,415	92,845	72,391	59,373
Combined statutory rates - %	34	34	34	34
Income and social contribution taxes Calculated at the statutory rates	(39,581)	(31,567)	(24,613)	(20,187)
Equity in income of subsidiaries	-	-	29,404	18,604
Nondeductible expenses	(518)	(1,022)	(53)	(437)
No taxable revenue	-	21	-	3,286
Exchange variation on foreign investments	(381)	(1,498)	-	-
Interest on shareholders' equity	-	-	-	(780)
Available profits from foreign subsidiary	(2,734)	(2,450)	(2,734)	(2,450)
Used the credit tax	9,475	10,686	(1,876)	716
Others	(99)	(3,410)	(128)	(345)
Income and social contribution tax expenses	(33,838)	(29,240)	-	(1,593)
Effective rate - %	29	31		

10 Related party transactions

The main balances of assets and liabilities as of December 31, 2007, as well as the transactions that influenced the income for the year, related to operations with related parties, result from transactions between the Company and its subsidiaries, which were performed under normal market conditions for similar types of operations.

Notes to the financial statements

(In thousands of Reais)

	Direct subsidiaries						Indirect subsidiaries						Parent company	
	Maxion Componentes Estruturias Ltda.		Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.		Iochpe Holdings, LLC		Maxion Sistemas Automotivos Ltda.		Maxion Structural Components USA, Inc.		Total			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Assets														
Accounts receivable from acquision of goods and services	-	-	-	-	-	-	11,708	15,122	1,516	1,734	13,224	16,856	-	-
Advances to suppliers	-	-	-		4,496	419	-		-		4,496	419	-	-
Interest on shareholders' equity and dividends	-	15,052	-	-	-	-	-	-	-	-	-	15,052	37,040	19,767
Loan contracts (noncurrent assets)	-	-	-	-	2,074	55,939	-	-	-	-	2,074	55,939	5,540	9,248
Liabilities														
Suppliers	-	-	-	-	-	-	1,516	1,734	11,708	15,122	13,224	16,856	-	-
Advances from customers	-	-	-		-	-	4,496	419	-		4,496	419	-	
Interest on shareholders' equity and dividends	-	15,051	-	2,079	-	-	37,040	17,688	-	-	37,040	34,818	-	-
Obligations (loan contracts)	-	-	-	-	-	-	-	2,635	5,540	6,613	5,540	9,248	2,074	55,939
Income														
Sale of goods	-	-	-	-	-	-	47,522	36,681	-	-	47,522	36,681	-	-
Purchases	-	-	-	-	-	-	-	-	47,494	36,569	47,494	36,569	-	-
Financial expenses	-	-	-	-	-	-	(110)	(483)	(76)	(75)	(186)	(558)	(5,027)	(4,517)
Financial income	-	-	-	-	6,879	7,434	-	-	-	-	6,879	7,434	186	1,607
Other nonoperating income (expenses)	-	-	-	-	-	-	-	466	-	-	-	466	-	(466)

The balance of R$ 2,635 as of December 31, 2006, with Maxion Sistemas Automotivos Ltda. refers to the purchase agreement of the goodwill signed in 1996, which was settled on March 26th, 2007.

The balance of R$ 5,540 (R$ 6,613 as of December 31, 2006) with Maxion Structural Components USA, Inc refers to a loan that was used, principally, to pay suppliers and bank loans. Which are updated by exchange variation plus interest of 1.41% p.a., falling due on April 11, 2008.

The balance of R$ 2,074 (R$ 55,939 as of December 31, 2006) with Iochpe Holdings, LLC refers to a loan, Note 11(b), plus interest of 6% p.a., falling due on June 30th, 2008.

At December 31, 2007 and 2006, the Company presented the following amounts of guarantees and sureties related to loans, financing and advances from customers:

	Guarantees and sureties given
Maxion Sistemas Automotivos Ltda.	11,399
Amsted-Maxion Fundição e Equips. Ferroviários S.A.	178
Balances at December 31, 2007	11,577
Balances at December 31, 2006	(*) 43,700

(*) It is included R$ 5,053 the performance guarantee related to the delivery of railway freight cars by Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.

11 Investments

a. Composition of balances

	Consolidated		**Parent company**	
	2007	**2006**	**2007**	**2006**
Interest in subsidiaries	-	-	296,412	312,687
Other investments	359	359	233	233
	359	359	296,645	312,920

b. Movement of balances in subsidiaries

	2007					2006
	Maxion Componentes Estruturais Ltda.	**Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.**	**Maxion Sistemas Automotivos Ltda.**	**Iochpe Holdings, LLC**	**Total**	**Total**
Balance at January 1st, 2007	190,986	32,280	35,710	53,711	312,687	257,944
Equity in net income of subsidiaries	41,015	(7,115)	44,778	7,803	86,481	54,718
Reduction in Maxion Componentes Estruturais Ltda. capital through the delivery of 101,981,489 quotas of Maxion Sistemas Automotivos Ltda.	(101,981)	-	101,981	-	-	-
Payment of dividends to the parent company through the tranference of 64,264,735 quotas of Maxion Sistemas Automotivos Ltda.	(126,392)	-	126,392	-	-	-
Reduction in the share capital of Iochpe Holding, LLC through the partial liquidation of lease agreement (asset) sith the parent company.	-	-	-	(60,209)	(60,209)	-
Dividends on profits of prior years and interest on own capital received	(3,498)	-	(3,199)	-	(6,697)	(2,146)
Dividends adjustments	-	965	-	-	965	-
Dividends and interest on shareholders' equity receivable	-	-	(37,040)	-	(37,040)	(18,171)
Subscription of quotas	-	-	225	-	225	14,058
Capital gain	-	-	-	-	-	9,673
Reversal of provision for negative equity	-	-	-	-	-	(3,389)
Balance at December 31, 2007	130	26,130	268,847	1,305	296,412	312,687

c. Information on the subsidiaries companies

	Maxion Componentes Estruturais Ltda.		Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.		Maxion Sistemas Automotivos Ltda.		Iochpe-Holdings, LLC (*)	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Capital	130	102,111	33,267	33,267	137,761	137,761	-	30,375
Quantity of shares or quotas owned (in lots of one thousand)								
- Common	-	-	921,430	921,430	-	-	1	1
- Preferred	-	-	1,788,585	1,788,585	-	-	-	-
- Quotas	130	102,111	-	-	137,761	21,694	-	-
Shareholders' equity	130	190,986	52,259	64,557	269,284	227,287	1,305	53,711
(-) Adjustment of unrealized profit on inventories	-	-	-	-	(537)	(509)	-	-
(=) Adjusted shareholders' equity	130	190,986	52,259	64,557	268,847	226,778	1,305	53,711
Interest in capital at the end of the year - %	99.99	99.99	50.00	50.00	99.99	15.75	100.00	100.00
Net income (loss) for the year	40,989	39,343	(14,230)	11,024	90,793	64,419	8,047	7,214

(*) These financial statements were audited by other independent auditors

12 Property, plant and equipment

	Average rate of depreciation % p.a.	Consolidated			
		2007			2006
		Cost	Depreciation	Net	Net
Buildings and improvements	4	106,111	(43,641)	62,470	56,489
Machinery and equipment	10	339,604	(191,386)	148,218	112,490
Patterns	10 to 33 (a)	22,782	(19,913)	2,869	3,468
Furniture and fixtures	10	7,819	(4,639)	3,180	3,171
Vehicles	20	1,099	(577)	522	268
Computer equipment	20	8,414	(5,553)	2,861	2,391
Others	10 and 20	8,342	(2,196)	6,146	2,164
Tools	20	29,445	(24,476)	4,969	6,638
Land		9,188	-	9,188	9,188
Construction in progress (b)		27,960	-	27,960	36,729
Spare parts of machinery		39,359	-	39,359	36,729
Advances to suppliers		1,638	-	1,638	5,486
		601,761	(292,381)	309,380	271,211

Changes in the consolidated cost of acquisition are presented as follow:

Description	Value at 12/31/2006	Additions	Write-off	Transfers	Value at 12/31/2007
Buildings and improvements	96,820	1,950	-	7,341	106,111
Machinery and equipment (c)	284,616	32,278	(1,249)	23,959	339,604
Patterns	21,556	1,399	(173)	-	22,782
Furniture and fixtures	7,369	496	(9)	(37)	7,819
Vehicles	1,014	442	(357)	-	1,099
Computer equipment	7,194	939	(106)	387	8,414
Others	3,994	4,350	(2)	-	8,342
Tools	28,674	868	(97)	-	29,445
Land	9,188	-	-	-	9,188
Construction in progress (b)	36,729	14,578	-	(23,347)	27,960
Spare parts of machinery	32,729	6,630	-	-	39,359
Advances to suppliers	5,486	4,455	-	(8,303)	1,638
	535,369	68,385	(1,993)	-	601,761

(a) Average rate of 14.39% in 2007 and 18.6% in 2006.

(b) This balance was composed, basically, to the buildings in the amount of R$ 8,122 (R$ 7,770 in December 31, 2006), machinery and equipment of R$ 16,353 (R$ 27,562 in December 31, 2006), and other fixed assets of R$ 3,485 (R$ 1,397 in December 31, 2006), mainly related to the expansion of the Cruzeiro plant.

(c) The amount of R$ 6,597, out of the amount of machinery and equipment,was granted as a guarantee for the civil process in progress.

Sort of machinery and equipment values the amount of R$ 6,597, was granted in guarantee to the civil suit in progress.

13 Deferred charges (consolidated)

	2007	2006
Development of new products	7,180	7,180
Computerized systems	1,283	1,283
Expansion costs	255	255
	8,718	8,718
Accumulated amortization	(8,373)	(6,839)
	345	1,879

14 Loans and financing (consolidated)

	Index	Annual interest - %	2007	2006
Local currency:				
BNDES	TJLP	2.27 to 3.05	214,734	154,894
FINAME	TJLP	3.08 to 7.0	9,597	8,647
PROIM	IGPM	6.0	3,764	4,434
Foreign currency:				
ACC - US$ 10,886 thousand (2006 - US$ 12,790 thousand)		5.83 to 6.60	19,282	27,687
Import US$ 18,342 thousand (2006 - US$ 8,692 thousand)		5.40 to 8.05	32,488	18,243
Pre-Export (2006 - US$ 3,091 thousand)		-	-	6,610
			279,865	220,515
Current portion included in current liabilities			(131,820)	(125,455)
Noncurrent liabilities			148,045	95,060

The noncurrent installments have the following payment schedule:

	Consolidated
Maturity:	
2009	120,129
2010	5,565
2011	3,553
2012 onwards	18,798
	148,045

The loans and financing are secured by property, plant and equipment assets in the amount of R$ 9,685 (R$ 10,910 as of December 31, 2006) and real estate mortgages in the amount of R$ 3.764 (R$ 4.434 as of December 31, 2006), and guarantees mentioned in Note 10.

15 Provision for contingencies

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

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

	Consolidated		Parent company	
	2007	2006	2007	2006
Tax:				
Federal	57,676	55,345	6,806	7,731
State	15	2,114	-	-
Municipal	18	120	-	-
Labor	6,873	8,931	652	750
Civil	517	517	-	-
	65,099	67,027	7,458	8,481

Notes to the financial statements

(In thousands of Reais)

	Consolidated		Parent company	
	2007	**2006**	**2007**	**2006**
Judicial deposits	(7,668)	(6,600)	(306)	(307)
	57,431	60,427	7,151	8,174

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

Contingencies	**Balance at Dec.31, 2006**	**Additions**	**Updating**	**Reversals**	**Used**	**Balance at Dec.31, 2007**
Tax:						
Federal	55,345	3,064	3,020	(1,063)	(2,690)	57,676
State	2,114	-	125	(268)	(1,956)	15
Municipal	120	-	5	-	(107)	18
Labor	8,931	3,759	-	8,931 (269)	(5,548)	8,931 6,873
Civil	517	-	-	517 -	-	517 517
	67,027	6,823	3,150	(1,600)	(10,301)	65,099
Judicial deposits	(6,600)	(2,066)	(404)	(6,600) -	1,402	(6,600) (7,668)
	60,427	4,757	2,746	(1,600)	(8,899)	57,431

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

Proceedings of a tax nature

At December 31, 2007, the Company and its subsidiaries were parties to legal and administrative proceedings related to tax issues, assessed by their legal counsel as being a probable or possible risk in the approximate amount of R$ 61,165 (R$ 59,186 as of December 31, 2006), where

R$ 57,709 (R$ 57,579 as of December 31, 2006) that is considered as a probable risk is provisioned for.

The tax contingencies are related mainly to administrative pleadings concerning the IPI credit premium and litigation concerning the calculation basis of PIS/COFINS (Law 9718/98), as follows:

- IPI credit premium in the amount of R$ 38,975 (R$ 35,785 as of December 31, 2006): Based on the decisions of the Superior Court of Justice, which confirmed the understanding of Decree Law 1894/81, maintaining in force the benefit of credit premium, in 2002 the subsidiaries Maxion Componentes Estruturais Ltda. and Amsted-Maxion Fundição e Equipamentos Ferroviários S.A. began to calculate the credit from this tax and filed administrative requests for reimbursement and, subsequently, for offsetting of these credits against other federal taxes;

- The Parent Company and its subsidiaries are parties to suits in progress related to the PIS/Cofins (Law n° 9.718/98) in the amount of R$ 7,821. Although these contributions have been considered unconstitutional, the Company and its subsidiaries wait for the final gain of their suits and the final judgment to reversion of the respective legal obligations.

Proceedings of a labor nature

At December 31, 2007, the Company and its subsidiaries were parties to approximately 666 (388 as of December 31, 2006) labor suits. The main themes addressed in these labor proceedings are overtime, additional allowances for dangerous work and health hazards, wage parity, severance pay, and fines related to the Government Severance Indemnity Fund (FGTS) referring to the Summer and Collor Plans, amongst others, being there are no actions with individual relevant amount. The total amount in discussion corresponds to R$ 11,111 (R$ 22,444 as of December 31, 2006), which was recorded a provision amounting to R$ 6,873 (R$ 8,931 as of December 31, 2006) based on the previous experience, representing the best estimate to the losses of probable risk.

Proceedings of a civil nature

At December 31, 2007, the Company and its subsidiaries were parties to legal proceedings related to civil issues, assessed by their legal counsel as being a probable or possible risk in the approximate amount of R$ 1,017 (R$ 964 in December 31, 2006), where R$ 517 were considered as a probable risk and provisioned for.

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

Contingent Assets

On July 31, 2007, Ordinary Lawsuit no. 94.0034458-9, which authorizes the Parent Company to offset the tax loss for the base period of 1989, related to the restatement expenses of the balance corresponding to the understated inflation in the months of January and February of 1989 (Economic Plan - Plano Verão), as well as the financial credit corresponding to the amount overpaid in 1989 and 1990, reached a final decision on July 6, 2007. The determination of the amounts of these credits, as well as the enabling process with the Federal Revenue Department (SRF), have already been requested. We are waiting for the Federal Internal Revenue Department's position.

16 Shareholders'equity (parent company)

a. Capital - see Note 22 (a) - Subsequent event

The capital is represented by 53,232,304 shares, of which 18,428,597 are common and 34,803,707 are preferred shares, with no par value.

The Company is authorized to increase the capital, independently of statutory reform, up to the limit of 6,000,000 shares, of which 2,000,000 are common and 4,000,000 are preferred shares.

Within the authorized capital limits, issues will be made after deliberation by the Board of Directors, which will determine the number of shares issued, subscription terms and conditions, as well as other forms and procedures for each issue.

b. Share rights

Each common registered share has the right to one vote at shareholders' meetings. Preferred shares are non-voting, but have priority in the return of their proportion of capital, without premium, in the event of liquidation of the Company.

Preferred shares have the right to participate in profit distributions 10% higher than the common shares as well as in capital increases arising from capitalization of reserves and retained earnings, under the same conditions as the common shares.

c. Statutory reserve for investments and working capital

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

d. Destination of net income

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

e. Shareholders remuneration

The proposed dividend recorded in the financial statements, which is pending approval at the next shareholders' meeting, is presented as follows:

	2007
Net income for the year	72,391
Legal reserve (5%)	(3,619)
Proposed dividends - (37 %)	(26,785)
Statutory reserve of investments and working capital (58%)	(41,987)

17 Financial result

	Consolidated		Parent company	
	2007	**2006**	**2007**	**2006**
Financial expenses				
Interest	(23,023)	(18,113)	(1,473)	(3,223)
Exchange losses	(12,796)	(1,832)	(7,972)	(1,733)
Others	(9,078)	(8,363)	(1,269)	(331)
	(44,897)	(28,307)	(10,714)	(5,287)
Financial income				
Interest	6,880	3,108	1,329	2,629
Exchange gains	24,960	2,312	2,374	1,062
Others	3,451	1,394	-	-
	35,291	6,914	3,703	3,691

18 Other operating income

	Consolidated		Parent company	
	2007	**2006**	**2007**	**2006**
Reversal of provision (*)	1,600	8,609	1,811	8,609
Recovery of amounts paid in the prior years	494	4,235	498	4,235
Untimely Pis/Cofins Credits	1,989	-	-	-
Others	(2,386)	(1,782)	(48)	(1,550)
	1,697	11,062	2,261	11,294

(*) The Parent Company obtained on April 17, 2006 a final judgment in its Cofins process - Law n° 9.718/98.

19 Non-operating result

	Consolidated		Parent company	
	2007	**2006**	**2007**	**2006**
Losses from discontinuing businesses	(3,831)	(10,816)	(531)	(4,770)
Redemption of quotas in subsidiary	(4,993)	(11,606)	-	-
Capital gains	-	-	-	9,673
Others	196	264	-	-
	(8,628)	(22,158)	(531)	4,903

The amount of R$ 4,993 (R$ 11,606 in 2006) recorded in the consolidated financial statements refers to the redemption of quotas of the subsidiary Maxion Sistemas Automotivos Ltda. (new corporate name of Maxion Componentes Automotivos S.A.) as determined in the articles of association of the subsidiary settled on May 2, 2007.

In the Parent Company, the amount of R$ 9,673 as of December 31, 2006, refers to the subscription of 14,057,892 quotas in its subsidiary Maxion Sistemas Automotivos Ltda., in the amount of R$ 14,058 generating capital gains of R$ 8,267, increasing its interest in capital from 6.17% to 15.75%.

20 Financial instruments

a. Market values

The values of financial instruments - assets and liabilities stated in the financial statements as of December 31, 2007, were determined according to accounting criteria and practices disclosed in specific notes to the financial statements. The majority of these instruments are short-term and the carrying amounts are similar to the market values.

b. Exchange exposure

The Company and its subsidiaries record a consolidated exchange exposure (liability) of US$ 7,071 thousand (US$ 3,819 thousand as of December 31, 2006) arising from liabilities, mainly Import Financing/ Exchange Contract Advance operations, and from assets in accounts receivable and investments in affiliated corporations abroad.

With the strategy of hedging possible exchange effects of the exchange rate fluctuation, the Company, through its subsidiaries, contracted NDF (Non-Deliverable-Forward) operations or a Currency Contract in US dollars. These operations settled as of December 31, 2007, generated R$ 11.409 in financial gains.

The jointly subsidiary Amsted Maxion Fundição and Equipamentos Ferroviários S.A , contracted NDF operations with maturity date for December 2008 in the total amount of US$ 55.600 thousand (US$ 27.800 thousand - 50%) and the subsidiary Maxion Sistemas Automotivos Ltda. contracted operations with maturity date until June 2008 in the total amount of US$ 18,000 thousand, respectively. In case these NDF operations had been settled on December 31, 2007, they would have generated a gain for the Company.

The gains arising from the Hedge operations are recorded in the income when financially realized, and the losses are provisioned on an accrual basis.

c. Concentration of our sales

A large part of our revenue is the result of sales of products to vehicle's original equipment manufacturers and railway operators.

d. Fluctuation in the price of steel, our main input

A significant portion of our operations depends on our capacity to acquire steel at competitive prices. If the price of steel undergoes a significant increase and we are unable to pass this increase on to the price of our products or to reduce our operating costs to offset this increase, our operating margin will be reduced.

21 Insurance coverage

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

	Risk covered	2006
Buildings, inventories and warehouse	Fire and theft	199,250
Buildings and contents (own)	Fire and cyclone	250
Vehicles	Collision, civil liability	2,850
Civil liability		25,050
Transportation of materials	Robbery and burglary	100
Others		1,950
		229,450

22 Subsequent event

a. Conversion of preferred shares

The conversion of the totality of preferred shares of the Company's issue into common shares was approved on January 17, 2008, during an Extraordinary Shareholders' Meeting (AGE), at the ratio of 1.2 preferred share for 1.0 common share, and the reformulation of the Company's by-laws was also approved during the aforementioned meeting, aiming to adapt it to the requirements of the New Market Listing Regulation of São Paulo Stock Exchange (BOVESPA) and for the migration of the Company to the segment of BOVESPA's New Market.

- *Share capital*

  The Share Capital is in the amount of R$ 161,463,287.99 split into 47,431,686 common shares, nominative and with no par value. The capital will be exclusively split into common shares, being prohibited the issue of preferred shares.

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

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

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

- ***Share rights***

  Each common share will give the right of one vote in the resolutions of the General Shareholders' Meetings. The shares will have a book-entry form and will be maintained in deposit accounts, in the name of their holders, in the financial institution authorized by the Securities and Exchange Commission (CVM) that the Company appoints, with no issue of certificates. The depositary institution will be able to charge from the shareholders the service cost of the property transfer of the book entry shares, in compliance with the limits established by the Securities and Exchange Commission (CVM).

  The Company may suspend the services of share transferences for a period over fifteen days, considering each individual period, nor over ninety days during the year, considering all periods added up. The shareholders will have the preference right to, in proportion to the number of shares they have, subscribe new shares and/or securities convertible into shares. The term for the exercise of the preference right will be of 30 (thirty) days, counted as from the date of the publication of the minute that resolves the respective increase or the competent notice. The agency that authorizes the issue may extend the aforementioned term until the double of it.

b. Lei 11.638/07 - Change in the Brazilian Corporate Law.

On December 28, 2007, there was the enactment of Law 11638, which amends Law 6404 in the chapter related to the disclosure and preparation of financial statements, and modifies, among other aspects, the criteria for recognizing and valuating assets and liabilities. These changes in the accounting practices will be effective as from January 1, 2008 and can be substantially summed up as follows:

a. pre-fixed assets and liabilities should be adjusted to present value when the effects are significant;

b. financial leasings can be recorded as fixed assets;

c. certain derivative financial instruments should be recorded at fair value;

d. assets acquired in control acquisition processes in corporations, in independent parts, start being valuated at fair value in the acquiring corporation;

e. the equity accounting starts being recorded according to the significant influence and in corporations that belong to the same group or under the same parent company;

f. the revaluation of assets is not permitted anymore;

The effects of the enforcement of the aforementioned Law on the Company's financial statements are under analysis of Management, as well as the application of certain changes depending on subsequent regulation to be issued by the competent agencies. Therefore, the impact of the changes brought by this new law cannot be measured yet.